

REPORT OF THE COMPTROLLER
AND AUDITOR GENERAL
OF INDIA

FOR THE YEAR 1972-73

GOVERNMENT OF KERALA
(CIVIL)

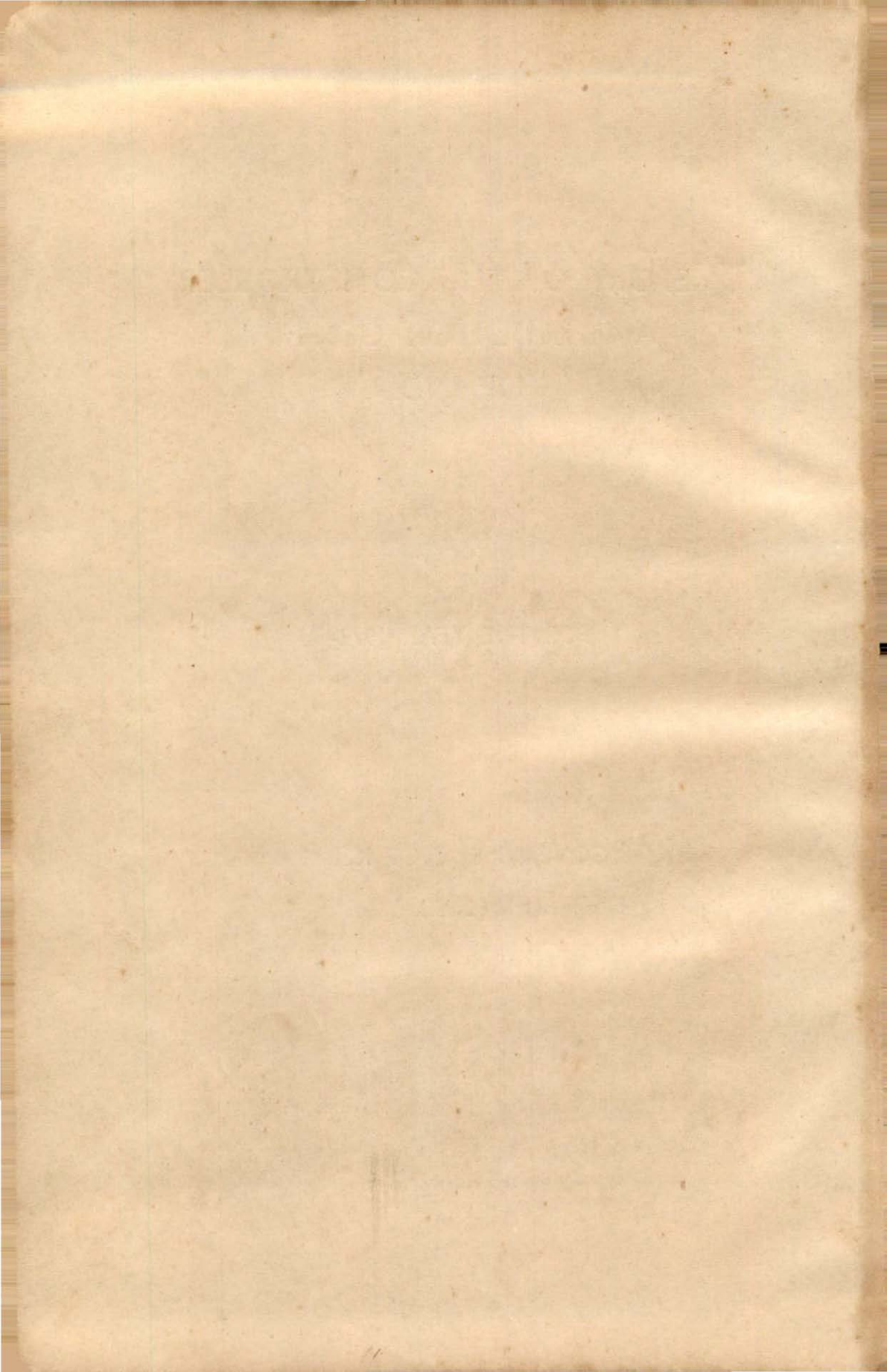
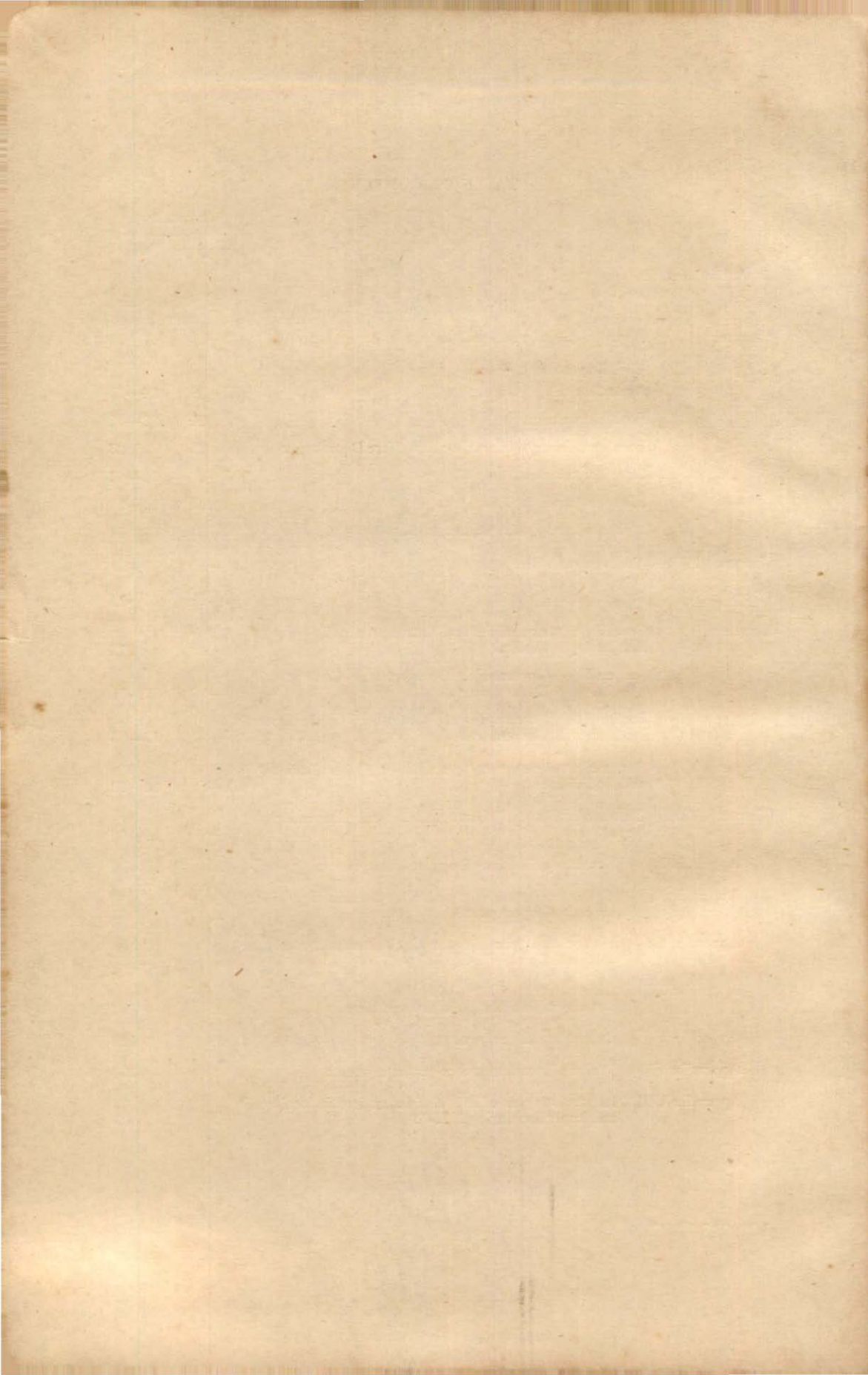


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PREFATORY REMARKS

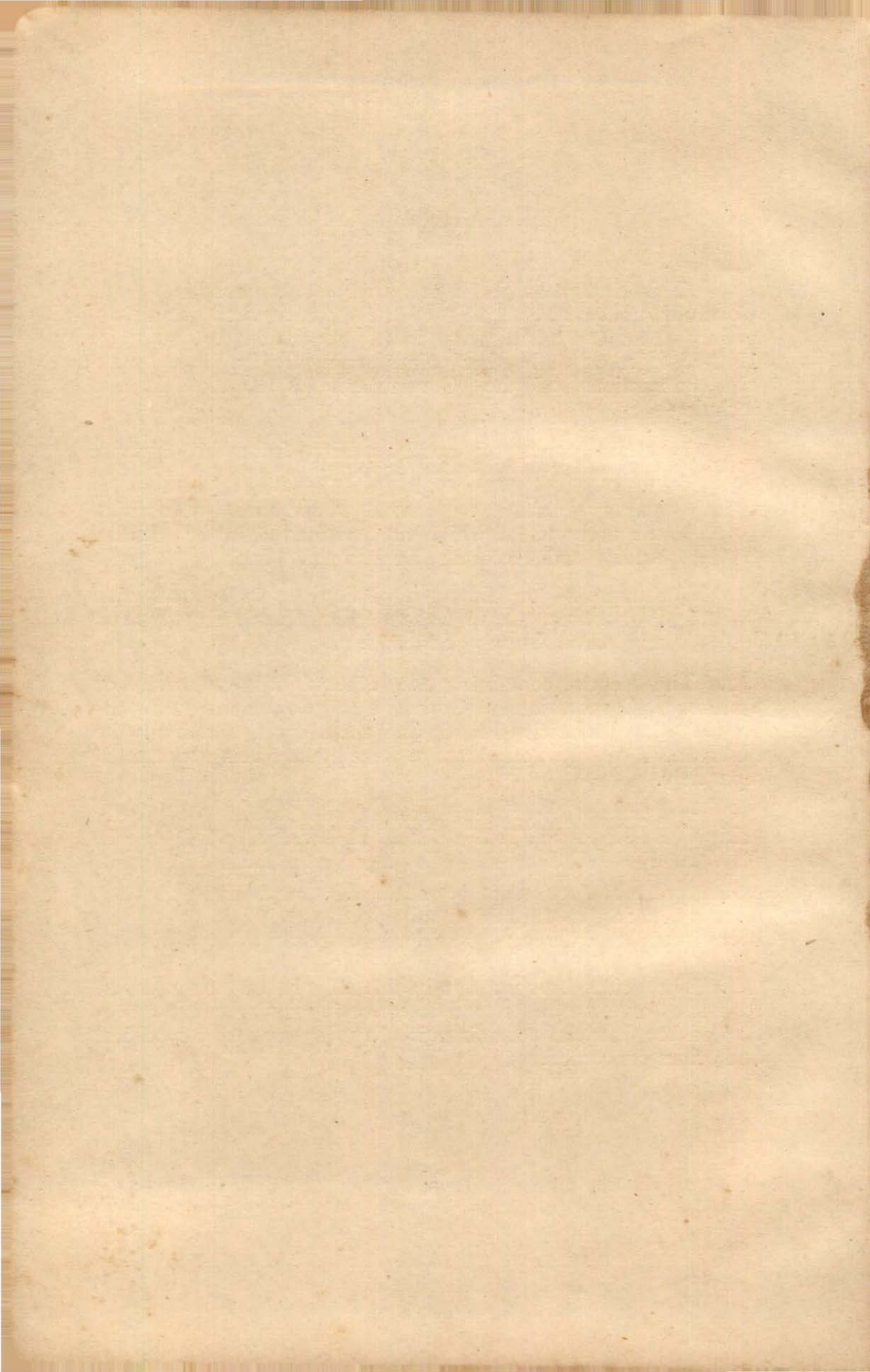
This Report has been prepared for submission to the Governor under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts for 1972-73 together with other points arising from audit of financial transactions of the Government of Kerala. It also includes—

- (i) certain points of interest arising from the Finance Accounts for the year 1972-73;
- (ii) matters relating to certain bodies and authorities, the accounts of which are audited by the Indian Audit and Accounts Department; and
- (iii) comments on Emergency Agricultural Production Programme, Crash Scheme for Rural Employment, and Civil Supply Schemes.

2. The Report containing the observations of Audit on Statutory Corporations, Government Companies and the Kerala State Electricity Board and the Report containing the observations of Audit on Revenue Receipts are being presented separately.

3. The cases mentioned in the present Report are those which came to notice in the course of test audit of accounts during the year 1972-73 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 1972-73 have also been included wherever considered necessary.

4. The points brought out in this Report are not intended to convey or to be understood as conveying any general reflection on the financial administration by the departments/bodies/authorities concerned.



CHAPTER I

GENERAL

1. Budget and actuals

(a) *Revenue Receipts*: The actuals of revenue receipts for 1972-73 as compared with (i) budget estimates and (ii) budget estimates plus additional taxation during the year along with the corresponding figures for 1970-71 and 1971-72 are shown below:—

Year	Budget	Budget plus additional taxation	Actuals	Variation between columns (4) and (3)	
				Amount of increase +/ decrease—	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
(in crores of rupees)					
1970-71	1,44.47	1,46.37	1,50.79	+4.42	3.02
1971-72	1,65.01	1,67.01	1,79.19	+12.18	7.29
1972-73	1,91.38	1,96.88	1,96.49	-0.39	0.20

(b) *Expenditure on revenue account*: The expenditure on revenue account as compared with (i) budget estimates and (ii) budget estimates plus supplementary grants/appropriation is shown below:—

Year	Budget	Budget plus supplementary grants/ appropriation	Actuals	Variation between columns (4) and (3)	
				Amount of decrease	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
(in crores of rupees)					
1970-71	1,57.95	1,67.31	1,63.80	3.51	2.10
1971-72	1,81.27	1,95.37	1,86.51	8.86	4.53
1972-73	2,09.97	2,20.63	2,03.38	17.25	- 7.82

(c) The transactions on revenue account resulted in a deficit of Rs. 6.89 crores against a deficit of Rs. 7.32 crores in 1971-72. Taking, however, into account the transactions outside the revenue account, there was overall

deficit of Rs. 0.63 crore in 1972-73 against a deficit of Rs. 1.55 crores in 1971-72. The details are given below:—

	1971-72	1972-73
	<i>(in crores of rupees)</i>	
Opening Cash Balance	—2.11	—3.66
Part I—Consolidated Fund—		
(a) Transactions on Revenue Account—		
(i) Revenue receipts	1,79.19	1,96.49
(ii) Revenue expenditure	1,86.51	2,03.38
(iii) Revenue deficit	—7.32	—6.89
(b) Transactions outside the Revenue Account—		
(i) Capital expenditure	—30.97	—35.80
(ii) Receipts from borrowings (Net)	53.69	37.72
(iii) Loans and advances by State Government (Net)	—27.34	—16.34
Part II—Contingency Fund (Net)	—0.50	1.56
Part III—Public Account (Net)	10.89	19.12
Closing Cash Balance	—3.66	—4.29
Overall deficit	—1.55	—0.63

2. Revenue receipts

The revenue receipts during 1972-73 (Rs. 1,96.49 crores) increased by Rs. 17.30 crores over those in 1971-72 (Rs. 1,79.19 crores). Revenue receipts during 1971-72 and 1972-73 include Rs. 10.33 crores and Rs. 4.85 crores respectively on account of interest due from the Kerala State Electricity Board. The amounts were credited as receipts under 'interest' and corresponding amounts were, under orders of the State Government, adjusted as further loan to the Board in 1971-72 and further loan (Rs. 3.45 crores) and subsidy (Rs. 1.40 crores) to the Board in 1972-73. If the amount adjusted as further loan and subsidy in 1972-73 is excluded, the increase in the revenue receipts during 1972-73 over those in 1971-72 would be Rs. 12.45 crores. The increase of Rs. 17.30 crores in the revenue receipts was mainly under:—

<i>Major head</i>	<i>Increase</i>	<i>Reasons for increase</i>
	<i>(in crores of rupees)</i>	
Grants-in-aid from Central Government	7.26	Due to more grants sanctioned by Government of India for various schemes.
State's share of Union Excise Duties	3.89	Due to increase in the amount of net proceeds of union excise duties assigned to the State.

<i>Major head</i>	<i>Increase (in crores of rupees)</i>	<i>Reasons for increase</i>
Sales Tax	3.77	Due to normal growth of trade and commerce and enhancement of rate of general sales tax from 3 to 3.5 per cent.
Other Taxes and Duties	3.42	Mainly due to increased collection under 'Taxes on Goods and Passengers carried by Road or on Inland Waterways'.
Taxes on Income other than Corporation Tax	2.75	Due to increase in the amount of net proceeds of income tax assigned to State.
Education	2.00	Mainly due to fees received from private colleges and technical institutions consequent on introduction of the system of direct payment by Government of salary to the teaching and non-teaching staff of private colleges and technical institutions.

The increase was partly counterbalanced by decrease under the following head of account:—

<i>Major head</i>	<i>Decrease (in crores of rupees)</i>	<i>Reasons for decrease</i>
Interest	5.82	Towards interest on loans given to the Kerala State Electricity Board, only Rs. 4.85 crores were adjusted (Rs. 3.45 crores as additional loan and Rs. 1.40 crores as subsidy) during 1972-73 whereas during 1971-72 Rs. 10.33 crores due as interest from the Board were adjusted as loan.

3. Taxation measures

Government anticipated at the budget stage additional revenue of Rs. 5.50 crores from the following measures:—

	<i>(in crores of rupees)</i>
(i) Increasing the rate of general sales tax from 3 to 3.5 per cent	3.00
(ii) Levy of sales tax on petroleum products purchased by Indian Oil Company and other companies from Cochin Refineries Limited and transferred to their depots and branches outside the State for sale	1.50
(iii) Levy of irrigation cess at a uniform rate of Rs. 25 per hectare	1.00

Measures at (i) and (ii) above yielded Rs. 4.51 crores while the measure at (iii) was not implemented during the year as according to the State Government the drafting of the necessary legislation was not completed during the year.

4. Arrears in collection of revenue

According to information furnished by the departments, the arrears in collection of revenue on 31st March 1973 were Rs. 28.32 crores (14.41 per cent of annual revenue). The departments with heavy arrears are Taxes (Sales Tax: Rs. 10.00 crores; Agricultural Income Tax: Rs. 3.06 crores and Excise: Rs. 3.47 crores), Revenue (Land Revenue: Rs. 3.43 crores) and Agriculture (Forest: Rs. 2.06 crores). Further details are given in the separate Report (Revenue Receipts) of the Comptroller and Auditor General of India for the year 1972-73, Government of Kerala.

5. Expenditure met from Revenue

In 1972-73 expenditure on revenue account (Rs. 2,03.38 crores) increased by Rs. 16.87 crores over that in 1971-72 (Rs. 1,86.51 crores). This increase was due mainly to more expenditure on (i) Collegiate education (Rs. 2.98 crores) consequent on the introduction of the system of direct payment by Government of salaries to the staff of private colleges and primary education (Rs. 1.82 crores) due to payment of *ad hoc* increase in dearness allowance sanctioned by Government and general increase in administrative expenses, (ii) provision of house sites and houses to landless workers in rural areas (Rs. 2.03 crores) and payment of subsidy to the Kerala State Electricity Board (Rs. 1.40 crores) towards loss sustained on rural electrification, (iii) agriculture, on account of contribution (Rs. 2.05 crores) made to the Agriculturist Rehabilitation Fund (created under the Kerala Land Reforms Act 1963), supply of pumpsets free of cost to panchayats under Emergency Agricultural Production Programme (Rs. 0.59 crore) and payment of more grants (Rs. 0.56 crore) to the Kerala Agricultural University, (iv) District Executive Force and Criminal Investigation Wings of the Police Department (Rs. 1.83 crores), (v) interest payments to Government of India (Rs. 1.34 crores) and (vi) hospitals and dispensaries (Rs. 1.27 crores).

6. Expenditure outside the Revenue Account

Expenditure outside the revenue account includes, besides capital expenditure, the amount disbursed by Government as loans and advances.

Capital expenditure during the three years ending 1972-73 as compared with (i) budget estimates and (ii) budget estimates plus supplementary grants/

appropriation is shown below (Loans and advances are dealt with in paragraph 7 below):—

Year	Budget	Budget plus supplementary	Actuals	Variation between columns (4) and (3)	
				Amount of decrease	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
		<i>(in crores of rupees)</i>			
1970-71	18.62	24.79	23.41	1.38	5.57
1971-72	34.38	37.28	30.97	6.31	16.93
1972-73	30.18	36.70	35.80	0.90	2.45

The progressive capital expenditure to end of March 1973 was Rs. 2,81.84 crores. Further details are given in statement nos. 2 and 13 of Finance Accounts 1972-73.

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

	During 1972-73	Progressive total
		to end of 1972-73
<i>(in crores of rupees)</i>		
(i) Capital expenditure on irrigation and multi-purpose schemes	7.12	74.30
(ii) Capital outlay on improvement of public health	8.36	36.65
(iii) Capital outlay on public works	11.42	97.26
(iv) Capital outlay on industrial and economic development	6.08	56.27
(v) Capital outlay on other works (including commercial departments and Contingency Fund)	2.82	17.36
Total	35.80	2,81.84
(vi) Net expenditure under loans and advances	16.34	2,09.82
Grand Total	52.14	4,91.66

The sources from which the expenditure outside the revenue account (including the loans and advances) was met during 1972-73 are shown below:—

<i>(in crores of rupees)</i>	
I. Net additions to—	
(i) Market loans	4.19
(ii) Floating Debt	—48.89
(iii) Loans from Central Government	78.99
(iv) Unfunded Debt	10.02
(v) Loans from other sources	3.43

(in crores of rupees)

II.	Miscellaneous (mainly deposits, etc., received by Government less the amounts re-funded)	10.57
III.	Receipts from sale of securities and drawing down of cash balance	0.72
IV.	Revenue deficit	-6.89
	Net amount available for expenditure outside the revenue account	52.14

7. Loans and advances by Government

(a) The actuals of disbursement of loans and advances by Government for 1972-73 as compared with (i) budget estimates and (ii) budget estimates plus supplementary grants along with the corresponding figures for 1970-71 and 1971-72 are shown below:—

Year	Budget	Budget plus supplementary	Actuals	Variation between columns (4) and (3)	
				Amount of increase+/ decrease—	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
					(in crores of rupees)
1970-71	15.16	15.83	17.59	+1.76	11.12
1971-72	15.68	33.98	33.13	-0.85	2.57
1972-73	19.30	23.72	23.13	-0.59	2.49

(b) The budget and actuals of recoveries of loans and advances for three years ending 1972-73 are given below:—

Year	Budget	Actuals	Variation	
			Amount of increase+/ decrease—	Percentage
			(in crores of rupees)	
1970-71	6.08	6.61	+0.53	9
1971-72	13.84	5.79	-8.05	58
1972-73	6.98	6.79	-0.19	3

(c) The balance of loans and advances by Government outstanding on 31st March 1973 was Rs. 2,09.82 crores against Rs. 1,93.48 crores on 31st March 1972. Further details are given in statement nos. 5 and 18 of Finance Accounts 1972-73.

(d) The departmental officers who maintain detailed accounts of loans are required to intimate to Audit by 15th July each year the arrears (as on 31st March) in recovery of principal of and interest on loans. Two officers (Director of Fisheries and Director of Industries and Commerce) out of the six mentioned in paragraph 7 (d) of the Report for 1971-72 have since furnished information regarding defaults as on 31st March 1972. According to them Rs. 80 lakhs under principal, Rs. 20.47 lakhs under interest and Rs. 8.50 lakhs under penal interest were due in respect of loans the detailed accounts of which are maintained by them. Information about arrears in recovery of loans and advances on 31st March 1973 has not been furnished (April 1974) by the following:—

1. Director of Industries and Commerce,
2. Director of Collegiate Education,
3. Director of Animal Husbandry,
4. Director of Harijan Welfare,
5. Secretary, Board of Revenue.

According to information furnished by the remaining departments, recovery of Rs. 4,10.81 lakhs (principal: Rs. 3,33.11 lakhs; interest, including penal interest: Rs. 77.70 lakhs) was overdue on 31st March 1973. Major cases of defaults are given below:—

<i>Department/class of loan</i>	<i>Arrears</i>		<i>Earliest year from which recovery is due</i>
	<i>Principal</i>	<i>Interest</i>	
	(in lakhs of rupees)		
<i>Agriculture</i>			
Agricultural loans	51.91	10.67	*
Soil conservation	20.59	24.38	1956-57
Co-operative Societies, etc.	14.38	8.11	1969-70
Poultry Development	1.49	0.32	*
<i>Development</i>			
Fisheries Schemes	1,55.75	10.26	1957-58
Community Development	51.01	12.46	1954-55
<i>Education</i>			
Miscellaneous loans	4.58	0.02	*
<i>Local Administration and Social Welfare</i>			
Housing Schemes	19.41	7.23	*
Colonisation Schemes	1.09	0.19	*
	2.80	0.83	
<i>Revenue</i>			
Loans to cultivators			
affected by floods	5.23	0.93	1968-69
Other loans	2.08	0.80	1967-68

*Information awaited.

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

In the case of loans the detailed accounts of which are maintained by Audit, the amount overdue for recovery at the end of March 1973 was Rs. 0.63 lakh (principal: Rs. 0.16 lakh; interest: Rs. 0.47 lakh) in 83 cases. Rupees 0.19 lakh were also due for recovery as penal interest.

(e) *Concessions given to Kerala State Electricity Board:*

Out of the interest due from the Kerala State Electricity Board on loans advanced by the State Government, Rs. 3.45 crores were adjusted as additional loan during the year, in addition to Rs. 10.33 crores similarly adjusted in 1971-72. Further, Rs. 1.40 crores were also adjusted during the year as subsidy towards loss sustained by the Board on Rural Electrification, out of interest dues on Government loans. In the absence of separate accounts for Rural Electrification works with the Board, the extent of subsidy is not susceptible of verification. The balance amount of interest due from the Board on 31st March 1973 was Rs. 35.64 crores. Government, in May 1972, waived the recovery of Rs. 16.07 crores due as interest from the Board; but adjustment in this regard in the accounts for 1972-73 has not been effected pending receipt of certain clarifications sought for from Government.

(f) Rules require that departmental officers who administer loans should furnish to Audit by the 15th July every year a certificate that the aggregate balances shown as recoverable at the end of the preceding March in the registers maintained by them agree with those communicated to them by the Accountant General. In 244 cases the certificates of acceptance of balances have not been received from the departmental officers (March 1974) as shown below:—

<i>Department</i>	<i>Number</i>	<i>Balance of loans on 31st March 1973 (in crores of rupees)</i>
Agriculture	85	8.86
Industries	80	14.44
Development	24	3.29
Revenue	24	1.04
Local Administration	15	7.09
Others	16	3.00
Total	244	37.72

Delay in submission of certificates of balances is mainly due to failure of departments to reconcile monthly transactions recorded in their books with those appearing in the books of the Accountant General regularly (required under the rules). Reconciliation work in certain cases has been in arrears from 1957-58 onwards. Special squads were appointed in November 1967 by Government in each district to clear the arrears in reconciliation work; but so far (March 1974) no appreciable progress has been made.

8. Debt position of Government

At the end of 1972-73, the outstanding public debt and other obligations of Government were Rs. 5,07.32 crores. The increase in debt in the last three years was Rs. 1,65.86 crores; Rs. 1,44.81 crores under public debt and Rs. 21.05 crores under other obligations.

Public Debt:

The public debt comprises loans from Government of India, permanent debt (market loans), floating debt and other loans from autonomous bodies such as Life Insurance Corporation of India and National Agricultural Credit (Long Term Operations) Fund of the Reserve Bank of India. The public debt increased during 1972-73 by Rs. 37.72 crores; the details are given below:-

	Raised during 1972-73	Discharged during 1972-73	Increase during 1972-73	Balance on 31st March 1973
(in crores of rupees)				
Loans from Central Government	1,11.71	32.72	78.99	3,44.42
Permanent Debt (Open market loans)	8.27	4.08	4.19	57.74
Floating Debt	1,04.88	1,53.77	-48.89	3.47
Others loans	4.00	0.57	3.43	12.16
Total	2,28.86	1,91.14	37.72	4,17.79

(i) *Loans from Central Government:* Loans received from Central Government and outstanding at the end of 1972-73 (Rs. 3,44.42 crores) formed 82 per cent of the total public debt.

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

(ii) *Permanent Debt:* A loan of Rs. 7.32 crores carrying 5.75 per cent interest was raised during 1972-73 at par. The loan is repayable in 1984. Further, bonds known as "4.50 per cent Kerala House Sites and Houses for Families of Landless Workers (Compensation for the value of Lands) Bonds" were issued at par for Rs. 0.87 crore; they are repayable at the end of two years.

Government has constituted a depreciation fund for purchasing securities of the loans for cancellation and a general sinking fund for amortisation of loans. Up to 1966-67 only nominal amounts (2 per cent of the loans) were being contributed to these funds. During 1967-68 the rate of contribution was increased to 8 per cent of the outstanding balance of the loans. During 1968-69, at the suggestion of Government of India, the rate of contribution to these funds was changed (between 6.2 per cent to 9.2 per cent, depending upon

the number of years in which the loans are to be repaid). In 1972-73, Rs. 79.90 lakhs were contributed to the depreciation fund and Rs. 2,58.12 lakhs to the general sinking fund. Out of the balance of Rs. 13,20.19 lakhs in the funds, Rs. 92.34 lakhs were invested in the securities of the Government of India and the balance of Rs. 12,27.85 lakhs was not invested and was utilised to augment general cash balance of the State. Rupees 2.79 lakhs were received during the year as interest on the investments.

(iii) *Floating Debt*: This represents borrowings of a purely temporary nature such as ways and means advances and overdraft accommodation from the Reserve Bank of India, and '4½ per cent Kerala House Sites and Houses for Families of Landless Workers (compensation for the value of Lands) Bonds' issued in pursuance of the scheme for the provision of house sites to landless workers in rural areas.

Under an agreement with the Reserve Bank of India, Government has to maintain a minimum cash balance of Rs. 30 lakhs on all days. If the balance falls below the agreed minimum, the deficiency is made good either by taking a ways and means advance from the Reserve Bank (limited to a maximum of Rs. 90 lakhs up to 30th April 1972 and Rs. 3,60 lakhs from 1st May 1972) or by selling treasury bills. Besides this, special accommodation not exceeding Rs. 3.75 crores is also made available against the securities held by State Government. On days when the cash balance falls short of the stipulated minimum balance even after availing these facilities up to the maximum limit, Government takes overdrafts from the Bank.

In 1972-73 the cash balance of the State Government with the Reserve Bank fell below the prescribed minimum on 87 days. Government took a total overdraft of Rs. 36.92 crores from the Bank from April 1972 to March 1973. The entire amount of overdraft (including Rs. 47.41 crores outstanding at the beginning of 1972-73) was repaid during the year. The total amount of floating debt outstanding at the end of the year was Rs. 3.47 crores (ordinary ways and means advance). Rupees 74.03 lakhs were paid as interest on the floating debt.

With a view to helping the State Government to clear the overdraft, Government of India sanctioned a loan of Rs. 47.80 crores (Rs. 33.51 crores in May 1972, Rs. 10 crores in August 1972 and Rs. 4.29 crores in December 1972). Out of this, Rs. 5.03 crores were adjusted from amounts due to the State Government and the balance of Rs. 42.77 crores was converted into medium term loan. Rupees 5.07 lakhs were paid as interest by the State Government on the adjusted portion of the loan.

Further details are given in statement no. 7 of Finance Accounts 1972-73.

(iv) *Other loans*: The balance of loans taken from Life Insurance Corporation of India, National Agricultural Credit (Long Term Operations) Fund of the Reserve Bank of India, National Co-operative Development Corporation, etc., at the end of March 1973 was Rs. 12.16 crores.

Other obligations: In addition to public debt, the balances under deposits, etc., to the extent they have not been separately invested but are merged with the general cash balance of State Government also constitute the liability of State Government. Such liability on 31st March 1973 was Rs. 89.53 crores

comprising uninvested balances of (i) interest-bearing obligations such as depreciation reserve funds of commercial undertakings, etc. (Rs. 1.73 crores), (ii) non-interest bearing obligations such as deposits of local funds, civil deposits, other earmarked funds, etc. (Rs. 45.90 crores) and (iii) unfunded debt, mainly provident fund balances (Rs. 41.90 crores).

Interest on debt and other obligations: The gross interest paid by Government during the year was Rs. 19.69 crores on public debt (including expenditure on management) and Rs. 0.13 crore on other obligations. Against this, Government received Rs. 6.36 crores (including Rs. 4.85 crores interest due from Kerala State Electricity Board adjusted as additional loan/subsidy) towards interest on loans and advances given by it and Rs. 0.34 crore on investment of cash balances. The net burden of interest charges on debt and other obligations during the year was Rs. 13.12 crores (6.68 per cent of the total revenue receipts) as compared to Rs. 6.53 crores (3.64 per cent of the total revenue receipts) in 1971-72. If the interest adjusted as loan and subsidy to the Kerala State Electricity Board in 1972-73 and as loan in 1971-72 are excluded, the net burden on the revenues for the two years works out to Rs. 17.97 crores (9.15 per cent of the total revenue receipts) and Rs. 16.86 crores (9.41 per cent of the total revenue receipts) respectively.

There were, in addition, certain other receipts and adjustments (Rs. 2.11 crores) such as interest received from commercial departments, interest on arrears of revenue and interest on 'Miscellaneous' account. If these are also taken into account, the net burden of interest on revenue during 1972-73 would be Rs. 11.01 crores (6 per cent of the revenue). If, however, interest adjusted as loan and subsidy to the Kerala State Electricity Board is excluded, the net burden of interest on revenue during the year would be Rs. 15.86 crores (8.07 per cent of the revenue).

Government also received during the year Rs. 49.27 lakhs as dividend on investments in commercial undertakings.

9. Guarantees

Government has given guarantees for repayment of loans, debentures, bonds, etc., raised by statutory corporations, Government companies, co-operative institutions, joint-stock companies and private firms as also for repayment of the working capital raised by Kerala Financial Corporation and payment of minimum dividend of 3.5 per cent thereon. The maximum amount guaranteed and sums guaranteed outstanding on 31st March 1973 were Rs. 98.00* crores and Rs. 83.04* crores respectively. Further details are given in statement no. 6 of Finance Accounts 1972-73.

Government paid up to 1972-73 Rs. 17.45 lakhs towards the guaranteed minimum dividend on the share capital of Kerala Financial Corporation. Of this, Rs. 0.20 lakh only have so far been recovered (April 1974).

In one case where Government had given guarantee to the Syndicate Bank in respect of financial accommodation of Rs. 20.00 lakhs given by it

* Differ from figures in paragraph 58 of this Report which exclude figure relating to Municipalities/Corporations/Townships and private firms.

in October 1968 to a private firm (M/s. V. O. Vakkan and Sons, Alleppey) with a view to facilitate resumption of business by the firm and re-employment of about 1500 workers thrown out earlier by the firm, the period of guarantee expired in October 1971. As the firm did not repay the amount to the Bank Government has, at the instance of the Bank, initiated action against the firm under Revenue Recovery Act.

In another case where Government had given guarantee to the Kerala State Industrial Development Corporation Limited for loans advanced by it to Cannanore Spinning and Weaving Mills, the loanee mills defaulted in payment of instalments and the Corporation adjusted the defaulted instalments (Rs. 5.78 lakhs) from the amount payable by it to the State Government.

10. Investments

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

	Investments to end of 1972-73		Dividend/interest received in 1972-73	
	Number of concerns	Amount	Amount	percentage
	(in lakhs of rupees)			
(A) Shares of—				
Statutory corporations	3	10,59.86	1.59	0.15
Government companies	38	26,82.69	12.93	0.48
Joint-Stock companies	42	2,70.84	27.62	10.19
Co-operative societies and banks	*	11,17.15	10.41	0.93
(B) Debentures and bonds	3	29.71	1.32	4.40
Total		51,60.25	53.87	1.04

Mention was made in the Report for 1971-72 about investments made in the following banking companies from which the banking undertakings were taken away in 1969:—

	Name of the banking company	Year of investment	No. of shares	Amount invested Rs.
1.	Central Bank of India Limited	1948	4,080	5,26,599
2.	Bank of India Limited	1948	639	1,23,429
3.	Indian Bank Limited	1947 to 1968	3,737	12,92,314

*Details not available.

The present position of these investments is as follows:—

1. Central Bank of India Limited After nationalisation of the banking undertaking of the company, the residual Central Bank of India Limited was amalgamated with the Tata Engineering and Locomotive Company Limited in March 1972. Information about the type, the number and the face value of the shares issued to Government by the Tata Engineering and Locomotive Company Limited is awaited.
2. Bank of India Limited After the nationalisation of the banking undertaking of the company, the residual Bank of India Limited was amalgamated with the Ahmedabad Manufacturing and Calico Printing Factory Limited. Information about the type, the number and the face value of shares issued to the State Government by the Company is awaited.
3. Indian Bank Limited The company has gone into liquidation from 17th April 1972. The Government received Rs. 6.25 lakhs during 1972-73 towards first instalment of dividend on liquidation.

Further details of investments of Government are given in statement no. 14 of Finance Accounts 1972-73 and paragraph 57 of this Report.

Four concerns in which Government had invested Rs. 20.56 lakhs are under liquidation. (This is in addition to the Indian Bank of which mention has been made earlier.)

Pro forma accounts for 1972-73 of none of the three State Trading Schemes have been received from the departmental officers (April 1974).

Pro forma accounts for 1972-73 of none of the five departmental undertakings were received in Audit till April 1974.

11. Financial results of irrigation works

(a) Irrigation works are broadly classified into two categories viz., 'Commercial' and 'Non-Commercial'. *Pro forma* accounts are at present prepared only in respect of 'commercial' irrigation works. Government has not laid down any norms for classifying irrigation works as 'Commercial' or 'Non-Commercial'. In paragraph 11 (a) of the Report for 1971-72 had been listed several major irrigation projects on which considerable outlays had been made and which stand classified at present as 'Non-commercial'. If such projects are not classified as 'Commercial' and *pro forma* accounts are not prepared, the financial results of the schemes cannot be ascertained. The question of laying down suitable norms for the classification of irrigation projects as 'Commercial' and 'Non-Commercial' and of reclassifying the existing projects is still under consideration of Government (April 1974).

(b) An irrigation work is classified as productive or unproductive depending upon whether the net revenue (gross revenue minus working expenses) derived from the work on expiry of ten years from the date of closure of construction estimate covers or does not cover the prescribed annual interest charges on the capital invested. The rate of interest prescribed for 1972-73 was 6.25 per cent.

Capital and revenue accounts are kept in the State for eight irrigation works. Of these, seven works have been completed and one work (Cheerakuzhi Project) has been partly completed and water from all the eight is being used for irrigation.

The revenue assessed from these works during 1972-73 was Rs. 16.14 lakhs, while the working expenses were Rs. 46.07 lakhs. Taking into account interest (Rs. 1,43.23 lakhs) on capital, the loss during the year was Rs. 1,73.16 lakhs, which was 7 per cent of the capital outlay.

Some particulars about two of the projects are given below:—

(i) *Cheerakuzhi Project*: The project, classified as productive and estimated to cost Rs. 47.34 lakhs, was sanctioned in May 1956. It envisaged construction of a regulator across Cheerakuzhi river (a tributary of Bharathapuzha river) and a canal system (total length: 46.30 Kms.). On completion, it was expected to irrigate 1,620 hectares under paddy. Work on the project, commenced in November 1957, was to be over by November 1960. During execution, it was, however, found that provision made for most of the items was inadequate and that the ayacut in respect of one of the branch canals had been overestimated. In order to achieve the expected irrigation potential of 1,620 hectares, the original estimate had to be revised in certain respects (1965). In 1967 Government decided to execute the project in two stages to bring 4,650 hectares more under the ayacut. The estimate was revised to Rs. 90.76 lakhs (September 1967) for the first stage which was partially completed in 1968. However, due to delay in providing necessary electric connections, water could be released only in 1973. The area actually benefited on partial commissioning of the first stage is only 928 hectares against 1,620 hectares estimated earlier. During 1972-73, 22.08 million cubic metres of water were discharged for irrigation from the project. Revenue assessed from the project and working expenses were Rs. 0.07 lakh and Rs. 1.57 lakhs respectively. Thus, the loss sustained during 1972-73, excluding interest on capital outlay was Rs. 1.50 lakhs. If interest on direct capital outlay is also taken into account, the loss during 1972-73 works out to Rs. 8.90 lakhs. Upto the end of 1972-73, Rs. 1,24.46 lakhs were spent. Construction of branch canals is still in progress (March 1974). According to the present forecast, work on the first stage intended to benefit 1,620 hectares is expected to be completed only in 1975-76.

(ii) *Meenkara (Gayathri) Project*: The project, classified as unproductive, was sanctioned in April 1956 by the Government of the erstwhile, pre-reorganised Madras State at an estimated cost of Rs. 49.56 lakhs. The proposal was to construct a reservoir across Meenkara river in Palghat district and a canal system to irrigate 1,660 hectares under paddy. Work on the project was commenced in June 1956. In October 1957 the scope of the project was enlarged so as to irrigate 5,468 hectares and the estimate revised to Rs. 1,35 lakhs (further revised to Rs. 2,20 lakhs according to revised estimate sanctioned

in August 1965) and it was decided to implement the project in two stages. The first stage which envisaged construction of an earthen dam 3,064 feet long and a masonry spillway 98 feet long on Meenara river and an irrigation channel on either bank was completed in June 1960. The second stage of the project consisted of construction of a masonry dam 2,152 feet long and an earthen dam 1,475 feet long on Chulliar river in the same district besides an irrigation channel on the left bank. Work on this stage was completed in October 1966. Total area irrigated after execution of both stages is 4,871 hectares. Main crop in the ayacut is paddy. Rupees 2,62.38 lakhs had been spent on the project till the end of 1972-73. During 1972-73, 49.49 million cubic metres of water were released from the project. Revenue assessed from the project during 1972-73 was Rs. 0.95 lakh. Working expenses (excluding interest on capital outlay) for 1972-73 were Rs. 2.13 lakhs. Thus there was a loss of Rs. 1.18 lakhs during the year. If interest on direct capital outlay is also taken into account, the loss during 1972-73 works out to Rs. 17.15 lakhs.

12. Utilisation certificates

During the year 1972-73, Government paid Rs. 49.45 crores as grants. The main beneficiaries were local bodies, educational and co-operative institutions, other bodies and individuals. The financial rules of Government require that certificates of proper utilisation of grants should be furnished to Audit by the departmental officers within twelve months from the date of sanction of grants. On 1st October 1973, 3,734 certificates (Rs. 3,36.64 lakhs) for grants paid up to 31st March 1972 were due; of these, 782 certificates (Rs. 35.84 lakhs) relate to grants paid up to March 1969. The position in respect of grants paid during the period from April 1969 to 31st March 1972 was as shown below:—

Department	Year in which grant was paid	Utilisation certificates					
		Outstanding on 31-3-1973		Received up to 30-9-1973		Outstanding on 1-10-1973	
		No.	Amount	No.	Amount	No.	Amount
(Amount in lakhs of rupees)							
Agriculture	1969-70	17	10.44	..	0.02	17	10.42
	1970-71	42	8.98	..	0.02	42	8.96
	1971-72	63	9.78	..	..	63	9.78
	Total	122	29.20	..	0.04	122	29.16
Development	1969-70	13	15.78	..	..	13	15.78
	1970-71	9	0.81	..	..	9	0.81
	1971-72	8	0.49	..	..	8	0.49
	Total	30	17.08	..	..	30	17.08
General Education	1969-70	10	0.38	..	..	10	0.38
	1970-71	9	1.94	..	..	9	1.94
	1971-72	34	7.16	15	2.36	19	4.80
	Total	53	9.48	15	2.36	38	7.12

Department	Year in which grant was paid	Utilisation certificates					
		Outstanding on 31-3-1973		Received up to 30-9-1973		Outstanding on 1-10-1973	
		No.	Amount	No.	Amount	No.	Amount
(Amount in lakhs of rupees)							
Higher Education	1969-70	13	17.76	..	..	13	17.76
	1970-71	7	11.88	..	..	7	11.88
	1971-72	77	96.45	6	0.38	71	96.07
	Total	97	1,26.09	6	0.38	91	1,25.71
Health	1969-70	21	5.86	..	..	21	5.86
	1970-71	11	5.79	..	..	11	5.79
	1971-72	41	4.64	..	..	41	4.64
	Total	73	16.29	..	..	73	16.29
Home	1969-70	1	0.30	..	..	1	0.30
	1970-71	1	0.23	..	..	1	0.23
	1971-72	208	35.27	162	28.66	46	6.61
	Total	210	35.80	162	28.66	48	7.14
Industries	1971-72	58	11.66	3	5.07	55	6.59
Local Administration and Social Welfare	1969-70	740	12.42	4	0.02	736	12.40
	1970-71	1,465	46.33	9	0.08	1,456	46.25
	1971-72	287	27.07	13	0.58	274	26.49
	Total	2,492	85.82	26	0.68	2,466	85.14
Public (Miscellaneous)	1971-72	38	5.80	12	0.37	26	5.43
Revenue	1971-72	5	0.34	3	0.20	2	0.14
Water and Power	1971-72	1	1.00	..	..	1	1.00
Total	1969-70	815	62.94	4	0.04	811	62.90
	1970-71	1,544	75.96	9	0.10	1,535	75.86
	1971-72	820	1,99.66	214	37.62	606	1,62.04
Grand Total		3,179	3,38.56	227	37.76	2,952	3,00.80

The utilisation certificates have not been received, although considerable time has passed since the grants were paid. Audit, therefore, cannot satisfy itself that the grants were spent on the purpose or purposes for which these grants were given and that no improper use of the grant was made.

CHAPTER II
**APPROPRIATION AUDIT AND CONTROL OVER
 EXPENDITURE**

13. 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 (in crores of rupees)</i>	<i>Saving</i>	<i>Percentage</i>
VOTED				
Original	2,53.97	2,74.89	2,67.82	7.07
Supplementary	20.92			
CHARGED				
Original	1,97.90	2,27.70	2,15.94	11.76
Supplementary	29.80			
Total		5,02.59	4,83.76	18.83

The total saving of Rs. 18.83 crores was the net result of saving of Rs. 30.34 crores in 42 grants (Rs. 18.57 crores) and 38 appropriations (Rs. 11.77 crores) partly offset by excess of Rs. 11.51 crores in 12 grants (Rs. 11.50 crores) and 2 appropriations (Rs. 4,110 only).

14. Excess over voted grants

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

<i>Sl. Number and name of grant no.</i>	<i>Total grant</i>	<i>Expenditure</i>	<i>Excess</i>
	Rs.	Rs.	Rs.
1. V. Stamps			
Original	29,54,900	35,54,900	36,77,061
Supplementary	6,00,000		
			1,22,161

Excess occurred mainly under "A (a) Charges for the sale of stamps" due to payment of more commission to vendors owing to increase in the sale of stamps.

2. XIII. Police

Original	9,78,47,600	10,13,48,100	10,22,54,412	9,06,312
Supplementary	35,00,500			

Excess occurred mainly under (i) "23 (h) (iii) Modernisation of Police Force" (expenditure: Rs. 47.52 lakhs; provision: Rs. 35.00 lakhs), (ii) "23(h)(i) Criminal Investigation Branch" (expenditure: Rs. 57.55 lakhs; provision: Rs. 50.19 lakhs), (iii) "23 (b) Superintendence" (expenditure: Rs. 72.72 lakhs;

provision: Rs. 69.69 lakhs) and (iv) "23(d) Police Training Schools and Colleges" (expenditure: Rs. 13.87 lakhs; provision: Rs. 6.91 lakhs). In the first three cases, reasons for the excess are awaited. In the fourth case, the excess was due to creation of new posts.

The excess under the above group heads was partly counterbalanced by saving under other group heads.

<i>Sl. Number and name of grant no.</i>	<i>Total grant</i>	<i>Expenditure</i>	<i>Excess</i>
	Rs.	Rs.	Rs.
3. XXI. Public Health Engineering } Original 3,46,58,600 } Supplementary .. }	3,46,58,600	6,31,48,187	2,84,89,587

Excess occurred mainly under (i) "(e)(iv) Suspense-Debit" (expenditure: Rs. 4,86.96 lakhs; provision: Rs. 2,10 lakhs), (ii) "(e) (ii) C.5. Maintenance of water supply installations of Panchayats" (expenditure: Rs. 19.49 lakhs; provision: Rs. 15 lakhs) and (iii) "(e) (ii) C.1. Maintenance of Willingdon Water Works (Trivandrum)" (expenditure: Rs. 18.78 lakhs; provision: Rs. 16 lakhs). Reasons for the excess in the first two cases are awaited. In the case of item (iii) excess of Rs. 1.51 lakhs was due to increase in cost of labour and materials. The reasons for the remaining excess (Rs. 1.27 lakhs) are awaited (March 1974).

4. XXVIII. Community Development
Projects, National Extension Service and Local Development Works

Original 4,42,11,800 } Supplementary 2,50,100 }	4,44,61,900	4,53,40,485	8,78,585
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The excess occurred mainly under "C(b) Schemes for providing Employment with Central Aid" (expenditure: Rs. 1,83.08 lakhs; provision: Rs. 1,60 lakhs). Excess of Rs. 14 lakhs was due to receipt of more assistance from the Government of India. The remaining excess (Rs. 9.08 lakhs) was due to execution of some new works sanctioned by the District Collectors.

The excess was partly counterbalanced by saving under other group heads.

5. XXXII. Irrigation

Original 6,84,68,700 } Supplementary 1,10,98,000 }	7,95,66,700	8,61,53,340	65,86,640
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The excess occurred mainly under (i) "44.A(i)(d) Establishment—Schemes under the Five Year Plan II. Share debits" (expenditure: Rs. 37.28 lakhs; provision: Rs. 15.42 lakhs) due to increase in share debit of establishment charges transferred to this head in proportion to works outlay; (ii) "44.A(i) (f) Suspense" (expenditure: Rs. 1,03.63 lakhs; provision: Rs. 76.50 lakhs);

(iii) "44.A(i) E. Other Works (a) Works—Drought Relief Fund—Emergency Food Production Programme (Non-Plan)—Crash Scheme for Minor Irrigation" (expenditure: Rs. 90.62 lakhs; provision: Rs. 75.01 lakhs); (iv) "44. A(i) E. Other Works (a) Works—Schemes outside the Five Year Plan" (expenditure: Rs. 11.79 lakhs; provision: nil); (v) "44. A (i) (d) Establishment—Schemes under the Five Year Plan—I. Investigation Circle and Divisions" (expenditure: Rs. 10.72 lakhs; provision: nil); (vi) "44. A (i) E. Other Works (d) Establishment (Non-Plan)" (expenditure: Rs. 9.77 lakhs; provision: nil) due to adjustment of share debit of establishment charges based on works outlay and (vii) "44. A (ii) Miscellaneous Expenditure—Schemes under the Five Year Plan (c) Miscellaneous" (expenditure: Rs. 5.34 lakhs; provision: Rs. 2.10 lakhs). In the case of items (ii) to (v) reasons for the excess are awaited (March 1974). As regards item (vii) excess of Rs. 1.40 lakhs was mainly on gauging operations conducted in various rivers and research studies; reasons for the remaining excess are awaited (March 1974).

Excess was partly counterbalanced by saving under other group heads.

<i>Sl. Number and name of grant no.</i>	<i>Total grant</i>	<i>Expenditure</i>	<i>Excess</i>
Rs.	Rs.	Rs.	Rs.
6. XXXIII. Public Works			
Original	14,92,84,400	15,28,95,800	20,31,40,827
Supplementary	36,11,400		
			5,02,45,027

Excess occurred for the fifth year in succession.

Excess occurred mainly under: (i) "50 (h) Suspense" (expenditure: Rs. 8,55.35 lakhs; provision: Rs. 3,72.26 lakhs), the reasons for which are awaited (March 1974); (ii) "50(d) Repairs (ii) Communications" (expenditure: Rs. 5,48.23 lakhs; provision: Rs. 4,85 lakhs); excess of Rs.15 lakhs was due to additional requirements on special repairs to roads and flood damage repairs; reasons for the remaining excess (Rs. 48.23 lakhs) are awaited (March 1974); (iii) "50 (i) Transfer of grants for Road Development to the Deposit head 'Subventions from the Central Road Fund' (Plan)" (expenditure: Rs. 27.24 lakhs; provision: Rs. 12 lakhs) due to receipt of more grant from the Government of India; and (iv) "50 (b) B. Schemes under the Five Year Plan (iii) Village Roads" (expenditure: Rs. 43.17 lakhs; provision: Rs. 30.19 lakhs) due to accelerated progress of work.

Excess mentioned above was partly counterbalanced by saving under other group heads.

7. XXXVI. Famine

Original	20,79,500	35,79,500	36,14,261	34,761
Supplementary	15,00,000			

Excess occurred mainly under (i) "A (c) Gratuitous Relief" (expenditure: Rs. 9.42 lakhs; provision: Rs. 5 lakhs); (ii) "A (b) Relief Works" (expenditure: Rs. 23.43 lakhs; provision: Rs. 20.08 lakhs) due to increased expenditure on gratuitous relief and relief works undertaken in different parts of the

State affected by heavy floods and (iii) "A (a) Salaries and Establishment—Establishment charges transferred from '50. Public Works' (expenditure: Rs. 3.29 lakhs; provision: Rs. 0.71 lakh) due to increase in the establishment charges transferred to this head in proportion to expenditure on relief works.

The excess was partly counterbalanced by saving under other group heads.

<i>Sl. Number and name of grant no.</i>	<i>Rs.</i>	<i>Total grant Rs.</i>	<i>Expenditure Rs.</i>	<i>Excess Rs.</i>
8. XLIII. Capital Outlay on Public Health				
Original	6,75,84,100	7,91,67,600	8,37,70,968	46,03,368
Supplementary	1,15,83,500			

Excess occurred for the fourth year in succession.

Excess occurred mainly under: (i) "(a) (i) II. Schemes under the Five Year Plan—B. Rural Water Supply Schemes (2) Establishment" (expenditure: Rs. 65.37 lakhs; provision: Rs. 17.03 lakhs) due to increased share debit of establishment charges proportionate to increased work expenditure and (ii) "(a) (i) II. Schemes under the Five Year Plan—A. Urban Water Supply Schemes (i) Works" (expenditure: Rs. 4,69.98 lakhs; provision: Rs. 4,43.90 lakhs). In the case of item (ii), excess of Rs. 10.19 lakhs was due to accelerated progress of work, utilising assistance from the Life Insurance Corporation of India; reasons for the remaining excess of Rs. 15.89 lakhs are awaited.

Excess mentioned above was partly counterbalanced by saving under other group heads.

9. XLVI. Capital Outlay on Irrigation				
Original	6,51,24,400	6,94,75,200	7,19,34,663	24,59,463
Supplementary	43,50,800			

Excess occurred mainly under: (i) "100. A (a) Works-Schemes under the Five Year Plan" (expenditure: Rs. 4,80.00 lakhs; provision: Rs. 4,54.17 lakhs; reasons for excess are awaited), (ii) "100.A(b) Establishment—Schemes under the Five Year Plan" (expenditure: Rs. 1,34.37 lakhs; provision: Rs. 1,21.95 lakhs) due to increase in share debit transferred to this head from "44. Irrigation, etc. (Non-Commercial)" and "50. Public Works" in proportion to works outlay and (iii) "100. B (a) Works—Centrally sponsored schemes" (expenditure: Rs. 10.70 lakhs; provision: Rs. 8.50 lakhs) on account of improvement of Neendakara-Cheriyazheekal Water Ways.

Excess mentioned above was partly counterbalanced by saving under other group heads.

10. XLVII. Capital Outlay on Public Works				
Original	7,94,03,600	10,83,44,900	11,51,52,533	68,07,633
Supplementary	2,89,41,300			

Excess occurred mainly under: (i)“(b) Original Works—Communication B. Schemes under the Five Year Plan” (expenditure: Rs. 2,54.93 lakhs; provision: Rs. 1,34.92 lakhs): excess of Rs. 62.74 lakhs was caused by accelerated progress of work, reasons for the remaining excess (Rs. 57.27 lakhs) are awaited (March 1974); (ii) “(d) Establishment—B. Schemes under the Five Year Plan” (expenditure : Rs. 1,90.61 lakhs; provision: Rs. 71.09 lakhs) due to increase in share debit transferred from ‘44. Irrigation, etc. (Non-Commercial)’ and ‘50. Public Works’ in proportion to works outlay; (iii) “(a) (x) Education B. Schemes under the Five Year Plan” (expenditure: Rs. 1,01.41 lakhs; provision: Rs. 64.36 lakhs) due to inadequate provision made for construction of school buildings; (iv) “(e) Tools and Plant—B. Schemes under the Five Year Plan” (expenditure: Rs. 19.52 lakhs; provision: Rs. 8.04 lakhs) due to increase in share debit transferred from ‘44. Irrigation, etc. (Non-Commercial)’ and ‘50. Public Works’ in proportion to works outlay; and (v) “(b) Original Works—Communication—B. Schemes under the Five Year Plan—C.R.F. Bridges(Ordinary Allocation)”(expenditure: Rs. 10.59 lakhs; provision: Rs. 4 lakhs); reasons for the excess are awaited (March 1974).

The excess was partly counterbalanced by saving under other group heads.

<i>Sl. no.</i>	<i>Number and name of grant</i>	<i>Total grant</i>	<i>Expenditure</i>	<i>Excess</i>
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
11. XLVIII. Capital				
	Outlay on Other Works			
	Original	55,65,200		
	Supplementary	..	55,65,200	1,82,92,979
				1,27,27,779

Excess occurred mainly under (i) “(d) Miscellaneous (i) 44 per cent Kerala House Sites and Houses for families of landless workers (Compensation for the value of lands) Bonds” (expenditure : Rs. 90.49 lakhs; provision: nil) and (ii) “(d) Miscellaneous (2) 4½ per cent Kerala House Sites and Houses for families of landless workers (Compensation for the value of lands) Bonds” (expenditure: Rs. 86.87 lakhs; provision: nil). Excess under these group heads was due to adjustment of bonds issued under the scheme for providing house sites and houses to families of landless workers in rural areas, consequent on post-budget decision to capitalise the expenditure.

Excess was partly counterbalanced by saving under other group heads.

12. LII. Commuted Value of Pensions

Original	35,25,000	49,35,000	61,09,115	11,74,115
Supplementary	14,10,000			

Excess occurred under “(a) Payments in India” and was due to payment of more claims than anticipated.

15. Excess over charged appropriations

Excess over the following charged appropriations requires to be regularised:—

Sl. no.	Number and name of appropriation	Total appropriation		Expenditure	Excess
		Rs.	Rs.		
1.	XVIII. Technical Education				
	Original	60,000	60,000	60,078	78
	Supplementary	..			
2.	XLV. Capital Outlay on Industrial and Economic Development				
	Original	3,70,000	12,21,400	12,25,432	4,032
	Supplementary	8,51,400			

Excess occurred under "E(a) (i) Directorate of Technical Education".

Excess occurred under "(e) (ii) Schemes under the Five Year Plan A. Industrial Estates".

16. Supplementary grants/appropriations

During the year Rs. 20.92 crores were obtained as supplementary grant under 34 voted grants and Rs. 29.80 crores as supplementary appropriation under 16 charged appropriations.

The details given in Appendix I would show that:—

(i) in eight cases supplementary provision (exceeding Rs. 5.00 lakhs in each case) of Rs. 2,90.17 lakhs proved unnecessary as the expenditure (Rs. 1,17,11.59 lakhs) did not even come up to the original provision (Rs. 1,20,64.57 lakhs);

(ii) in seven cases supplementary provision (exceeding Rs. 20 lakhs in each case) of Rs. 40,01.80 lakhs proved excessive to the extent of Rs. 13,69.38 lakhs; the excess involved in each case was more than Rs. 10 lakhs; and

(iii) in eight cases supplementary provision of Rs. 6,47.45 lakhs proved inadequate (by more than Rs. 5 lakhs in each case) as the expenditure (Rs. 71,38.55 lakhs) exceeded the total provision by Rs. 7,36.59 lakhs.

17. Savings in grants

In twenty-one cases the unutilised provision (Rs. 8,62.19 lakhs) exceeded 20 per cent of the total provision (Rs. 22,30.05 lakhs) under these grants/appropriations; details of those twenty-one cases are given in Appendix II.

Fifteen schemes, the provision for which remained wholly or substantially unutilised, are mentioned in Appendix III.

18. Surrender of savings

The rules require that unutilised amounts should be surrendered as soon as the possibility of saving is envisaged. However, funds are being surrendered only in March every year. In 1972-73 Rs. 19.72 crores were surrendered in March 1973 of which Rs. 18.60 crores were surrendered on the last working day of the financial year.

In ten grants/appropriations more than Rs. 20 lakhs in each case were not surrendered (total savings not surrendered: Rs. 9,82.47 lakhs). Details of these cases are given in Appendix IV.

In three grants, the amount surrendered was in excess of the savings available by Rs. 3 lakhs or more in each case; the instances are given in Appendix V.

Though no amount was available for surrender under three grants, more than Rs. 15 lakhs in each case were surrendered. The details of these instances are furnished in Appendix V.

19. Premature withdrawal of funds

The financial rules prohibit drawal of money from treasury unless it is required for immediate disbursement.

(i) On 22nd March 1973, the Director of Health Services placed orders with a firm for the supply of an X-ray plant and its installation in taluk headquarters hospital, Pathanamthitta. Ninety per cent cost of the plant (Rs. 0.52 lakh) was drawn in the form of a bank draft by the Medical Officer in charge of the hospital, on 31st March 1973. The equipment was received in the hospital on 26th May 1973 and the bank draft sent to the suppliers on 16th June 1973. The drawal of money on the last day of the financial year was apparently to avoid lapse of funds.

(ii) Rupees 87,610 were drawn from the treasury on 31st March 1973 by the Director of Tourist Department for payment of rental charges for 1973-74 of a teleprinter before receipt of the bills from the Posts and Telegraphs Department. (The bills were received in the Directorate only on 26th April 1973.) The amount was kept in office cash chest till it was paid to the Posts and Telegraphs Department on 27th April 1973. The drawal of money before receipt of bills was stated to be to avoid lapse of funds.

20. Expenditure on 'New Service'

Rupees 15,755 were paid (March 1973) as grant to the Industrial Co-operative Glass Works Limited, Mavelikara, for preparation of a project report for which there was no provision in the budget estimates (Grant No. XXVII—Industries). According to the criteria prescribed by the Public Accounts Committee, the expenditure was on 'New Service' and it should have been incurred only after obtaining a supplementary grant or an advance from the Contingency Fund.

21. Reconciliation of departmental figures with the figures booked in Audit Office

To enable the departmental officers to exercise proper control over expenditure, there are standing instructions of Government that expenditure recorded in the departmental books should be reconciled periodically with that recorded in the books of the Accountant General. For the year 1972-73 reconciliation certificates in respect of 108 (out of total of 836) heads of account are awaited (March 1974).

CHAPTER III
CIVIL DEPARTMENTS

AGRICULTURE DEPARTMENT
(Agriculture)

22. Emergency Agricultural Production Programme

The Emergency Agricultural Production Programme was formulated by the Government of India in August 1972 as a central sector ~~Plan~~ scheme to raise, on an emergency basis, food production in the rabi/summer seasons for 1972-73, to make up for an apprehended shortfall of about 10 to 12 million tonnes of food production in the kharif season caused by a widespread failure of the monsoon. It envisaged extending medium-term loan assistance to the State Governments for undertaking quickly-executable minor irrigation works and giving short-term loans for enabling them to extend assistance to farmers for obtaining inputs like fertilisers, seeds, pesticides, etc. The assistance under the programme was intended to be additional to the States' normal Annual Plan for 1972-73. Only such works as could be completed by March or by May 1973, at the latest, were to be included in the programme. But only expenditure incurred till March 1973 was to be met from the medium-term loan. Expenditure incurred after 31st March 1973 was to be borne by the State Governments themselves.

In Kerala, the kharif crop 1972-73 was reported to have been affected by the long dry spell and also the floods which occurred in the first fortnight of May 1972. Major damage on account of the floods was to the paddy crop. An estimated area of 9,254 hectares under paddy was completely damaged and an area of 11,702 hectares was partially damaged due to floods. The loss on account of the dry spell was estimated in 1972 to be 15 to 30 per cent of the anticipated production.

Schemes approved by the Government of India and taken up for implementation in the State under the programme were as given below:—

<i>Name of scheme</i>	<i>Allotment</i>	<i>Expenditure during 1972-73 as reported</i>
	<i>(in lakhs of rupees)</i>	
(i) Minor irrigation works	100	115.68*
(ii) Schemes for augmenting canal system in major river valley projects	50	49.47
(iii) Schemes for supply of pumpsets free of cost to Panchayats and other service organisations	50	59.69
(iv) Scheme for extension of transmission lines and installation of transformers for augmenting agricultural production	50	58.41
(v) Schemes for issue of short term loans to cultivators	125	70.53
Total	375	353.78

*Includes Rs. 45.64 lakhs spent on works in progress.

Rupees 375 lakhs were received by the State Government as assistance from the Government of India under the programme—Rs. 250 lakhs as medium-term loan in respect of items (i) to (iv) mentioned above (carrying interest at 5 per cent annually and repayable in equal instalments over 15 years) and Rs. 125 lakhs as short-term loan in respect of item (v) (carrying interest at 5 per cent and repayable in two instalments, i.e. 50 per cent within six months and another 50 per cent within 9 months). The short-term loan of Rs. 125 lakhs has been repaid by the State Government in full.

The following points were noticed in a review of the scheme implemented in the State:-

(i) Originally, it had been proposed to take up 454 works at an estimated cost of Rs. 155.16 lakhs but finally against the approved outlay of Rs. 100 lakhs under minor irrigation works, 775 works estimated to cost Rs. 247.05 lakhs to cover an area of 15,757 hectares were sanctioned and were taken up for execution. A test check of the works revealed that these works were generally for the stabilisation of irrigation of crops in the ayacut already benefited by the existing canals and tanks, being mainly special repairs and improvements by which irrigation facilities were to be restored. Additional production of 15,316 tonnes of paddy was anticipated. Only 351 works (cost: Rs. 84.07 lakhs; amount paid during 1972-73: Rs. 70.04 lakhs) could be completed till the end of March 1973. Delay in completion was attributed to inadequacy of funds and non-availability of cement in some cases. Another 89 works (cost: Rs. 25.95 lakhs) were also completed during April and May 1973. No work was completed for the benefit of the rabi crop 1972-73, while only 20 works covering an area of 163 hectares were completed before January 1973 in time for the summer crop. It was stated that a total of 526 works to benefit an area of 10,158 hectares were completed by the end of June 1973 in time for the kharif crop 1973.

(ii) While sanctioning the outlay of Rs. 50 lakhs for augmenting the canal system in major river valley projects in December 1972, Government of India had specifically stated that the assistance should be related to specific identifiable schemes over and above the provision already made in the State's Annual Plan outlay for 1972-73 and that no work already included in the State's Annual Plan should be transferred to this scheme. No plans for taking up new works were made. Instead it was decided in February 1973 to allocate expenditure incurred from 1st August 1972 on works then in progress in six major river valley projects against the assistance received under the Emergency Programme. Accordingly, an expenditure of Rs. 49.47 lakhs was transferred and adjusted in March 1973 to the Emergency Programme. The amount included Rs. 1.21 lakhs incurred on maintenance of office building, rest house, etc., in one project and Rs. 2.02 lakhs incurred on establishment charges of land acquisition staff in another project which were in no way directly related to increasing agricultural production in 1972-73. The area expected to be benefited and actually benefited was reported to be 3,318 hectares. Since the department did not specifically identify the works which had been started after 1st August 1972 and eligible for assistance under the Programme, it has not been possible to verify that the additional ayacut stated to have been benefited related to the assistance received under the Programme.

(iii) Out of 484 pumpsets costing Rs. 59.69 lakhs purchased by the Agriculture department under the scheme during 1972-73 (target fixed was

400 pumpsets), only 459 pumpsets were distributed (25 pumpsets for one district are still with the department). Of these, 225 pumpsets have not yet (November 1973) been installed for want of pump-houses (140 cases), want of accessories (31 cases), want of power supply (48 cases) and other reasons (6 cases). The pumpsets were purchased towards the close of the year 1972-73 and their issue, therefore, started late in that year. In five districts (out of seven where pumpsets were purchased and distributed) all 213 pumpsets were purchased in March 1973 (143 on 30th and 31st March) and 167 pumpsets were distributed in March 1973 (126 on 30th and 31st March) and the rest in April 1973. Details in respect of the other two districts are awaited (February 1974). Little or no benefit could have been achieved during 1972-73. Out of Rs. 2.37 lakhs given to panchayats as grants for construction of pump-houses (474 cases), utilisation certificates for Rs. 2.08 lakhs (415 cases) were also due (November 1973).

(iv) The scheme for extension of transmission lines and installation of transformers was to extend transmission and distribution lines to places where pumpsets were proposed to be installed or were already installed. No targets were fixed for this scheme. It was stated that by the end of March 1973, 56 kilometres of 11 K. V. lines and 367 kilometres of low tension lines were drawn and 110 transformers installed. According to State Government, the target fixed under the programme was to energise 1,300 agricultural pumpsets against which the achievement was reported to be 2,100. Consequent increase in production has not been assessed.

(v) The object of the scheme for issue of short-term loans to cultivators was to make available to them finance through short-term crop loans, in kind, to purchase inputs like fertilisers and plant protection chemicals. Against the approved outlay of Rs. 125 lakhs, expenditure on inputs distributed amongst the cultivators during 1972-73 was only Rs. 70.53 lakhs (56.4 per cent). The estimated additional production was only 3,500 tonnes from a benefited area of 14,100 hectares though according to the original proposals of the State Government the additional production anticipated from an outlay of Rs. 146 lakhs during the rabi crop in 1972-73 was 35,000 tonnes. Consumption of fertilisers during 1972-73 was 73,282 tonnes compared to 65,001 tonnes in 1971-72. Details of consumption of pesticides were not available with the Agriculture department.

The targeted additional production of rice during 1972-73 due to implementation of the schemes under the Emergency Agricultural Production Programme was one lakh tonnes. Area under paddy cultivation and quantity of paddy produced during 1971-72 and 1972-73 according to the Bureau of Economics and Statistics, were as given below:—

	<i>Area (in hectares)</i>	<i>1971-72</i>	<i>1972-73</i>
		<i>(in lakhs)</i>	
	<i>Production (in tonnes)</i>		
Kharif:	Area	3.95	3.92
	Paddy Production	5.52	5.76
Rabi:	Area	3.82	3.82
	Paddy Production	5.97	6.09
Summer:	Area	0.98	1.00
	Paddy Production	2.03	1.91
Total for the three crops	Area	8.75	8.74
	Paddy Production	13.52	13.76

It will be seen that there was an increase of 0.24 lakh tonnes in paddy production during kharif 1972-73 and there was no increase in the total production (8 lakh tonnes) during rabi and summer season 1972-73 compared to the total production in these seasons during 1971-72. Thus the implementation of the Emergency Programme did not result in any additional production. According to the State Government, no large scale benefit could be achieved during the year 1972-73 as the various schemes were implemented towards the end of the year only. Full benefit is expected to be achieved only from 1973-74 onwards.

(Animal Husbandry)

23. Livestock and Poultry feed compounding factory, Malampuzha

The factory established for the manufacture of balanced feed mixtures such as cattle feed, poultry feed (adult), poultry feed (chick mash), pig feed, cattle feed pellets, etc., for sale on no-profit no-loss basis, started functioning in September 1970. The capital outlay to the end of March 1972 was Rs. 23.21 lakhs (civil works: Rs. 11.95 lakhs; land: Rs. 0.53 lakh; plant and machinery: Rs. 9.80 lakhs; equipment: Rs. 0.86 lakh and furniture, telephone, etc.: Rs. 0.07 lakh). Though the production capacity of the plant is 100 tonnes of feed per day of three shifts, the factory has been working only for one shift producing about 30-35 tonnes of mash per day. The capacity of the plant thus remains under-utilised. Government stated (November 1973) that a second shift would be started soon and that the delay was on account of the high cost of ingredients and inadequate supply of essential items like maize, wheat bran, etc., which were either controlled or were not available. Government also stated (November 1973) that action was being taken to set up a company for running the factory. The following points were also noticed:—

(a) A pelleting machine (cost: Rs. 2.50 lakhs) attached to the plant with a capacity to produce 20 tonnes of cattle feed pellets per day (on single shift basis) has not been brought into use from 8th March 1971 after being worked for a short while in the beginning. Government stated (November 1973) that it was not advisable to start pelleting until the factory was worked three shifts. As even the second shift has not been introduced in the factory so far, it appears that it will be quite sometime before the machine can be utilised. At present cattle feed is being sold without pelleting.

(b) Sixty-one stockists were appointed in the State during November 1970 to November 1972 for selling the products of the factory to public, but no agreements have been executed with them so far (January 1974). The draft of the agreement was approved by Government only in August 1973.

(c) No admissible percentage of production loss has been fixed for the factory so far (June 1974) though the factory commenced production in September 1970. Proposals in this regard were sent to Government only in August 1972 and a decision is yet to be taken (June 1974).

(d) The factory was expected to be run on no-profit no-loss basis. No *pro forma* accounts have, however, been prepared so far (June 1974) due, it was stated, to want of experienced staff. Actual costing of the products is also not being done though prices had been fixed on certain assumptions. It cannot, therefore, be ensured that the factory is actually working on no-profit no-loss basis. Government stated (June 1974) that *pro forma* accounts were being prepared.

(c) Molasses (cost: Rs. 28.75 per tonne including transport) is an important and cheap ingredient essential for increasing the nutritive value and palatability of the feed. Due to non-availability of molasses (which had to be allotted by the State Molasses Controller) rice bran (cost: Rs. 208.90 per tonne) is being used in its place in the manufacture of feeds from 10th May 1972 onwards. The extra cost on 145,800 tonnes of rice bran so used till the end of September 1972 was Rs. 0.26 lakh (rice bran is being used after September 1972 also; details of extra cost are awaited). No revision of the selling price was, however, effected till July 1973, when revised prices for feeds were fixed by Government. Government stated (November 1973) that it was not possible to raise the selling price off and on. A molasses mixing machine with accessories (cost: Rs. 75,341) and a molasses storage tank with accessories (cost: Rs. 70,000) are also lying unused from May 1972 due to non-availability of molasses.

(f) For enabling quick movement of loaded lorries bringing in and taking out supplies, a weighbridge of 30 tons capacity (cost: Rs. 85,440; 90 per cent paid in June 1971) was purchased in June 1971. Though erection was completed by October 1971, the weighbridge was commissioned only in February 1973 due to delay in completion of side walls by the Public Works Department. Because of the delay in commissioning of the weighbridge, Rs. 0.11 lakh had to be paid to the Food Corporation of India till February 1973 for using the facilities for weighing available with them.

FOOD DEPARTMENT

24. Civil Supplies Schemes

Statutory rationing of foodgrains was introduced in the State in October 1965 when the Kerala Foodgrains (Regulation and Distribution) Order 1965 came into force. The responsibility for the proper administration of statutory rationing in the State is vested in the Civil Supplies Department. One of the main functions of the department is to arrange distribution of foodgrains, wheat products, sugar, kerosene, etc. Distribution is governed by the Kerala Rationing Order 1966 and is done through a net-work of 248 wholesale dealers and 11,225 authorised retail dealers.

The foodgrains required by the State Government for distribution through ration shops are obtained mainly from the Food Corporation of India on the basis of allotments made by the Government of India. This is supplemented by local procurement done under the Kerala Rice and Paddy (Procurement by Levy) Order 1966 and the Kerala Paddy and Rice (Declaration and Requisitioning of Stocks) Order 1966. Under these orders, paddy is procured either departmentally or through co-operative institutions working as agents of the department. Departmental procurement is done through Village Officers to whom advances are given for the purpose. In the case of co-operatives, funds for procurement are routed through co-operative banks. In Alathur, Palghat and Chittoor taluks of Palghat district and all taluks of Cannanore district, procurement is done through co-operatives and in all other taluks in the State it is done departmentally. The quantity of paddy procured during 1972 and 1973 was 91,244 tonnes and 93,640 tonnes

respectively. The off-take of grains from ration shops in the State during the years from 1969 to 1973 was as follows:—

Year	Off-take		Total
	Rice	Wheat (in lakhs of tonnes)	
1969	8.39	1.16	9.55
1970	8.22	0.71	8.93
1971	8.43	0.56	8.99
1972	8.86	0.84	9.70
1973	7.62	1.98	9.60

On a review of the purchase and distribution of foodgrains and distribution of sugar in connection with statutory rationing under the Public Distribution system, the following points were noticed:—

(a) *Undue profit to procuring agents due to incorrect fixation of price of rice:* The paddy procured through agents is generally converted into rice before distribution. In such cases, the hulling is done by the agents themselves at their own mills or at mills specified by the District Collector. The quantity of rice to be accounted for by the agent is computed with reference to the outturn obtained on test-hulling which is done under departmental supervision. For fixing the price at which rice is to be issued by the agents to retail dealers, the outturn of rice is taken as 66 $\frac{2}{3}$ per cent by weight of paddy instead of the outturn obtained on test-hulling which is generally more than 66 $\frac{2}{3}$ per cent. The fixation of price on the basis of the lower outturn (66 $\frac{2}{3}$ per cent) results in accrual of unintended benefit to the agents. In 24 cases involving the processing of 11.22 lakh quintals of paddy (relating to 1969, 1970 and 1971 crops) into rice where the outturn on test-hulling varied from 68 per cent to 71.5 per cent, the unintended benefit thus accrued to the agents was Rs. 29.39 lakhs. Government stated (March 1974) that action was under way for the recovery of the amounts from the agents.

The actual outturn obtained by the agents is generally more than the quantity computed with reference to the results of test-hulling. This results in a further unintended profit to the agent on account of value of the excess outturn. The undue profit on this account which accrued to fifteen agents during 1970-71 was Rs. 4.58 lakhs. There is no specific provision in the agreements executed with the agents under which the department can recover the sale proceeds of the excess outturn from them. The Government stated (March 1974) that action for the recovery of the amount had been initiated and that modification of the form of the agreement was under consideration.

(b) *Non-release of paddy procured departmentally:* (i) When procurement of levy paddy is done departmentally, Village Officers purchase the paddy from cultivators and release it for distribution through retail dealers. Normally, paddy is to be released within two weeks of its procurement. However, 10,799 quintals of paddy procured between 1967 and 1971 in twenty-seven taluks have not been released by the Village Officers so far (March 1974). The cost of the paddy at the procurement rate of Rs. 65 per quintal

works out to Rs. 7.02 lakhs. Government stated (March 1974) that the quantity short accounted mainly represented the shortages claimed by the Village Officers and that action was under way to regularise the shortages by write off or recovery.

(ii) Four thousand and five quintals of paddy procured departmentally during the 1966 Punja crop season from Alleppey district were distributed among twenty-six primary societies through the Alleppey Central Co-operative Handpounding Society No. 106 for conversion into rice for subsequent distribution through ration shops. No information is yet available regarding the outturn of rice or its distribution through ration shops. The value of the paddy at the procurement rate of Rs. 65 per quintal comes to Rs. 2.60 lakhs. Government stated (March 1974) that details of the release of paddy entrusted to the Society were being gathered.

(c) *Non-release of paddy by milling agent:* Two thousand three hundred and thirty-one quintals of paddy procured from Mannarghat taluk during the 1973 Makaram crop season were entrusted to a milling agent in March 1973 for conversion into rice. No rice was released by the milling agent and during checking of the stock accounts of the mill in June 1973 the departmental officers observed a shortage of 2,098 quintals of paddy. Security obtained (June 1973) from the miller was for Rs. 1.50 lakhs (in the form of surety bonds) while the cost of paddy entrusted to him works out to Rs. 1.75 lakhs at departmental levy rate. Government stated (March 1974) that the milling agent had been asked to remit 25 per cent of the dues in one month's time and the balance in four half-yearly instalments and that if the milling agent did not act accordingly, Revenue Recovery proceedings would be initiated. According to the department, the value of paddy to be accounted works out to Rs. 3.53 lakhs at market rate.

(d) *Excess transport charges allowed by reckoning wrong distance:* In the case of grains obtained from Food Corporation of India, the authorised wholesale dealers are allowed a margin of profit inclusive of transport charges for transporting the grains from the Food Corporation of India depot to the wholesale depots. For the purpose of transport charges, the wholesale dealers are categorised as falling into four zones depending on the distance between the Food Corporation of India depot and the wholesale depot. Wholesale depots within 10 miles (16 kilometres) of the Food Corporation of India depot are treated as falling in the first zone; those beyond 10 miles (16 kilometres) but not beyond 25 miles (40 kilometres) of the Food Corporation of India depot are treated as falling in the second zone; those beyond 25 miles (40 kilometres) but not beyond 50 miles (80 kilometres) of the Food Corporation of India depot are treated as in the third zone; and those beyond 50 miles (80 kilometres) of the Food Corporation of India depot are treated as in the fourth zone. The charges allowed for the transport of each quintal of grain from the Food Corporation of India depot to the wholesale depot is Re. 0.65 for depots in the first zone, Re. 0.90 for those in the second zone, Rs. 1.40 for those in the third zone and 2.5 paise for each mile for those in the fourth zone. In the following cases wrong computation of distance has resulted in payment of excess transport charges:—

(i) A wholesale dealer of Udumbanchola taluk having a wholesale depot at Vandanmedu was lifting his stock of foodgrains from the central

depot of the Food Corporation of India at Cochin for which he was allowed transport charges for a distance of 152 miles while according to the concerned Executive Engineer, Buildings and Roads, the correct distance between the central depot and the wholesaler's depot was only 142 miles which was reduced to 128 miles from 4th September 1965 consequent on the opening of a bridge at Kaduthuruthy. Another wholesale dealer at Chinnakanal was allowed transport charges for lifting foodgrains from the Cochin depot reckoning the distance as 122 miles till 30th July 1965 and 108 miles from 31st July 1965, while the correct distance according to the concerned Executive Engineer (Buildings and Roads) was only 98 miles. A third wholesale dealer at Ponmudy was allowed transport charges reckoning the distance from Cochin to Ponmudy as 86 miles while the correct distance according to the concerned Executive Engineer, Buildings and Roads was only 78 miles. The excess transport charges allowed due to wrong reckoning of distance in the above cases, during the period June 1965 to February 1966 were Rs. 0.43 lakh.

Rupees 0.10 lakh have been recovered from the dealer at Chinnakanal although the amount due from him was Rs. 0.19 lakh. The dealer at Vandamedu filed a writ petition in the High Court and obtained orders in November 1968 against recovery of any amount from him based on distance calculated via Kaduthuruthy bridge on the ground that the department had not at any time directed him to transport the food grains via Kaduthuruthy bridge. As regards the failure of the department to issue such a direction, the District Collector, Idukki, explained that information regarding opening of the bridge was received in the Taluk Supply Office, Udumbanchola, only on 12th September 1967. Government stated (March 1974) that action had been taken for the recovery of transport charges from the wholesalers and the possibility of refixation of transport charges with retrospective effect was under consideration of Government.

(ii) Two wholesale dealers of Kunnathoor taluk having their wholesale depots at Sasthamcotta and Chakkuvally were lifting their stock of foodgrains from the Food Corporation of India depot at Quilon and based on the correct distance of the wholesale depots from the Food Corporation of India depot (30 kilometres and 36 kilometres) they were eligible for transport charges at rates applicable to dealers of the second zone. However, they were allowed transport charges at higher rates applicable in the case of dealers of the third zone. The excess transport charges allowed for the period January 1965 to October 1970 were Rs. 0.95 lakh. The excess payment was noticed by the internal audit wing of the department in 1971 and the department initiated action to recover the amount from the dealers. The dealer at Sasthamcotta filed a writ petition in the High Court claiming that the shorter route was not fit for lorry traffic and had hence not been used by him. The writ petition is pending in the High Court. The dealer at Chakkuvally appealed to Government against recovery being made from him on grounds similar to those advanced in his writ petition by the dealer of Sasthamcotta. The appeal has not been finally disposed of.

(e) *Amounts due from the Government of India:* (i) According to the procedure laid down by the Government of India, the consignments of foodgrains allotted to the State from places outside the State were to be despatched freight-paid. But in the case of consignments received by the

State during 1959 and 1960 there were instances of non-payment or under-payment of freight charges at the despatching end. The expenditure incurred by the State Government towards freight charges to clear such consignments is indicated below:

<i>Region from which despatched</i>	<i>Railway freight paid</i>	<i>Under-charges paid</i>	<i>Total</i>
	<i>(in lakhs of rupees)</i>		
Madhya Pradesh	2.39	0.01	2.40
Hyderabad	0.10	0.05	0.15
Madras	0.01	0.02	0.03
Total	2.50	0.08	2.58

The Government of India agreed (October 1961) to reimburse this expenditure provided the claim was supported by original cash receipts issued by the railways or by an audit certificate in support of correctness of the claim. A claim for reimbursement of the amount was made by the State Government only in December 1968 and that too without the documents required by the Government of India. The State Government stated (March 1974) that the requisite documents had been sent to Government of India in March 1973 and that the claim was expected to be settled soon.

(ii) When the Government of India ordered decontrol of rice in July 1954, the stock of rice held by the State Government was agreed to be taken over by the Government of India. For the purpose of taking over the stock, the rice had to be cleared and stacked in the godowns according to the Government of India's method of stacking. The Government of India agreed to meet half the charges for the transport of the rice from the clearing centres to the new godowns and the entire cost of restacking. A claim of Rs. 1.00 lakh was preferred by the State Government on this account against the Government of India in 1958. The claim has not been settled so far (March 1974).

(f) *Distribution of sugar:* Wholesale trade in sugar under the public distribution system of the Civil Supplies department was taken over by the Food Corporation of India in January 1973. Before this take over, the wholesale dealers were allotted their quota of sugar from different sugar mills. The wholesale issue price of sugar in such cases was fixed by Government taking into account the transport charges which varied with the distance of the wholesaler's depot from the concerned mill. In order, however, to keep the issue price uniform throughout the State, a 'price equalisation charge' (diminishing with increase in distance between the wholesale depot and the mill) was to be collected from the dealers and credited to Government. According to the instructions issued by the Board of Revenue in April 1967, the release of the quota from the wholesale depots was to be made only after the dealer remitted the price equalisation charge to Government. However, Rs. 8.41 lakhs (approximate) towards price equalisation charge relating to the period from January 1967 to May 1971 have not yet been remitted by the wholesale dealers (March 1974). The department is taking action to adjust the amount due against the securities of the dealers and recover the balance under the Revenue Recovery Act. Six dealers (in Trivandrum District) from whom Rs. 2.24 lakhs are due have filed writ petitions in the High Court against the recovery alleging that they had transported the sugar through transport agencies who had followed a longer route than assumed by the Government. The writ petitions are pending in the High Court (March 1974).

LOCAL ADMINISTRATION AND SOCIAL WELFARE DEPARTMENT

25. Postponement of panchayat elections

For attending to the work connected with panchayat elections scheduled to be held in November-December 1968, Government, in June 1968, sanctioned 215 temporary posts of officers and staff in the Panchayat department. The additional posts were operated with effect from 1st July 1968. In September 1968, it was decided to postpone the elections by one year. But the additional posts were allowed to be continued. In view of a proposal to hold the elections in October-November 1969, eight more additional posts were sanctioned in August 1969. Except 65 posts (10 posts in the Directorate, 15 posts in the Offices of the Deputy Directors of Panchayats and 40 posts in District Offices), all the additional posts were abolished with effect from 31st December 1969, consequent on a decision to postpone the elections further. Twenty of the remaining posts were abolished in August 1970. The other 45 posts are being continued as a regular addition to the strength of the department.

Again with the intention to hold the elections in April 1973, Government, in December 1972, sanctioned, in relaxation of a ban then in force on creation of posts, 210 additional posts of officers and staff upto the end of May 1973. Subsequently Government decided (April 1973) to postpone the elections further. Out of the 210 additional posts operated from December 1972, 196 posts were discontinued from June 1973 and the remaining posts from February 1974. No firm date for holding the elections has yet been fixed (February 1974).

To enable the District Panchayat Officers and Director of Panchayats to supervise election arrangements, the department purchased, in August/September 1968, nine jeeps (cost: Rs. 1.87 lakhs) and one car (cost: Rs. 0.20 lakh) 'in view of the immediate necessity' and 'difficulties to get such vehicles from other departments for use in connection with the ensuing Panchayat General Election'. Ten posts of drivers were also sanctioned in September 1968 to run the vehicles. Although elections were postponed, the vehicles were retained by the department. The total expenditure on upkeep of the vehicles upto the end of March 1973 (excluding the expenditure incurred on fuel for trips undertaken in connection with the postponed elections and on the pay and allowances of the drivers) was Rs. 1.12 lakhs.

Upto the end of March 1973, the expenditure incurred on pay and allowances of staff and contingencies (including purchase of vehicles) in connection with the postponed elections was Rs. 13.34 lakhs (pay and allowances: Rs. 5.29 lakhs; contingencies: Rs. 8.05 lakhs).

DEVELOPMENT DEPARTMENT

26. Crash Scheme for Rural Employment

(1) The Crash Scheme for Rural Employment was sponsored in 1971 by the Central Government with a view to relieving the mounting un-employment and under-employment in rural areas of the country. The scheme was wholly financed by the Central Government but was implemented through the State Governments. It was to continue for three years (1971-72, 1972-73 and 1973-74). The scheme was introduced in the State in April 1971.

The twin objectives of the scheme were (i) direct generation of additional employment in all the districts through a network of labour intensive rural projects and (ii) production of durable assets in a way conducive to all round development of the area assisted. The main intention was to provide increased employment opportunities in rural areas by providing employment for a thousand persons in each district for ten months in a year and generating on the whole about 2.5 lakh mandays of additional employment annually in each district. While the employment criterion was considered over-riding, there was to be simultaneously sufficient concern for the productivity and durability aspects of the assets created.

The scheme envisaged execution of a mixture of various types of labour intensive projects so as to achieve all round balanced development of the district. The element of labour cost was originally fixed at 80 per cent of the total works, the rest being available for materials, etc. Later, it was decided that expenditure on wages on individual works could be reduced to 60 per cent, if a larger amount was necessary to ensure that such works were of a durable quality, provided the total expenditure on wages on all works in a district was not less than 70 per cent.

Care was to be taken to select areas where there were large numbers of people seeking employment, which were needy and backward and which offered scope for development through manual labour and a concentration of development works of a labour intensive nature could be fruitful. The works proposed were to be really additional to all other schemes and programmes that were being implemented under the Fourth Plan or any other scheme or programme but were to be integrated with the development plan of the area selected.

In selecting workers, priority was to be given to those who belonged to families in which no other adult member was employed, but note had to be taken of the need of employment of others in view of under-employment and seasonal un-employment in such areas.

(2) Although the scheme envisaged financial allocations normally at the rate of Rs. 12.50 lakhs per district, additional allocations were made in the case of Kerala in view of its peculiar needs. The Government of India allocated Rs. 181.95 lakhs for 1971-72 and Rs. 174 lakhs for 1972-73 for the State. The total expenditure incurred in the State was Rs. 181.95 lakhs in 1971-72 and Rs. 183.08 lakhs in 1972-73.

(3) In Kerala, minor irrigation works including Ela programme (a scheme for increased agricultural production by pooling resources and services for cultivation of paddy in contiguous blocks), land reclamation, bunding, improvements to lands distributed under Arable Lands Distribution schemes and village roads were brought within the purview of the scheme.

(4) District Collectors were made responsible for the formulation, at the district level, of the work projects under the scheme. The responsibility for implementing the work projects was entrusted to the Community Development Blocks. Works were executed through beneficiary committees consisting of Chairman of Block Development Committees, Presidents and members of the Panchayats, etc. A convener selected by the committee was in charge of

execution. Labourers were to be selected and engaged by the beneficiary committee or nominees of Panchayats. It was stipulated that only local labourers were to be employed. Payment for work done was to be made to the conveners at the P.W.D. estimate rates for similar works without any element of profit. Conveners in turn were to distribute this money as wages to workers engaged by them. On behalf of the committee the convener was to execute an agreement with the department stipulating the rates at which payment was to be made and the other conditions governing execution of the work. The Block Development Officer and his subordinate officers like Junior Engineers, Overseers and Village Extension Officers were to supervise the execution of the work and check the muster rolls of labourers.

(5) The implementation of the scheme was reviewed between May and October 1973, generally for the State and in detail with reference to 38 Community Development Blocks including all the 29 Blocks in Quilon and Palghat districts.

(6) Out of Rs. 181.95 lakhs spent in 1971-72, Rs. 152.20 lakhs (83.6 per cent) were spent on wages, Rs. 24.45 lakhs (13.5 per cent) on materials and Rs. 5.30 lakhs (2.9 per cent) on supervision. In 1972-73 out of Rs. 183.08 lakhs spent, Rs. 145.41 lakhs (79.4 per cent) were on wages. Of the balance, Rs. 29.15 lakhs (15.9 per cent) were spent on materials and Rs. 8.52 lakhs (4.7 per cent) on supervision. Thus in 1971-72 and 1972-73 expenditure on materials was considerably less than the maximum permissible under the scheme. The expenditure on materials was low mainly because most of the roads constructed were kutcha.

(7) While planning the initial work projects for 1971-72, Rs. 93.83 lakhs, (58 per cent of the total allotment) had been earmarked for minor irrigation, soil conservation, land reclamation and similar works meant for increasing agricultural production. The balance of Rs. 69.18 lakhs was earmarked for road works. In actual execution, however, only Rs. 41.28 lakhs (22.7 per cent of the total expenditure) were spent on minor irrigation works whereas Rs. 135.37 lakhs (74.4 per cent of total expenditure) were spent on roads. These variations were due to causes such as poor progress of work on irrigation works; large variations between the original estimates and actual expenditure on individual works, certain works not being taken up and others being substituted in their place. In 1972-73 Rs. 31.43 lakhs were allocated for works relating to agricultural production and Rs. 130.57 lakhs for road works, while in actual execution Rs. 47.23 lakhs were spent on minor irrigation works and Rs. 134.33 lakhs on roads. Thus 1971-72 and 1972-73 taken together, the percentage of expenditure on minor irrigation and roads to total expenditure was 24.2 and 73.9 respectively.

In Palghat district Rs. 15.04 lakhs and Rs. 15.12 lakhs were spent in 1971-72 and 1972-73 respectively. Out of this, Rs. 12.69 lakhs (84.4 per cent) and Rs. 12.78 lakhs (84.5 per cent) were spent on roads in 1971-72 and 1972-73. Expenditure on minor irrigation works was Rs. 2.35 lakhs (15.6 per cent) and Rs. 2.34 lakhs (15.5 per cent) respectively in the two years. In Quilon district Rs. 19.01 lakhs and Rs. 17.54 lakhs were spent in 1971-72 and 1972-73 respectively. Out of this, Rs. 14.45 lakhs (76 per cent) and Rs. 14.53 lakhs (82.8 per cent) were spent on roads in 1971-72 and 1972-73. Expenditure on minor irrigation works was Rs. 4.56 lakhs (24 per cent) and Rs. 3.01 lakhs (17.2 per cent) respectively in the two years.

(8) One of the objectives of the scheme was creation of assets of a durable nature. But while selecting works for execution, sufficient emphasis was not laid on achieving this objective. Construction of roads accounted for the major part of the expenditure on the scheme. But most of the roads constructed were kutchra roads where only earth work was done. In some cases even pucca roads constructed were not according to standard specifications. Soling and metalling were done in few cases. Black topping was not done even in a single case. Proper arrangements for the maintenance of roads constructed were not made till 1973-74. The Government decided (March 1973) to entrust the responsibility for maintenance of roads constructed to the Community Development Department.

In Palghat district, out of Rs. 25.47 lakhs spent on roads till the end of March 1973, Rs. 6.86 lakhs were spent on pucca roads and Rs. 18.61 lakhs on kutchra roads. Pucca roads (without bitumen surfacing) for a length of 43 Kms. had been started of which 10.9 Kms. had been completed till March 1973. According to the standard specifications, the crust was to be 22.5 cms. thick. While 4.9 Kms. were completed (till 31st March 1973) and 9.4 Kms. were being constructed to those specifications, the rest was being constructed with a crust ranging from 7.5 cms. to 15 cms., of which 6 Kms. were completed till March 1973. A total length of 154 Kms. of kutchra roads had been formed till March 1973. The roads were formed without sub-grade, soling, metalling and consolidation.

In Quilon district Rs. 28.98 lakhs were spent on kutchra roads upto the end of March 1973 by which time 228 Kms. of kutchra roads were constructed. These roads were consolidated with stone-roller. No pucca road was taken up for construction.

(9) (i) Estimates are prepared by the technical staff attached to the blocks and got approved by the competent officers of the Public Works Department. The works are also measured and supervised by these officers. As payments are made to conveners on the basis of rates provided in the sanctioned estimates, utmost care should have been taken in preparing estimates. Preparation of defective estimates was noticed in the following cases:—

(a) According to the scheme, the maximum rate of wages payable to a male labourer was Rs. 4 per day. In several blocks estimates were prepared, adopting the P. W. D. schedule of rate of Rs. 4.25 per man cooly per day and payments made accordingly. In Attapady tribal block, the rates were further increased by 15 per cent because the area was hilly. Payments of wages at higher rates resulted in an extra payment of Rs. 1.10 lakhs in eleven blocks.

(b) Excavation and earth work included in the estimates for road works contained an element for breaking clods, ramming and sectioning, etc., for neat banking. In addition to this, no provision for 'sectioning up to 150 mm. and forming the surface for new road' was made in most of the estimates for road works, as the 'sectioning'/'neat banking' forming part of the earth work was considered sufficient for road formation. But on some kutchra roads where soling, metalling, etc., were not envisaged, a separate item 'sectioning upto 150 mm. and forming the surface for new roads' was also included in the estimates in addition to the 'excavation and earth work'. In the absence of

soling, metalling etc., the need for an additional item, viz. 'sectioning and forming the surface' over and above the 'sectioning'/'bank formation' forming part of the earth work was not clear. The extra expenditure on this item on eight roads was Rs. 0.12 lakh.

(c) In a road work (Improvement to Pandanad-Vazhupady road) the estimate was prepared treating the earth to be used for the formation of the road as hard soil. Payments for the work were also made adopting the rates fixed for hard soil. But after formation of the road, the department arranged for hard surfacing. This was done as the road formed with sandy and clayey soil, available nearby, could not be used for vehicular traffic without hard surfacing. The department was aware of the poor quality of the soil available in the locality but did not prepare the estimate accordingly which resulted in extra expenditure of Rs. 0.31 lakh.

(d) According to the standard data book and schedule of rates, the estimate rates for earth cutting included an element towards initial lead up to 50 metres and lift up to 1.5 metres. Similarly, the estimate rate for conveyance of earth also included an element for initial lead and lift. When an item of work involved combination of both these operations, the element for one initial lead and lift was to be deducted as otherwise it would result in duplication and consequent inflation of rates. Neglect of this aspect has resulted in inflation of estimates and consequent overpayments. In two blocks (Palluruthy and Badagara) over payment on this account was Rs. 0.24 lakh.

(ii) So that the project was worthwhile and produced useful results, its size was ordinarily to be such as would employ a minimum of 50 persons for 15 weeks (i.e. the estimated cost of the project would be Rs. 20,000 or more). If smaller projects had to be undertaken, their number was to be such that not more than 20 per cent of the funds allotted to the district were spent on them and the estimated cost of each project was not to be less than Rs. 5,000. It was, however, noticed in test check that of 296 works estimated to cost Rs. 56.84 lakhs taken up in Quilon district, 248 works (estimated cost: Rs. 28.33 lakhs) each cost less than Rs. 20,000, including 50 works each costing less than Rs. 5,000. Similarly, of 190 works estimated to cost Rs. 44.58 lakhs taken up in Palghat district, 115 works (estimated cost: Rs. 11.41 lakhs) each cost less than Rs. 20,000 including 12 works each costing less than Rs. 5,000. Only for 123 works in the two districts was the estimated cost more than Rs. 20,000.

(10) *Progress of work:* Several instances of delay in completion of works were noticed. In Palghat and Quilon districts, 466 works estimated to cost Rs. 101.42 lakhs were taken up, of which only 237 works (estimated cost: Rs. 29.72 lakhs) could be completed by the due dates, at a cost of Rs. 27.42 lakhs. There was a delay of over 6 months in completion of 40 works costing Rs. 6.29 lakhs and of over 12 months in completion of 32 works costing Rs. 6.62 lakhs. Similarly, 110 works started during 1971-72 estimated to cost Rs. 30.80 lakhs (expenditure upto 31st March 1973: Rs. 19.08 lakhs) and 47 works started during 1972-73 estimated to cost Rs. 27.54 lakhs (expenditure upto 31st March 1973: Rs. 7.30 lakhs) still remain incomplete (November 1973) although due for completion by October 1973.

In Palghat district, against the target of 60.54 Kms. of pucca roads, work had been started on 43 Kms. of which 10.9 Kms. had been completed upto 31st March 1973. The target for kutchra roads was 217 Kms. of which 154 Kms. had been formed till 31st March 1973. Against the target of fifty-five works connected with agricultural production (forty-eight tanks, one bund and six channels) work had been started on only twenty-four works upto 31st March 1973 (twenty tanks, one bund and three channels). These works including nineteen started in 1971-72 were incomplete on 31st March 1973, except for a channel 2.75 Kms. long. Area which has actually benefited till that date from the channel is 215 hectares against 750 hectares expected to be benefited.

In Quilon district, as mentioned earlier, no pucca roads were constructed. Against the target of 344 Kms. of kutchra roads only 228 Kms. were formed upto 31st March 1973, work being in progress on another 44 Kms. One hundred and eighteen minor irrigation works were started in 1971-72 and six in 1972-73, of which twenty-eight works were incomplete on 31st March 1973. Against six works in the category of other works planned, three works were started in 1971-72, of which one remained incomplete (October 1973).

A few instances are detailed below:

(a) A project estimated to cost Rs. 0.62 lakh for reclaiming 20 acres of water-logged land in Kumbalangi Panchayat was taken up for execution by Palluruthy block. The scheme was to form bunds of a length of 800 metres by March 1972 and fill up the water-logged area. The intention was to cultivate paddy in the reclaimed area and to plant coconuts along the bunds. Bunds, 800 metres long, had been formed by spending Rs. 0.27 lakh upto March 1973. But reclamation works had not yet (June 1973) been arranged, with the result that cultivation of paddy and planting of coconuts could not be started.

(b) In Chengannur block, construction of a road 5 Kms. long, estimated to cost about Rs. 7 lakhs was taken up in January 1972 and was scheduled to be completed by March 1973. A length of 3.5 Kms. (cost: Rs. 4.39 lakhs) had been formed till March 1973. The road for the remaining length of 1.5 Kms. remains to be formed. A bridge, not contemplated in the original estimate, has also to be constructed in this reach. Unless these works are executed, the road already formed cannot be opened for vehicular traffic.

(c) Construction of a road (Goolikadavu - Mandampara), 10 Kms. long estimated to cost Rs. 1.25 lakhs, was taken up in August 1971 and was scheduled to be completed by March 1972. Although Rs. 1.12 lakhs were spent on forming 6 Kms. of the road till October 1973, it could not be opened for vehicular traffic pending construction of a bridge (not contemplated in the original estimate) and formation of the road for the remaining length of 4 Kms.

(11) *Employment generated:* The scheme aimed at providing continuous employment to 1,000 persons on an average for ten working months or 2,50,000 mandays in a year in each district. Thus the additional employment to be generated in the State was to be around 27.5 lakh mandays annually.

The State Government proposed to generate 33.80 lakh mandays in 1971-72 against an estimated expenditure of Rs. 163.01 lakhs and 31.56 lakh mandays in 1972-73 against the estimated expenditure of

Rs. 162.04 lakhs. According to the State Government, employment actually generated exceeded these targets and 40.81 lakh mandays were generated in 1971-72 and 43.67 lakh mandays in 1972-73 against the actual expenditure of Rs. 181.95 lakhs and Rs. 183.08 lakhs for 1971-72 and 1972-73 respectively. Cost per manday for the whole State as proposed and actual was:

	<i>Proposed</i>	<i>Actual</i>
	Rs.	Rs.
1971-72	3.95	3.72
1972-73	4.00	3.35

Although the total employment generated exceeded the target figures, the objective of providing continuous employment of around 2.75 lakh mandays per month for 10 months in a year was not fully achieved. Only 1.51 lakh mandays were generated from April to August 1971 increasing gradually to 1.18 lakh mandays during September 1971. The employment generated increased phenomenally to 6.90 lakh mandays in February 1972 and 18.07 lakh mandays in March 1972. In April 1972 again the employment generated declined to 3.82 lakh mandays. Similarly, from May 1972 to October 1972, the number of mandays generated each month went down from 4.75 lakhs to 1.72 lakhs. The number increased to 3.42 lakhs during February 1973 and to 14.12 lakhs during March 1973. Again in April 1973 the employment generated declined to 2.18 lakh mandays. The wide variations in the number of mandays generated from month to month show that the basic objective of the scheme of providing continuous employment was not achieved.

(12) *Muster rolls*: According to the agreements executed by the conveners of works, they were required to maintain muster rolls in respect of labour employed. The Block Development Officer and his subordinate officers like Junior Engineers, Overseers and Village Extension Officers were to supervise the execution of the works and check the muster rolls of labourers engaged. Muster rolls seem to have been seldom checked by the Block Development Officer or his officers and even where they had been checked the check was not effective. It was noticed that:—

(a) Muster rolls in respect of 53 works (cost: Rs. 8.17 lakhs) executed by 12 blocks were not available for verification.

(b) In respect of 39 works executed by 11 blocks, wages payable as indicated in muster rolls aggregated Rs. 4 lakhs only, whereas Rs. 4.48 lakhs were paid to the conveners on the basis of the labour component of the work measured. It was stated that payment had to be made for work done in accordance with the agreements executed with the conveners. The payments to conveners were not, however, limited to the actual amount paid to labourers as evidenced by the muster rolls.

(c) In another 140 works executed by 23 blocks, wages payable as indicated in the muster rolls produced, totalled Rs. 20.73 lakhs as against Rs. 15.92 lakhs paid for the works.

(d) In several blocks, muster rolls were not maintained in the prescribed form. In most cases, acquittance of the labourers had not been obtained. Correctness of the muster rolls had not been verified by the Block Officers at the time of making payments to the conveners of beneficiary committees. In one case in Ottapalam block, labourers were mustered on an imaginary date, 31st June 1972, involving payment of Rs. 160,

(e) In the muster rolls maintained in Kazhakuttom block, 95 men and 38 women were shown as having worked on two different road works on the same days, i.e. from 1st to 4th February 1972. Similarly, 66 men who worked on a road from 10th to 14th February 1972 were shown as having worked on another road also on the same days. These discrepancies were explained by the Block Development Officer as clerical errors. This explanation has to be considered in the light of the fact that muster rolls were to be prepared with reference to the labourers actually present on duty at the work site.

(f) Rupees 0.49 lakh representing wages of labourers for the period 27th February 1973 to 30th March 1973 were paid on 30th March 1973 for a road work (from Vallikulangara to Kulangara Nirath). Muster rolls for the period showed that only 8,025 labourers were engaged during the period. Maximum amount payable was Rs. 0.32 lakh as against Rs. 0.49 lakh actually paid to the convener.

The discrepancies mentioned above show that the muster rolls prepared by the Blocks cannot be taken as reliable documents giving an accurate idea of the actual additional employment generated or of the expenditure incurred.

(13) *Cost of administration and supervision:* According to the orders of the Government of India, expenditure on employment of supervisory field staff could be debited to the scheme subject to a maximum of 3 per cent in 1971-72 and 5 per cent in 1972-73 of the total cost. Expenditure on headquarters and higher supervisory staff was not to be met from the allocations under the scheme. Contrary to these instructions, expenditure on pay and allowances of the Assistant Development Commissioners attached to the collectorates for supervising the implementation of the scheme and the Junior Engineers already attached to the Community Development Blocks was debited to the scheme. The expenditure so debited (calculated at 3 per cent and 5 per cent of total expenditure on the scheme) amounted to Rs. 5.30 lakhs during 1971-72 and Rs. 8.52 lakhs during 1972-73.

(14) *Evaluation:* An evaluation of the scheme conducted by the Evaluation Division of the State Planning Board in November 1972 revealed the following:—

(a) There was heavy rush of expenditure during the last quarter, which amounted to nearly 79 per cent of the expenditure. The rush of expenditure at the fag end of the financial year clearly indicates that the Crash Scheme for Rural Employment was handled almost in the same manner as the routine works of the Public Works Department.

(b) As per the information furnished to the Evaluation Division by workers in 51 project works, the average rate of wages was found to be Rs. 4.56 per day. Naturally this aspect led one to the conclusion that the actual wages paid to the workers in the projects might have been based on wage rates higher than that fixed by the Government of India and that the number of mandays of employment generated might be less than that actually claimed.

(c) No satisfactory arrangements appear to have been made for the proper maintenance of the assets created as a result of the scheme.

(d) Works relating to augmentation of agricultural production which were assigned top priority for inclusion in the programme were relegated to the background on actual execution. This was due to the absence of suitable Minor Irrigation schemes that could be taken up immediately in several Community Development Blocks.

(e) According to the criteria laid down for the recruitment of workers, priority was to be given to those who belonged to families where no adult member was already employed. The study revealed that only 27 per cent of the sample workers were recruited from such families.

(f) In an attempt to accommodate the claims of various panchayats and pressure groups, work projects were scattered in different parts of the blocks. The principle of concentrating works in such areas where the degree of unemployment was more acute or where the need for development was more urgent was found sacrificed. Similarly the idea of making the work projects an integral part of the area development plan seemed to have been neglected.

(g) Information regarding the number of days of work done and the number of persons employed in each project and each month was not available in several Block Development Offices.

(h) The investigators under the State Planning Board who conducted field enquiries once in every fortnight in selected blocks in connection with the evaluation study undertaken by the Planning Board noticed that in some cases the muster rolls did not agree with the actual number of workers employed, that the number of days recorded in the muster rolls varied from the actual days of work in the project and that in certain projects where both men and women were actually engaged, no difference in wage rates was indicated.

27. Construction of a 25 ton ice-cum-freezing-cum-coldstorage plant at Beypore

Under the scheme 'Facilities for handling fish and fish products', Government, in June 1967, sanctioned the establishment of a 25 ton ice-cum-freezing-cum-coldstorage plant at Beypore at an estimated cost of Rs. 11 lakhs for giving facilities to fishermen for freezing of fish and storage of fishery products. The ice produced in the plant was to be sold to fishermen at a reasonably low price. The plant is to be handed over to Kerala Fisheries Corporation Ltd. after construction is completed.

Construction of the building in which the plant was to be installed was completed in 1969. Rupees 4.35 lakhs had been spent on it so far (March 1974).

Orders for the supply and erection of the machines were placed with a firm in October 1967 for Rs. 5.38 lakhs. The delivery of machinery was to be completed within five to six months but no time limit was fixed for erection of the machines. Machines worth Rs. 4.84 lakhs were received between March 1968 and March 1969; but their erection has not been completed yet (March 1974). Items such as crane assembly, plate freezers and ice cans are still to be supplied by the firm.

In terms of the agreement executed by it for the supply and erection of machines, the firm was to supply the articles and complete the erection work

correctly and promptly and in case of default, the department was free to procure the articles from elsewhere and to arrange the erection "without cancelling the contract as a whole" and to recover the extra cost from the firm. Despite the delay on the part of the firm, no action was taken by the department to procure and arrange erection of the machinery through some other agency as contemplated in the agreement with the firm.

The delay in commissioning the plant has resulted in locking up of an outlay of Rs. 9.19 lakhs.

28. Misappropriations, losses, etc.

(a) The following table gives department-wise analysis of 212 cases of misappropriation of funds, stores and stock (Rs. 43.17 lakhs) which came to the notice of Audit till the end of 1972-73, awaiting disposal at the end of December 1973.

<i>Department</i>	<i>Number</i>	<i>Amount</i> <i>(in lakhs of rupees)</i>
Revenue	40	3.05
Development	30	1.23
Agriculture	23	2.09
Public Works	23	22.94
Health	22	0.53
Higher Education	13	2.07
Local Administration and Social Welfare	12	3.41
Taxes	10	3.63
General Education	9	1.68
Other departments	30	2.54
Total	212	43.17

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

	<i>Number</i>	<i>Amount</i> <i>(in lakhs of rupees)</i>
Over 10 years	19	10.73
Over 5 years but less than 10 years	70	18.61
Over 2 years but less than 5 years	67	5.87
Two years or less	56	7.96
Total	212	43.17

(c) Particulars of 2 of those cases are given below:—

(i) Rupees 0.27 lakh were drawn (July 1968/April 1969) in two contingent bills by the Directorate of Dairy Development, Trivandrum, to be paid to two suppliers outside the State as cost of equipment supplied.

Following complaints of non-receipt of their dues made by the two firms, the department discovered (November 1970) that the amount had been misappropriated and placed a Junior Superintendent of the office under suspension. The case is under investigation by the Vigilance Department (February 1974).

It was seen that contrary to the financial and treasury rules (i) the amount had been drawn from the treasury for payment to the suppliers who were from outside the State instead of arranging payments to them through bank drafts, and (ii) the bills had been entrusted to a peon for encashment at the treasury although the amounts of the two bills exceeded Rs. 10,000 each and an official belonging to the supervisory cadre and an upper division clerk/cashier assisted by a peon are required to be entrusted with transmission of Government money exceeding Rs. 10,000.

It was also noticed in Audit that in the above two cases, the bills presented at the treasury were shown as payable in cash, whereas in the concerned office copies of the bills the amounts were shown as payable by bank drafts.

Particulars of action taken against the persons responsible are awaited (December 1973).

(ii) The pension and the gratuity of a Cardamom Special Officer, who retired in June 1963, were withheld as ordered (1964) by Government as very serious irregularities in leasing out Government cardamom lands were attributed to him. After an enquiry by the Vigilance Division of Police, Government informed Audit in January 1967 that police investigation did not yield sufficient evidence to substantiate the allegations against the retired officer and that no further action was proposed to be taken against him and requested the release of gratuity to him. It was, however, pointed out by Audit (September 1967) that: (i) the financial implications of the irregularities and the individual responsibility of the officer and his superiors had not been determined; (ii) the Vigilance Commission (who had gone into some of the allegations) had suggested that effective deterrent action should be taken against all those who had facilitated commission of such irregularities and (iii) the Government themselves had estimated on an earlier occasion the loss sustained by them at Rs. 20 to Rs.30 lakhs and hence it might not be advisable to absolve the retired officer of all responsibility.

In January 1973 Government ordered a reduction in the pension of the officer by Rs. 10, holding that the irregularities which stood proved against him were "very grave, manifesting sheer irresponsibility and gross dereliction of duty" resulting in "heavy loss" which could have been avoided. Particulars of the loss finally assessed and of action proposed to be taken for its recovery called for in November 1973 from Government are awaited (April 1974).

29. Writes off, ex-gratia payments, etc.

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

CHAPTER IV

WORKS EXPENDITURE

30. Pamba Irrigation Project

The Pamba irrigation project (estimated cost: Rs. 3,83.13 lakhs), comprising a pick-up barrage and a canal system intended to utilise the tail-race waters of the Sabarigiri hydro-electric project for irrigating an ayacut of 33,000 acres in Quilon and Alleppey districts, was taken up for execution in October 1961 and was scheduled to be completed by 1967-68. The delay in execution of the project was commented upon in paragraph 42 of Audit Report 1970. Although a period of twelve years has elapsed since work on the project was started, major part of the project is still incomplete. A revised estimate for Rs. 17,89.50 lakhs was prepared by the Chief Engineer in July 1970 and was forwarded to the Central Water and Power Commission and preliminary comments thereon were received in June 1971 and replied to in October 1971. In the meantime, in January 1971, the Central Water and Power Commission informed the Chief Engineer that it had been decided to sponsor the scheme for loan assistance from the World Bank. A team from the World Bank visited the project in July 1971 for conducting a detailed study but no report on the studies conducted has been received by the department so far (April 1974). In line with the suggestions made by the Central Water and Power Commission the estimate for the project was revised (February 1972) to Rs. 18,89.50 lakhs. (The Chief Engineer stated (April 1974) that the estimate for the project had been further revised to Rs. 19,99.80 lakhs based on the comments received from the Central Water and Power Commission and the same was pending clearance by the Central Water and Power Commission). The scope of the project has also been revised (necessitating redesigning of the head works raising the crest level, realignment of the main and branch canals and increase in the number of aqueducts) with a view to increasing the total ayacut to be benefited by the scheme to 44,000 acres. The additional production of paddy anticipated from the project is 81,650 tons valued at Rs. 5.72 crores (at Rs. 700 per ton) as against 28,000 tons according to the original estimate of Rs. 3,83.13 lakhs (prepared in 1959-60 and sanctioned in 1965). Against the anticipated increase of about 33½ per cent in the ayacut, the increase in cost of the project, due to delay in execution and changes in design etc., is 393 per cent. The increase in cost has been attributed mainly to increases in cost of labour (Rs. 1.54 lakhs), materials (Rs. 77 lakhs), land acquisition (Rs. 2.09 lakhs), head works (Rs. 36.31 lakhs), main canals and branches (Rs. 3.03 lakhs), distributaries and field bothies (Rs. 1.63 lakhs), establishment (Rs. 1.64 lakhs) and increase in number of aqueducts (Rs. 3.35 lakhs). The cost per acre (net) benefited would also go up from Rs. 1,164 (as per original project estimate of Rs. 3,83.13 lakhs) to Rs. 4,520. With reference to the revised estimate the Central Water and Power Commission observed (September 1972) that the return of 0.081 per cent on the capital invested for the scheme at the end of 10th year after completion as worked out in the project report was exceptionally low and the scheme was highly unproductive.

The Central Water and Power Commission had also observed that the provision made for establishment charges (12 per cent of cost of works) appeared to be on the high side. The percentage of establishment charges to works expenditure during the years 1967-68 to 1971-72 varied from 20 to 58 in one of the two divisions of the project as against the normal 10 per cent. In the other division, it was below 10 per cent during the years from 1965-66 to 1969-70 and 20.5 and 19 per cent respectively during 1970-71 and 1971-72.

According to the project report prepared by the Chief Engineer in February 1972 for the World Bank, the project was expected to be completed by the end of 1978 with partial commissioning to irrigate an area of 15,000 acres by the end of 1974. Government stated (December 1973) that only 30 per cent of the project works had been completed so far and that it was doubtful whether the partial commissioning expected by 1974 could now be achieved. The delay in execution has been attributed mainly to inadequate provision of funds. It was also stated in the project report (prepared in February 1972) that the general reason for the non-completion of such projects was the large number of irrigation projects taken up in the State simultaneously resulting in the annual allocation for each project falling below the anticipated financial target originally fixed while preparing the construction schedule for each project. Against an outlay of Rs. 6,30 lakhs envisaged for this project in the Fourth Five Year Plan, the provision made in the budget during the five years from 1969-70 to 1973-74 was only Rs. 3,28.20 lakhs. Against the provision of Rs. 75 lakhs and Rs. 100 lakhs respectively made in the plan budgets for 1972-73 and 1973-74, the funds actually allotted during these years were only Rs. 58.12 lakhs and Rs. 77 lakhs respectively. Apart from inadequacy of funds, delay in land acquisition was also stated to be another factor which contributed to the slow progress. An expenditure of Rs. 5,62.64 lakhs had been incurred on the project till the end of March 1973.

Audit observations on some of the works etc., included in the project are as follows:—

(a) *Tunnel across Puthusserimala*: The work 'driving a tunnel across Puthusserimala' (estimate: Rs. 32.91 lakhs) was awarded to the lowest tenderer in October 1966 for Rs. 30.09 lakhs. After issue of the selection notice the contractor demanded higher rates on the plea that he had tendered lower rates on a misconception about the availability of departmental machinery and refused to execute the agreement and commence work. Observing that the contractor was legally liable to execute the work at his originally quoted rates as his tender had been 'fully and legally accepted by the department, thus creating a legally binding contract', Government, in February 1967, rejected his demand and decided to retender the work at his risk and cost. Accordingly the Superintending Engineer terminated his contract in June 1967 and forfeited the security deposit of Rs. 60,200. On a further petition from the contractor, Government, in April 1968, ordered the refund of security deposit and exempted him from the penal consequences of backing out. It was explained by Government in the above order that the decision was taken with reference to a decision of the Supreme Court (reported in A.I.R. 1967 S.C. 203) according to which in each and every contract to which Government is a party it is compulsory that an agreement has to be executed in the name of the Governor under Article 299 (1) of the Constitution and that no such agreement had been executed in this case.

The estimate was revised to Rs. 47.40 lakhs in January 1969 and the work retendered in April 1969. According to the condition of the tender, the contractors were to use their own equipment for the work. A list of tools and plant available with the department which could be hired out to the contractors, if required, was also furnished to the tenderers. On issue of the selection notice in June 1969, the lowest tenderer (tendered amount: Rs. 37.57 lakhs) refused to execute the agreement contending that he had quoted his rates on the assumption that all important machinery required for the work would be made available by the department. In April 1970 the Superintending Engineer notified the contractor that failure to execute the agreement within seven days would result in cancellation of contract, forfeiture of earnest money deposit and rearrangement of work at his risk and cost. With reference to further clarifications sought by Government in April 1971, the Chief Engineer informed Government (June 1971) that the tender notice was clear that the contractors had to use their own equipment and the supply of departmental tools and plant was purely optional and hence the question of any tenderer backing out due to non-availability of departmental machinery did not arise. Government however ordered (August 1971) that the work should be re-tendered as the contractor was not prepared to execute the agreement and it was necessary to make other arrangements for getting the work executed. Details of action taken against the contractor are awaited (March 1974).

The estimate was again revised to Rs. 55.76 lakhs (in December 1971) and the work was tendered (probable amount of contract: Rs. 53.71 lakhs) with last date fixed as 31st December 1971 and with the stipulation that the contractor would provide his own tools and plant. The lowest offer of Rs. 61.39 lakhs was accepted (March 1972) and agreement executed (April 1972), with time of completion as thirty months. The estimated extra expenditure compared to the rates of the lowest tenderer in the earlier retender of April 1969 is about Rs. 22 lakhs.

The Chief Engineer (Projects) reported (April 1971) to Government that this was the most important work to be executed in this project and that it would not be possible to supply water to any ayacut under the project unless the tunnel was completed. Action initiated in 1966 to commence this important work has materialised only in 1972 and the cost of the work has almost doubled in the mean time.

(b) *Aqueduct across Kattoor fields*: The work 'construction of aqueduct across Kattoor fields' was awarded to the lowest tenderer (six tenders were received) in October 1965 for Rs. 8.17 lakhs (estimate: Rs. 8.75 lakhs) and commenced in December 1965. The work was scheduled to be completed by the end of April 1967. Due to delay on the part of the department in approving change in the bed level of the aqueduct (change suggested in August 1966 was finally approved by the Chief Engineer in November 1966 and intimated to the contractor in December 1966) and in removing the boulders and other obstructions in the wells for the piers, which, under the agreement, was the responsibility of the department (buried log in well of pier no. 10 was finally removed only in May 1967 and boulders in March 1969) only 40 per cent of the work could be completed by the contractor by the scheduled date. The contractor, therefore, demanded higher rates for the remaining works under the contract. As the time of completion of the work (April 1967) had expired and the department did not consider the demand for enhanced

rates to be justified it did not allow the contractor to proceed with the work pending decision on the rates to be paid to him. The work was accordingly stopped in April 1967. On a representation from the contractor, Government, in October 1967, agreed to the resumption of work pending finalisation of the rates. Work was accordingly resumed in April 1968 and was completed in September 1970. As required by the Executive Engineer, the contractor, in the mean time, submitted his rates for the remaining works. The rates claimed for almost all items were far in excess of the agreed rates in the original agreement. The Executive Engineer suggested (January 1968) to the Superintending Engineer that it would be better to allow the contractor to continue the work only on finalisation of rates. The Chief Engineer also advised Government (May 1968) for cancellation of the contract pointing out that the rates claimed were exorbitant and had no comparison to the rates that could be allowed as per conditions of contract. Government, in October 1969, informed the contractor (with reference to his two petitions of August 1967 and October 1967) that fresh rates could not be sanctioned. The delay, it was explained by Government (September 1972), was due to non-receipt (till September 1969) of some particulars called for from the Chief Engineer in June 1968. The contractor, however, continued the work and completed it in September 1970. The contractor thereupon demanded arbitration. The award given by the Arbitrator in March 1971 was favourable to the contractor and allowed him payment of actuals plus 10 per cent profit for almost all items of work. The award was filed in the Sub court, Pathanamthitta under Section 14 of the Arbitration Act 1940 and the court remitted the award to the Arbitrator in August 1971 for fixing the amount due to the contractor under the award. The amount to be paid to the contractor under each claim made by him was accordingly fixed by the Arbitrator (May 1972). On this basis the extra amount to be paid to the contractor over the agreed rates in the original agreement works out to Rs. 3.93 lakhs. The amount deposited in the court in May 1973 has not been released to the contractor so far (April 1974). The Executive Engineer stated (August 1973) that no appeal was filed against the decree based on legal opinion (obtained from the Additional Government Pleader, Pathanamthitta). The award of the Arbitrator mentioned, *inter alia*, that:—

(i) there was unprecedented delay in the removal of obstructions by the department in the wells for piers 10 and 13 for which the contractor was not at fault.

(ii) the supplemental agreements executed by the department fixing rates for certain extra items of work at proportionate rates below the estimate rates were not legally tenable, as the text of the relevant Government order describing the manner in which rates for extra items would be worked out had not been enclosed either in the tender notification or in the agreement, and

(iii) the bed level of the canal was fixed and intimated to the contractor only in December 1966 and since extra rates for this changed design (resulting from change in the bed level of the aqueduct) had not been fixed by the department in time, the contractor could not be held responsible for the delay in doing these items of work.

(c) *Delay in completion of Project House at Maniyar:* Tenders were invited (July 1965) for construction of a project house at Maniyar (estimate: Rs. 70,000) mainly intended to provide accommodation for inspecting officers. As the total value of the work with reference to the rates

quoted by the tenderer whose tender was the lowest was higher than the estimate and since the tenderer refused to reduce his rates the tender was cancelled in September 1965. The work was ordered to be split up and arranged on piece work basis. The work upto basement level was accordingly arranged and completed by September 1966 spending Rs. 17,100. Though the work was split up and a revised estimate for Rs. 87,000 was also sanctioned (March 1970) the remaining work has still (December 1973) to be awarded due to lack of response from contractors. In the meantime construction of the barrage at Maniyar is nearing completion. It is therefore doubtful how far the project house, even if completed now, will serve the purpose for which it was mainly intended.

(d) *Tools and Plant*: In one of the two divisions under the project special tools and plant costing Rs. 28.90 lakhs were purchased till the end of December 1970. It was observed that many of these items remained unutilised. The Chief Engineer stated (November 1971) that the machines had been purchased in advance to meet the anticipated requirements, but some of them remained unused as the phased programme of work could not be achieved. Transfer of these tools and plant to other divisions was also not considered advisable as it would be difficult to obtain them in time when works were arranged. These tools and plant included an electric compressor purchased in 1964 (cost: Rs. 1,38,500), three metre gauge locos purchased in 1963 (cost: Rs. 56,374 each) and three narrow gauge locos purchased in 1963 (cost: Rs. 16,000 each) which remained wholly unutilised (December 1973). The metre gauge locos were considered as surplus in the division and attempts were being made to dispose them of.

31. Minor irrigation works

Irrigation schemes costing less than Rs. 25 lakhs each (the limit was Rs. 15 lakhs upto April 1971) are classified as minor irrigation works. The types of work taken up under the scheme are:—

- (i) reclamation of swampy areas by bunding and dewatering;
- (ii) construction and restoration of reservoirs and tanks for harnessing flood and rain water for irrigation purposes;
- (iii) construction of diversion structures like anicuts, vented cross bars, etc., across natural streams for diverting water to ayacut;
- (iv) construction and restoration of salt exclusion works like vented cross bars, regulators, etc., to control salinity of soil caused by ingress of salt water;
- (v) drainage works including widening of small streams and construction of protective works such as spill ways, retaining walls, etc., to avoid flood damages; and
- (vi) lift irrigation works.

Minor irrigation works costing more than Rs. 2 lakhs each (upto April 1971: more than Rs. 1 lakh) and expected to benefit not less than 200 acres are classified as class I works and works costing upto Rs. 2 lakhs each (upto April 1971: Rs. 1 lakh) and expected to benefit less than 200 acres as class II works.

The total area irrigated from minor irrigation schemes (reservoirs, tanks, anicuts, lift irrigation works, etc., at the end of the Third Five Year Plan was 4.20 lakh acres. During the period 1966-67 to 1968-69, Rs. 3,89.72 lakhs (target:

Rs. 5,01.50 lakhs) were spent on the minor irrigation works bringing 54,500 acres additionally under minor irrigation (target: 71,400 acres). During 1969-70 to 1971-72 of the fourth Five Year Plan, Rs. 5,42.83 lakhs were spent on minor irrigation works, bringing 23,757 hectares (58,704 acres) under minor irrigation. Targets and achievements for 1966-67 to 1972-73 were as follows:—

	Financial		Physical		Percentage of shortfall	
	Target (in lakhs of rupees)	Actual	Target (acres)	Actual	Finan- cial	Physi- cal
Class I Minor Irrigation works	3,79.19	2,72.33	39,259	18,673	28	52
Class II Minor Irrigation works	5,48.09	6,45.41	64,330	95,001	..	..
Lift Irrigation	1,90.46	1,90.00	19,436	11,157	..	43

Absence of proper investigation before commencing the work, delay in land acquisition, paucity of funds, delay in manufacture of shutters for regulators, etc., were some of the main reasons attributed by the department for the shortfall.

Class I works and lift irrigation works benefiting 100 acres or more are maintained by the department and class II works by local bodies to whom maintenance grant for the purpose is given by Government. According to the department, practically very little maintenance works are being carried out for class II works. In the draft fifth Five Year Plan of the State Government, it has been stated that as new projects are commissioned and more areas are provided with irrigation protection, older ones get into disuse due to lack of adequate repairs and maintenance, resulting in some areas going out of the protection afforded by such projects.

Some aspects of the scheme were mentioned in paragraph 44 of Audit Report 1970. On a further review by Audit, the following points were noticed:—

(i) *Delay in completion of works:*

(a) *Irrigation facilities to Karingalilchal puncha:* The work of providing irrigation facilities to Karingalilchal puncha (Chengannur division) expected to benefit about 2020 acres of land, sanctioned in January 1962 (estimated cost: Rs. 11.55 lakhs) consisted of improvements to thodu (Rs. 3.97 lakhs), construction of three sluices (Rs. 0.64 lakh), construction of a 75 feet span bridge-cum-regulator over the 'Pozhiyil Karingalilchal thodu' and approaches (Rs. 5.42 lakhs) and land acquisition charges and petty supervision (Rs. 1.52 lakhs). The target date of completion of the work was July 1964. Due to paucity of funds, the work was taken up in stages. Construction of sluices was completed in December 1964. Improvements to thodu taken up in 1963-64 are yet to be completed (total length of thodu: 41,807 running feet; work completed so far: 17,536 running feet) owing to delay in land acquisition. Out of 32.5233 hectares of land required for the whole work only 16.1783 hectares have been acquired and handed over to the department till November 1973. Though an approach road (cost: Rs. 2.71 lakhs) has

already been completed, work on the bridge-cum-regulator is yet to be taken up. Rupees 9.34 lakhs were spent on the work till the end of March 1973.

A revised estimate for Rs. 33.88 lakhs prepared by the department (February 1972) was sanctioned by Government in August 1972. According to the revised estimate, the cost of the bridge-cum-regulator would go up from Rs. 4.70 lakhs (original estimate of 1962) to Rs. 7.53 lakhs. Work on the bridge-cum-regulator is yet to be arranged.

The work started in 1962 still remains incomplete (February 1974).

(b) *Lift Irrigation Scheme, Ennakkad*: Lift Irrigation Scheme at Ennakkad (Chengannur division) sanctioned in November 1960 at an estimated cost of Rs. 2.53 lakhs (earthwork: Rs. 0.59 lakh; masonry work: Rs. 0.72 lakh; electrical portion, pumpsets, accessories, etc.: Rs. 1.15 lakhs; contingency and petty supervision: Rs. 0.07 lakh) was expected to benefit 1,113 acres of double crop fields. Work on the scheme taken up in June 1961, with time of completion fixed as July 1961, was suspended in June 1963 as some land-owners, who had originally agreed to surrender the required land free of cost (no consent letters were obtained before commencement of work), refused to do so later. Action for land acquisition was initiated only in 1968. The amount spent on the work till the end of March 1973 was Rs. 1.46 lakhs (including Rs. 0.40 lakh spent on purchase of pumpsets which are being used on other lift irrigation works). The estimate, revised (December 1971) to Rs. 7.16 lakhs (earthwork: Rs. 1.77 lakhs; masonry works: Rs. 1.72 lakhs; electrical portion: Rs. 1.30 lakhs and land acquisition charges: Rs. 2.37 lakhs) was sanctioned by Government in June 1973. Construction of the remaining works is yet to be arranged (May 1974).

(c) *Improvements to Chullithodu in Kaduthuruthy panchayat*: The work of improvements to Chullithodu in Kaduthuruthy panchayat (Kottayam division) expected to benefit about 392 acres was entrusted to a contractor in February 1964 (probable amount of contract: Rs. 0.94 lakh; stipulated date of completion: 15th August 1964). The work consisted of diversion of Manthara thodu to Chullithodu by means of a new cut, deepening and widening of Chullithodu and construction of a bridge across the new thodu. The scheme was for draining out the flood water from surrounding fields. The work was stopped in November 1965 as the required land could not be made available owing to delay in land acquisition. The contract was terminated in November 1970 at the request of the contractor though the land required had been taken possession of by October 1970. The remaining work has not been arranged so far (November 1973) pending sanction of the Chief Engineer to a revised estimate for Rs. 2.98 lakhs. Rupees 0.42 lakh were spent on the work upto March 1973.

(d) *Olipuzha Diversion Scheme (Malappuram district)*: The scheme is intended to benefit 475 acres and to produce 250.5 tonnes of paddy additionally. When the scheme was sanctioned in January 1968, its estimated cost was Rs. 3.78 lakhs (weir across river Olipuzha: Rs. 0.70 lakh; two main canals: Rs. 2.52 lakhs; other items including sluices, cross drainage works etc.: Rs. 0.56 lakh). The estimate was revised to Rs. 4.45 lakhs in March 1969 taking into account the revision of the schedule of rates from 1st January 1967. The work arranged in April 1970 was to be completed within twelve months. After fixing the alignment, proposals for acquisition of land

for canals were sent only in February 1971. Diversion weir and two head sluices were completed by April 1971. But the canal and cross drainage works have not been taken up so far (August 1973), as the required land has not been acquired. The original contract was terminated in July 1973. Upto-date expenditure on the scheme is Rs. 1.27 lakhs (April 1974).

(e) *Valiyora Lift Irrigation Scheme (Malappuram district)*: The scheme is expected to irrigate 214 acres by pumping water from Kadalundi river and to yield an additional revenue of Rs. 3,000 per annum. The work (estimated cost: Rs. 1.84 lakhs) consisted of pump house, canal system and cross drainage works. Civil works were entrusted to a contractor in October 1970 for Rs. 0.44 lakh and were to be completed by October 1971. However, the necessary requisition for land acquisition was sent to Revenue authorities only in September 1971. The pump house, a portion of the canal system and the cross drainage works were completed by January 1972. The remaining works could not be proceeded with (November 1973), owing to the delay in land acquisition. As a result, an amount of Rs. 0.98 lakh spent on the work remains unfruitful.

(f) *Poonchola Minor Irrigation Scheme (Palghat district)*: The scheme (estimated cost: Rs. 1.77 lakhs) is intended to benefit 560 acres of land and to increase food production by 366 tons. The estimate provided for construction of an anicut across Poonchola thodu (Rs. 0.50 lakh), formation of a main canal and other cross drainage works (Rs. 0.81 lakh), other canals (Rs. 0.30 lakh) and other connected works (Rs. 0.16 lakh). The construction of the anicut was completed in April 1968.

Work on canals and cross drainage works is yet to be arranged. As a result, Rs. 1.87 lakhs already spent on the scheme remain locked up.

Pending formation of canals, water from the reservoir formed had to be let out through the existing 'thodu' (old canal). This caused flood damages to the existing canal, the rectification of which cost the department Rs. 11,991 in 1970-71, Rs. 28,794 in 1971-72 and Rs. 29,991 in July 1973.

(g) *Improvements to Puliampetta 'thodu' and construction of a regulator (Palghat district)*: The scheme (estimated cost: Rs. 2.08 lakhs) sanctioned in August 1965 envisages widening and deepening the Puliampetta 'thodu' (canal) for easy drainage of water from paddy fields and construction of a regulator to prevent entry of flood waters from Bharathapuzha river during monsoon and to provide storage of water in summer. The area to be benefited is 857 acres and the additional food production expected is 293 tons of paddy. The work was commenced in May 1966.

Except provision of shutters, work on the regulator had been completed by July 1970. The Assistant Engineer, Mechanical Sub Division, Malam-puzha, who was to design, manufacture and supply the shutters could not do so owing to non-availability of mild steel plates. In July 1971 the department decided to entrust the work to a private firm. But action in this respect is still to be taken (November 1973). Without making arrangements for the supply of shutters, the scheme was partly commissioned in November 1972 after constructing a temporary bund. Owing to delay in providing permanent shutters, full benefits have not started accruing from the scheme although Rs. 4.66 lakhs were spent upto August 1973.

(h) *Regulator at Trikkur (Trichur district)*: The regulator at Trikkur (construction of regulator: Rs. 2.91 lakhs; provision of shutters: Rs. 1.09 lakhs; other miscellaneous items: Rs. 0.80 lakh; total estimated cost: Rs. 4.80 lakhs) was sanctioned in November 1963. The estimate of the work was revised to Rs. 8.30 lakhs in August 1972. The benefits expected from the scheme were stabilisation of crops in 354 acres of single crop and 157 acres of double crop fields, stabilisation of 1,000 acres of paddy fields, coming under the ayacut of the Peechi Irrigation Scheme, and additional production of 758 tons of paddy. Water cess was expected to be collected from 512 acres. The civil works commenced in March 1964 were completed in March 1968 at a cost of Rs. 3.49 lakhs. The mechanical portion of the work, including fabrication and erection of shutters and ancillary electrical works, was estimated to cost Rs. 4.04 lakhs. The work of fabrication and erection of shutters entrusted to an agency in March 1968 for Rs. 3.73 lakhs was completed in March 1973. Expenditure on mechanical works upto September 1973 was Rs. 3.89 lakhs. The regulator is yet to be provided with electric connection and as a result the scheme on which Rs. 7.38 lakhs had been spent has not yet been commissioned (October 1973).

(i) *Mulakulam South Kunnappally Lift Irrigation Scheme (Kottayam district)*: The scheme (estimated cost: Rs. 1.05 lakhs) is intended to benefit 452 acres and to increase food production by 242 tons. The works envisaged under the scheme included (i) construction of pump house, cistern and flume, (ii) formation of channels and (iii) construction of foot bridges, cattle ramps, cross bars and distribution spouts. Work on the scheme was entrusted to a contractor in February 1963, for Rs. 0.99 lakh. Government, while accord- ing administrative sanction, had stipulated that the work should be taken up only after surrender of land free of cost by the ryots. But the work was taken up for execution before obtaining free surrender of the required land. During execution, the land along the approved alignment was not received on free surrender. At the instance of the owners the alignment of the channel had to be changed. Consequently the nature and quantities of earthwork to be done changed besides increasing the length of the canal from 13,485 feet to 13,625 feet. This necessitated a revision of estimate to Rs. 2.87 lakhs which was sanctioned in November 1965. But even then, the required land was not obtained. The contractor proceeded with the work at a slow pace and ultimately stopped the work in September 1969 on the plea of non-avail- ability of land. The remaining work has not been arranged yet (September 1973). The channels already formed are reported to have been filled up with landslips. Rupees 1.20 lakhs spent on the work till November 1969 remain locked up and unfruitful.

(j) *Irrigation facilities—Melpadam puncha (Alleppey district)*: The scheme (estimated cost: Rs. 8.35 lakhs) intended to help the ryots to raise a second crop in 1,134 acres of Melpadam puncha, located between the Pamba and Achencoil rivers and increase food production by 2,000 tonnes was sanctioned by Government in February 1965. The work consisted of formation of bund and road (Rs. 6.02 lakhs), construction of sluices and culverts (Rs. 1.07 lakhs), extension of canals (Rs. 0.11 lakh) and other miscellaneous items including provision of pump house (Rs. 1.15 lakhs). It was entrusted to a contractor in December 1964 for Rs. 7.67 lakhs and was scheduled to be completed by March 1966. On his failure to complete the work in time, the contract was terminated in February 1968 and a penalty of Rs. 15,883

was recovered from him. The remaining works have not been arranged yet (April 1974) pending sanction to revised estimate for Rs. 15.60 lakhs (April 1974). The expenditure of Rs. 4.19 lakhs incurred on the work upto March 1967 remains largely unfruitful.

(ii) *Delay in recovery of dues from contractors:*

Mamalassery Lift Irrigation Scheme (Ernakulam division): The scheme (estimated cost: Rs. 2.56 lakhs) intended to benefit 489 acres of land was sanctioned by Government in October 1963. The civil works were entrusted to a contractor in June 1964 for Rs. 1.44 lakhs. The contractor stopped the work in July 1967 after doing a portion of the work (cost of work completed: about Rs. 0.70 lakh). The expenditure of Rs. 1.37 lakhs (till March 1971) incurred on the scheme (including payment to the contractor for civil works, cost of pumpsets, contingency and supervision charges) has not served any purpose. (The pumpsets are, however, stated to have been transferred and put to use in other lift irrigation works.) A revised estimate for Rs. 3.82 lakhs was sanctioned in April 1972. The remaining work has not been arranged yet (May 1974).

The contract for civil works was cancelled in October 1968 at the risk and cost of the contractor. Pending re-arrangement of the balance work based on the revised estimate, the liability of the contractor was provisionally fixed by the department as Rs. 1.76 lakhs (with reference to the difference between his agreed rate for the balance work and cost of balance work as per revised estimate). The liability of the contractor is to be finally fixed after arranging the balance work. Besides, another Rs. 11,742 are also outstanding against the contractor on account of cost of materials supplied to him but not accounted for. The recovery is yet to be effected (May 1974).

(iii) *Extra expenditure:*

Vented Cross Bar across Cherupuzha (Kozhikode district): The vented cross bar across Cherupuzha intended to benefit 240 acres of land and increase food production by 168 tons, was sanctioned in September 1966 (estimated cost: Rs. 1.97 lakhs). The work entrusted to a contractor in December 1967 for Rs. 1.83 lakhs, was completed in June 1971.

According to agreement, the contractor was to put up and maintain ring bunds until the completion of under-water items of work or till such time when the work could be carried on without the bund. In spite of this provision in the agreement, the contractor was paid Rs. 0.08 lakh as extra (August 1971) for bailing out water.

The under-water items of work were not completed by the contractor as programmed before the onset of the monsoon. When the monsoon set in, the diversion channel was eroded and widened by flood. Rupees 0.15 lakh were paid to the contractor (August 1971) for filling the eroded portions of the diversion channel.

The left wing wall on the downstream side, the construction of which had been completed in May 1969, was damaged in April 1970. This was attributed to the washing away of the subsoil. The cost of rectificatory works arranged in March 1972 was Rs. 0.66 lakh.

(iv) *Abandoned work:*

Chathanchira Irrigation Scheme: Administrative sanction for the Chathanchira Irrigation Scheme (Trichur division), comprising mainly a dam across Wadakkancherry river, an approach road to the dam site and a canal system, was issued by Government in March 1970 though the Chief Engineer had advised (May 1969) that the scheme was uneconomical. Technical sanction was accorded by the Superintending Engineer in May 1971 for Rs. 9.77 lakhs. While work on the approach road (commenced in November 1971; time of completion: ten months) was in progress Government cancelled (March 1972) the administrative sanction issued earlier in March 1970 on the ground that the scheme was uneconomical. The work was stopped in April 1972 after incurring an expenditure of Rs. 0.49 lakh (work paid for upto April 1972: Rs. 0.42 lakh; work done for which payment remains to be made: Rs. 0.07 lakh).

(v) *Shortfall in irrigation:*

Nayadumpuzha Lift Irrigation Scheme: The scheme (estimated cost: Rs. 0.97 lakh) was sanctioned in November 1961 to provide irrigation to 236.76 acres from the Nayadumpuzha lake in Kozhikode District. The work on the scheme was started in December 1962 and completed in June 1966 at a cost of Rs. 0.90 lakh. But on commissioning the scheme in October 1968 the department noticed that only 22 acres could be irrigated as water available in the lake was inadequate. The area benefited by the scheme as at the end of December 1973 was 42 acres.

(vi) *Recovery of water cess:*

(a) *Suspension of collection:* The levy of water cess on the land benefited by the irrigation works in the State is governed by Travancore-Cochin Irrigation Act 1956, Malabar Irrigation works (construction and levy of cess) Act 1947 and Madras Irrigation Act 1865 and the rules framed under the respective enactments. In May 1967 Government suspended with effect from April 1967 collection of water cess (including arrears) on lands benefited by minor irrigation works with ayacut areas not exceeding 200 acres, pending enactment of a new legislation on irrigation. Government stated (May 1974) that the new legislation had not been enacted and that it was in the process of drafting.

Betterment levy is also not being collected for lands benefited by irrigation works in the State. The Irrigation Commission 1972 has recommended that half the capital cost of irrigation projects should be recovered from beneficiaries by way of betterment levy. The recommendation is reported to be under examination by Government.

(b) *Lift Irrigation Scheme at Baveli:* The water cess collected till the end of March 1973 from Baveli Lift Irrigation scheme (Cannanore division) commissioned in 1966 was Rs. 0.07 lakh while the maintenance expenditure on the scheme during the same period was Rs. 0.96 lakh.

32. Protective works on the bank of Baliapatam river (Cannanore district)

According to the criteria laid down in the Budget Manual on the basis of the recommendations of the Public Accounts Committee, expenditure on a work not contemplated in the Annual Financial Statement is to be treated as a 'New Service', if its estimated cost exceeds rupees one lakh.

The Executive Engineer, Irrigation Division, Tellicherry invited tenders in November 1971 for the work of protecting 400 metres of the eroded bank of Baliapatam river, which was not provided in the Annual Financial Statement (estimated cost: Rs. 2 lakhs). This was done in anticipation of sanction from the competent authority, as the work was considered to be of an emergent character. The lowest of the three tenders received was 47 per cent below the estimate. But before the work was awarded for execution the need for observing 'New Service' procedure in regard to the works costing more than rupees one lakh was pointed out by the Superintending Engineer in December 1971. The Executive Engineer, instead of asking for an advance from the Contingency Fund in view of the emergent nature of the work, cancelled (December 1971) the tenders already received and invited tenders (January 1972) for protecting only 180 metres of the eroded bank, with a view to bringing the estimated cost below rupees one lakh and thereby obviating the necessity for observing 'New Service' procedure. The lowest offer accepted this time was, however, 3.85 per cent above the estimated cost. The work was completed in March 1972 at a cost of Rs. 0.99 lakh. Compared to the rates fetched in the first tender, the expenditure incurred on the work was more by Rs. 0.44 lakh. The work for protecting the remaining reach of 220 metres of the eroded river bank has not been arranged so far (August 1973).

33. Defective estimate

For strengthening the embankment of the main canal (9th mile) of Periyar Valley Irrigation Project, an estimate for Rs. 1.75 lakhs was sanctioned in December 1969. The work was entrusted in March 1970 to a contractor whose tender (Rs. 1.12 lakhs) was the lowest of the six offers received when computed with reference to the estimated quantities. On completion of the work in September 1970 at a cost of Rs. 1.39 lakhs, it was noticed that the quantities executed under many items varied considerably from those estimated. In the case of items for which the contractor had quoted unworkable rates, the quantities executed were either negligible or nil as shown below:—

	Quantity estimated <i>(in cubic metres)</i>	Quantity executed	Rate per Estimate Rs.	10 cubic metres Lowest tender
Forming cross bunds over the canal using departmental earth and filling the canal portion, including consolidation	2,000	nil.	25.63	1 paisa
Conveying the cut earth by lorry upto a maximum distance of 4 kilometres from the places of cutting to the place of filling etc. complete	10,250	2,138	35.86	1 paisa
Earth work cutting in hard soil from the side of the canal (filled previously) and depositing the same in the left bank for forming embankment within initial lead of 50 M. etc. complete	2,000	nil	22.60	1 paisa
Extra lift over and above the initial lift of 1.50 M	22,500	nil.	1.39	1 paisa

For the above items, the rates quoted by the second and the third lowest tenderers also were equally unworkable. The wide variation between the estimated and executed quantities altered the *inter-se* competitive position of the tenders. If the estimates had been prepared realistically and the work awarded to the tenderer who was originally considered the fourth lowest, expenditure on the work would have been less by Rs. 0.23 lakh.

The matter was reported to the Chief Engineer and Government in November 1971. The Chief Engineer stated (June 1972) that 'estimates for the work are prepared only on superficial observations and the quantities in actual execution may vary'. Government endorsed the views of the Chief Engineer in May 1973. Government has not so far (April 1974) intimated why the department ignored the fact that the lowest tenderer had quoted unreasonable rates for these items at the time of acceptance of his tender.

34. Construction of permanent bunds on Kakkanad Kari Lands (Ernakulam district)

A soil conservation scheme (estimated cost: Rs. 8.59 lakhs) for constructing permanent bunds to protect 715 acres of 'Kari' land (water-logged land with black soil near backwaters, rivers etc.) from floods caused by Kada-brayar and Chitrapuzha rivers in Kizhakkambalam Panchayat in Ernakulam district was sanctioned by the Land Development Board in January 1965. The scheme was expected to result in production of additional 1,500 tons of paddy per year and facilitate navigation in the two rivers. In accordance with the provisions of Kerala Land Development Schemes Rules 1964, the Board decided to entrust execution of the scheme to beneficiary owners of the land. Accordingly, the work was divided into different blocks and awarded for execution to six beneficiaries of the scheme who had expressed their willingness to execute the work at scheduled rates of the Public Works department. The work commenced by the beneficiary contractors between February and April 1966 was scheduled to be completed by October 1966.

Though the beneficiary contractors had offered to take up the work at scheduled rates, they were, on the basis of subsequent representations, paid at estimated rates which were inclusive of contractor's profit. The element of contractor's profit included in the payments made so far is about Rs. 0.99 lakh.

According to agreements executed with the beneficiary contractors, the rates specified were inclusive of incidental charges for putting up ring bunds, bailing out water, etc. On a joint petition submitted by the contractors during execution of the work, the Land Development Board decided in December 1968 to allow extra payment for putting up ring bunds and bailing out water. The estimated extra commitment on this account is Rs. 0.80 lakh. Government stated (March 1974) that the claim on this account had been rejected except in one case (block 'D') where the item 'putting up ring bunds and bailing out water' had been recorded in the measurement book and check measured. Payment to the contractor in this case (estimated extra payment: Rs. 0.20 lakh) was under consideration of Government (March 1974).

On receipt of a report about sinkage of the bund formed, the Land Development Board decided (December 1968) to allow sinkage allowance of 10 per cent over and above the quantities of earthwork measured though the agreement did not provide for any such allowance. Extra commitment on this account is estimated at Rs. 0.58 lakh. The department stated (November

1973) that due to the peculiar and slushy nature of the soil the entire bund had sunk and that it was not practicable to assess the actual extent of sinking.

A revised estimate for Rs. 17.98 lakhs, including provision for the extra commitments listed above as also payment of enhanced rates for quantities of work done in excess of the agreed quantities (estimated extra commitment due to increase in rates consequent on revision of schedule of rates: Rs. 2.60 lakhs) was sanctioned by the Land Development Board in October 1971.

It was reported by Government (March 1974) that work on the scheme had not yet been completed due to slackness of the contractors and lack of experience and financial resources on their part. The question of terminating their contract and arranging the remaining work through competitive tender system was stated (March 1974) to be under the consideration of the State Land Development Board.

Rupees 13.32 lakhs have been spent on the work till March 1973. Under the Land Development Act the cost of the scheme is recoverable from the beneficiaries after completion of the works, preparation of a statement of rights and liabilities of the beneficiaries and publication of a notice to this effect. As interest (6 per cent per annum) on the amount recoverable from the beneficiaries accrues only from the date of publication of the notice regarding preparation of the statement of rights and liabilities, delay in completion of the work has resulted in loss of interest to Government besides postponing the recovery of the dues from the beneficiaries.

35. Delay in recovery of dues from contractors

The rules require that when a work is to be carried out on contract basis, tenders should be invited and that in selecting the tender to be accepted, the financial status of the tenderers, their capacity, the security offered by them and the record of their execution of works if any previously should be taken into consideration. For enabling the department to consider these aspects, the rules also specify that only persons who have registered themselves as contractors are entitled to submit tenders and that their application for registration and renewal of registration is to be supported by a solvency certificate issued by the Revenue department or a bank guarantee. The rules also empower the department (i) to remove the name of any contractor from the approved list of contractors if he fails to execute a contract or execute it unsatisfactorily and (ii) to blacklist a contractor if he refuses to pay Government dues without sufficient reasons.

In cases where any contract is terminated owing to lapses on the part of the contractor and the remaining work arranged through other agencies the loss to Government on account of such a rearrangement is to be recovered from the original contractor.

In the following cases, steps so far taken to recover such loss to Government have not been adequate or have proved futile because there was delay on the part of the department in initiating action for recovery.

(a) Local Administration Department:

(i) The work of Erumeli Water Supply Scheme (estimated cost: Rs. 0.94 lakh) was entrusted to a contractor in August 1965. It was scheduled to be completed by February 1966. Though extension of time was allowed thrice, the contractor did not complete the work. Hence the remaining work was entrusted to another contractor

in December 1969 at the risk and cost of the original contractor. The work was completed in July 1970. But the final liability of the original contractor has not been worked out so far (January 1974) pending payment of the final bill relating to the second contract. The excess expenditure on account of rearrangement of the work was estimated (March 1970) at Rs. 0.43 lakh (after adjusting security deposit). In addition, the first contractor has to return materials worth Rs. 14,147 issued to him. Only Rs. 3,283 have been recovered from the contractor so far (February 1974) through the Revenue department and other divisions. It is reported that Rs. 3,547 due to the contractor from the Buildings and Roads Division, Kottayam have been withheld for adjustment against his dues. There seems no possibility of recovering the balance amount as, according to the District Collector, Kottayam, the defaulter does not possess any property.

(ii) Two works for providing water supply to Eruthempathy and Kozhipara in Palghat District (estimated cost: Rs. 65,900 and Rs. 78,000 respectively) entrusted to a contractor during 1966-67 were scheduled to be completed by October 1966 and March 1967 respectively. Materials worth Rs. 28,064 were issued to him for the two works (Eruthempathy scheme: Rs. 13,433; Kozhipara scheme: Rs. 14,631). He executed a portion of work at Eruthempathy and did not do any work for Kozhipara scheme. Repeated attempts of the department to get the work done through him were of no avail. Finally, after terminating the contract (February 1968) at his risk and cost, the remaining work was awarded to another contractor in September 1969.

Materials worth Rs. 0.10 lakh (approximately) were returned by the first contractor after termination of his contract. The security deposit furnished by him was also adjusted against his dues. Even after this, the loss to Government on account of rearrangement of the work and the cost of the materials not accounted for by him amounted to Rs. 0.34 lakh. But this has not been recovered yet (February 1974). The Revenue authorities have reported that the contractor has no property in Kerala State.

(b) *Water and Power Department:*

(i) The work of constructing aqueduct No. 1 across Uliyil thodu in the Main Reach I of Pazhassi Irrigation Project was entrusted to a contractor for Rs. 6.52 lakhs in March 1967. It was scheduled to be completed by May 1968. The contractor was given extension of time till June 1969. On his failure to complete the work, the contract was cancelled in November 1969. The remaining work was ordered to be done at the risk and cost of the original contractor.

To a tender call in March 1970 for the remaining work, there was no response. In the meantime, the original contractor came forward with an offer to complete the work as per the original agreement. The earlier order terminating his contract was therefore cancelled in June 1970. But he did not resume the work and the contract was finally cancelled at his risk and cost in September 1970.

The remaining work was entrusted to another contractor in December 1970 for Rs. 5.78 lakhs. The loss due to rearrangement of the work was assessed at Rs. 1.69 lakhs. A suit filed in July 1972 in Sub Court, Tellicherry for the recovery of the amount due from the first contractor was decreed in favour of the department. In terms of the decree, the contractor was to pay the department Rs. 1.69 lakhs towards loss, interest thereon at 6 per cent

from the date of suit and Rs. 0.19 lakh towards court expenses. The District Collector, Cannanore, however, reported (June 1973) that the contractor did not possess any immovable or movable properties of his own. In September 1973, Government instructed the Chief Engineer to execute the decree and proceed with it even upto the extent of committing the defaulter to civil prison. Government stated (March 1974) that security deposit and retention money amounting to Rs. 0.38 lakh were available with the department for adjustment against the dues. Further developments of the case are awaited (March 1974).

(ii) The work 'protective works below Karipoo Temple in Achenkoil River' (estimated cost: Rs. 0.98 lakh) entrusted to a contractor in 1959-60 for Rs. 48,993 was scheduled to be completed by March 1960. The work was commenced in January 1960. After executing a portion, the contractor stopped the work in February 1961 leading to termination (July 1962) of the contract at his risk and cost. The estimate of the work was revised in October 1961 to Rs. 1.13 lakhs since there was no provision in the original estimate for land acquisition charges.

The remaining work entrusted to another contractor in March 1964 was completed in March 1967. The loss on account of the rearrangement amounted to Rs. 23,435. After adjusting the amount due to the contractor by the department, the balance still due from him has been provisionally worked out as Rs. 18,818. This has not been recovered yet (April 1974).

(iii) The work of 'constructing 4,800 feet sea wall between Sinkarathope and Muthalapozhi' (estimated cost: Rs. 10.52 lakhs) was entrusted to a contractor in 1965-66 for Rs. 6.37 lakhs. The work started in February 1966 was due to be completed in October 1966. As the progress of work was not satisfactory, the contract was terminated in December 1968 at the risk and cost of the contractor.

The remaining work was awarded to another contractor in April 1969 for Rs. 3.89 lakhs. The work was completed in August 1972. The estimated extra cost on account of the alternative arrangement amounted to Rs. 75,978. The exact liability has not yet been assessed. Action for realising the dues from the original contractor has also not been initiated even though in a circular instruction issued in December 1972 Government had directed the departments to determine and recover, within a period of not more than one year, the loss occasioned by termination of contracts and consequent rearrangement of work at the risk and cost of original contractors.

36. Neendakara port development

Work on a project for development of a lighterage port at Neendakara was started in 1962. The steamers would anchor in the open sea and cargo would be transported by lighters towed from or to wharves to be constructed at the backwater frontage at two adjacent places, Quilon and Koilthottam. The project envisaged the following:—(i) construction of two breakwaters from either side of the coast line at the mouth of the Ashtamudy lake into the sea, (ii) deepening of approach channels within the lake, (iii) construction of wharves, railway siding, transit sheds, administrative buildings and

(iv) purchase of lighters, tugs, dredgers, etc. Mention was made in paragraph 44 of Audit Report 1969 and again in paragraph 51 of the Report for the year 1970-71 about certain irregularities noticed in the execution of some works under the scheme and also about the stoppage of work (on construction of breakwaters) in October 1967 pending decision of Government on a proposal to develop a deep water all-weather port at Neendakara instead of a lighterage port. A Bombay firm was entrusted in October 1967 with the work of preparing a feasibility report (with technical assistance from a foreign enterprise) on development of cargo and fishing harbours at six centres including Neendakara. The firm submitted its report in February 1968 and the Government on the basis of the report decided that development of Neendakara port into a deep sea port was not immediately justified. It also decided that the port should be developed initially as a lighterage port and a fishing harbour capable of being developed as a deep sea port for cargo steamers at a later date when development of traffic justified such a change. Work on the fishing harbour is yet to be sanctioned and taken up (February 1974).

The original estimate of Rs. 1,11.65 lakhs for the development of lighterage port (prepared in 1959 and sanctioned in January 1962) which was revised to Rs. 1,35.65 lakhs in March 1965 was again revised to Rs. 1,41.45 lakhs in July 1965 to provide for the increased cost of lighters, tugs, barges, etc. Rupees 1,19.98 lakhs were spent on the scheme till January 1973. Construction of breakwaters (estimated cost according to revised estimate: Rs. 67 lakhs), which is the most important work under the project, has not been completed so far (December 1973). Construction of a wharf at Quilon, transit shed, port office building, some quarters and the signal station at Neendakara has been completed.

(i) *Construction of breakwaters*

The construction of breakwaters was awarded to the lowest tenderer (probable amount of contract: Rs. 55.62 lakhs) in December 1963 and was to be completed by January 1967. The agreement was executed in February 1965. While the work was nearing completion, on the advice of some experts of the Government of India, the State Government ordered (October 1967) stoppage of the work pending a decision on a proposal to develop Neendakara port into a deep water all-weather port. The work was accordingly stopped by the contractor on 11th October 1967. Rupees 50.43 lakhs had been paid to the contractor till then towards value of work done. As no further intimation was received from the department, the contractor, in December 1967, wrote to Government exercising his option to terminate the contract with effect from 11th October 1967 and requested release of the retention money. In January 1968 Government informed the contractor that in view of the termination of the contract by him, his rights and liabilities would be settled according to the terms of the agreement. Formal orders directing the Chief Engineer (Irrigation) to settle the rights and liabilities of the contractor were issued by Government only in November 1968. As certain disputes arose between the parties, the claims of the contractor were referred (March 1971) for arbitration and under the award (December 1971) an additional sum of Rs. 2.71 lakhs was ordered to be paid by Government to the contractor. An objection petition filed by the department was overruled by the court in October 1972 and a decree was passed in terms of the award. The award of the Arbitrator included Rs. 30,000 to be paid as compensation to the contractor for the abrupt stoppage

of work by the unilateral action of Government. The amount to be deposited in court in terms of the decree was sanctioned by Government in August 1973 stating that there was not much scope for appeal in arbitration cases.

After the decision to develop Neendakara initially as a lighterage port and a fishing harbour was taken (January 1970), a revised estimate for Rs. 9.5 lakhs (revised later to Rs. 10 lakhs) for the work of 'stabilising and completing the construction of the breakwaters' (which was left incomplete by the first contractor) was sanctioned by Government in October 1971. Tenders were invited in November 1971 with time of completion of work fixed as one year. The work was, however, awarded to the lowest tenderer (probable amount of contract: Rs. 10.35 lakhs) only in November 1972 after several extensions of time were obtained from him. The agreement was executed in January 1973. Though the work was started on 26th December 1972, the contractor stopped the work on 29th January 1973 due to labour trouble. The work was resumed by the contractor in May 1973 and though the work was to have been completed by December 1973 as per the agreement, only 15 per cent of the work was completed till then. The expenditure incurred till the end of November 1973 was Rs. 0.70 lakh.

(ii) *Purchase of lighters—extra expenditure*: The agreement entered into (February 1968) with a Calcutta firm for construction and supply of six steel built cargo lighters (cost: Rs. 9 lakhs) provided for delivery of the lighters afloat at the contractor's works at Calcutta within twelve months from date of receipt of the supply order by the firm. Government was to arrange for safe navigation of the crafts to the destination port. The agreement also provided that in case the due date of delivery fell within the period between 15th April and 15th September, the actual delivery would be made immediately after 15th September only. The supply order was received by the firm on 21st February 1968 and delivery was, therefore, to be completed by 20th February 1969. Two lighters which were made ready by the firm in February 1969 were taken delivery of by the department only in March 1970. A claim for Rs. 0.14 lakh towards expenses incurred during May 1969 to March 1970 for safe keeping of the two lighters at their works (insurance, buoy hire and expenditure on watchmen) put in by the firm was accepted by Government in July 1972 and the amount was paid in August 1972 though there was no provision in the agreement to pay such expenses. Government stated (January 1974) that the two lighters were taken delivery of in the first instance, but had to be returned to the builders as they could not be transported due to adverse weather conditions and as the ownership in the property had passed on to Government, Government was duty bound to pay the reasonable charges incurred by the firm on account of safe keeping of the vessels. The remaining four lighters were made ready for delivery by the firm only in September 1972 after several extensions of time were given and warnings were issued by the department. Three lighters were taken possession of and brought down to Neendakara in March 1973 only. The delay was again explained to be due to adverse weather conditions. The remaining one lighter has not been brought down to Neendakara so far (January 1974). The firm has made another claim for Rs. 0.32 lakh in February 1973 towards buoy hire, conservancy, security and other maintenance charges in respect of the four lighters not taken over by the department for the period 1st October 1972 to 31st January 1973 and the same (recommended by the State Port Officer for sympathetic consideration) is under consideration of Government. Government stated (January 1974) that the claim of the firm would be considered

on its merits and only on examining all the aspects of the case. The firm has also made a further claim for Rs. 0.08 lakh for the month of February 1973 for safe keeping of the four lighters.

37. Government servants' hostel at Calicut

Construction of a Government servants' hostel at Vellimadakunnu in Calicut (estimated cost: Rs. 14.75 lakhs) was sanctioned by Government in September 1968 and was completed in March 1971 (cost: Rs. 13.08 lakhs). Furniture for the hostel (cost: Rs. 0.88 lakh) was also purchased between October 1971 and January 1972. But owing to delay in providing water supply and sanitary installations, the building could be made ready for occupation only in May 1972.

The hostel has accommodation for 238 persons (104 in single rooms and 134 in double rooms). The number of occupants during the period June 1972 to December 1973 ranged from 4 in June 1972, to 61 in December 1973. The annual rent collection necessary for running the hostel on economic lines was worked out by the Chief Engineer in February 1971 as Rs. 1.27 lakhs (6 per cent interest on capital cost of building: Rs. 0.80 lakh; 15 per cent interest on furniture: Rs. 0.15 lakh; establishment charges: Rs. 0.26 lakh; current and water charges: Rs. 0.06 lakh). According to this calculation, the monthly rent to be realised from each occupant works out to Rs. 45 on the average, assuming that the hostel remains fully occupied, throughout the year. Monthly rent fixed by Government (January 1972) is Rs. 20 per person for double rooms and Rs. 25 for single rooms. Computed at the rate of rent fixed by Government, loss of rent on account of the rooms lying vacant for the period from June 1972 to December 1973 was Rs. 0.87 lakh. The non-occupation of a large number of rooms was attributed by the department to the high rent fixed for the hostel when compared to the rate of rent recoverable in the case of family quarters (10 per cent of pay or standard rent whichever is less).

The recurring expenditure on employment of staff, electricity charges, cleaning charges etc., for the period June 1972 to May 1973 was Rs. 16,618; the rent demanded and realised during the period was Rs. 5,139 and Rs. 2,911 respectively.

38. Unutilised facilities in tourist bungalows

For providing catering facilities in eight tourist bungalows under the Public Works department, kitchens and dining halls were constructed and utensils purchased at a cost of Rs. 2.34 lakhs during the period 1968-1973. All the bungalows are located at the headquarters of the respective taluks—six of them in rural areas and two in municipal towns. Catering facilities have not been started in these bungalows so far (August 1973) for want of sanction for the appointment of cooks. In seven of these bungalows where there are only two rooms, appointment of cooks is considered uneconomical. In one case where there are four rooms, the appointment of a cook was not sanctioned by Government (June 1972) in view of a ban on creation of new posts.

In reply to an enquiry by Audit, the Chief Engineer, General and Projects, stated (August 1973) that the present two room tourist bungalows would be provided with additional rooms if there was sufficient demand and that the kitchen blocks would then be put to use. The department is also stated to be ascertaining the possibility of transferring the utensils purchased to other tourist bungalows where catering arrangements exist.

39. Bridge at Mankuzhi

Construction of a bridge at Mankuzhi (Alleppey district) sanctioned by Government in June 1960 (estimated cost: Rs. 1.12 lakhs) was started in February 1961. On account of delay in the acquisition of land for approach roads, the work had to be stopped in January 1962 (expenditure till then: Rs. 0.46 lakh). When land acquisition was completed in June 1965, the contractor did not resume the work. After revising the estimate to Rs. 1.82 lakhs (January 1968), the remaining work was tendered in 1968 and 1969; but there was no response. In November 1969 the estimate was again revised to Rs. 1.87 lakhs. On retender in December 1969, the only tender received for Rs. 1.93 lakhs was accepted.

The work was resumed in July 1970. After an inspection of the work in October 1971 when the construction of the bridge proper was complete and formation of approach road was in progress, the Superintending Engineer observed that the approach road was in high embankment made up of sandy soil and that the sides of the embankments were to be protected before vehicular traffic could be allowed over the bridge. The side protection work has been estimated to cost Rs. 1.03 lakhs. A revised estimate for Rs. 3.60 lakhs including provision for side protection work proposed in December 1971 was sanctioned by Government in April 1973 and the remaining works are now under execution (January 1974).

In a letter to the Chief Engineer, Government observed (July 1972) that if the department had taken better interest in executing the work, the bridge could have been opened for traffic long ago with much less cost to the Public Exchequer and that the estimate was prepared by the department without proper investigation and taking into account all the necessary items of work involved.

40. Bridge at mile 48/6 of Kottayam-Kumili Road

Construction of a new reinforced cement concrete bridge in the place of an old one at mile 48/6 of Kottayam-Kumili Road (a highway of inter-state importance) at an estimated cost of Rs. 2.70 lakhs was sanctioned by Government in February 1967. In the estimate report prepared in October 1964, it was stated that the old bridge, constructed about 60 years ago, was in a weak and damaged condition, with cracks in the masonry abutments and piers and that, being in a sharp curve of the road of narrow width, it was insufficient to cope with the needs of traffic. The new bridge was constructed during January-November 1968 at a cost of about Rs. 2.20 lakhs. But it has not been opened for traffic so far (January 1974) as the approach roads are still to be completed owing to delay in getting possession of about 9 cents of land with two buildings (value: Rs. 11,000) belonging to the Posts and Telegraphs Department.

41. Payment in satisfaction of a court decree

In satisfaction of a court decree awarded in June 1971, the department paid Rs. 57,889 (damages: Rs. 40,235, interest: Rs. 12,473, and proportionate cost of suit: Rs. 5,181) to a contractor between October 1971 and February 1972. The details of the case are given below:—

The work of 'improving Vadasserikara-Chittoor Road' (estimated cost: Rs. 2.43 lakhs) sanctioned in August 1960 was entrusted to a contractor in

December 1960 for Rs. 1.68 lakhs. The work commenced in January 1961 was to be completed by June 1961. The alignment of the road passed through reserve forests and the trees standing along the alignment were to be cut and removed by the Forest department. For this, the Forest department was addressed by the Public Works department in February 1961. Although the Chief Conservator of Forests issued necessary instructions to the concerned Conservator of Forests in March 1961, the trees were actually removed by the Forest department only by March 1963. In April 1964, the contractor submitted a petition to Government praying for enhanced rates on the plea that delay in the removal of trees had delayed the execution of the work and that cost of materials and labour had gone up in the meantime. The request was turned down by Government in November 1965 on the ground that enhanced rates could not be granted for agreed items of work. The contractor, thereupon, filed a suit in Sub Court, Quilon. In its judgement (June 1971), the court held that the contractor was entitled to (i) damages for the delay in completion of the contract due to the delay in the removal of trees by the Forest department, (ii) interest thereon and (iii) proportionate cost.

Regarding the lack of co-ordination between Public Works and Forest departments and the delay on the part of the latter department in getting the trees removed, the Court had, *inter alia*, observed as follows:—

“It is obvious that there was no co-ordination between these two limbs of the Government. Either due to the callous indifference or inefficiency of the concerned officials of the Forest Department or due to red-tape or due to any other cause, the Forest Department got the trees removed only on 21-3-1963. The contract could not be fulfilled without the trees being removed”.

The work was completed in September 1964; the total amount spent on the work (excluding the decretal payment) was Rs. 2.12 lakhs.

42. Rural Water Supply Scheme to Adoor and Parakode

For providing water supply to the villages of Adoor and Parakode (Quilon district), a scheme (estimated cost: Rs. 2.97 lakhs) was sanctioned by Government in March 1969. Work on the scheme commenced in December 1970 was due to be completed by September 1971. The estimate provided for construction of an open well, a pump house, a service tank, pumping main and distribution system. Items such as sinking the well, construction of service tank, etc., were completed in April 1972. But the well did not yield sufficient water. The yield was about 200 gallons per hour against the estimated daily demand of one lakh gallons. Hence the remaining work could not be proceeded with. Owing to failure of the source of water, Rs. 0.54 lakh spent on the scheme till 1971-72 remain unfruitful apart from rendering Rs. 0.16 lakh spent on sinking the well infructuous. According to the estimate, items of work other than construction of well were to be taken up only after completion of the well and ascertaining the adequacy of yield from it. Had this sequence in the execution of work been maintained, an expenditure of Rs. 0.38 lakh could have been avoided/postponed.

Investigation of a comprehensive scheme for giving water supply to the villages of Adoor, Erath and Ezhamkulam by tapping water from Achencoil River is reported to be underway (September 1973).

CHAPTER V

STORES AND STOCK ACCOUNTS

43. (A) A synopsis of the stores and stock accounts of the principal departments (other than those relating to commercial and quasi-commercial departments, undertakings, etc.) for 1972-73 is given below:—

<i>Department</i>	<i>Stores</i>	<i>Opening balance on 1st April 1972</i>	<i>Receipts</i>	<i>Issues</i>	<i>Closing balance on 31st March 1973</i>
<i>(in lakhs of rupees)</i>					
<i>Home Department</i>					
Police	Uniforms, firearms, ammuni- tions, etc.	30.28	1,08.28	73.69	64.87
The issues include Rs. 0.52 lakh representing value of materials written off due to depreciation, shortages, losses, etc.					
<i>Jails</i>					
<i>Maintenance Section</i>					
	Dietary articles, garden produce, clothing and bedding, medicines, surgical instruments, etc.	1.48	19.25	19.55	1.18
<i>Manufactory Section</i>					
	Raw materials, finished goods, tools and plant, etc.	6.98	11.20	12.44	5.74
<i>Higher Education Department</i>					
	Stationery stores, Trivandrum, Machines, seals, Ernakulam, spare parts, paper, Shoranur and boards, binding Kozhikode materials, books, envelopes, ink, etc.	60.70	58.83	58.28	61.25

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<i>Department</i>	<i>Stores</i>	<i>Opening balance on 1st April 1972</i>	<i>Receipts</i>	<i>Issues</i>	<i>Closing balance on 31st March 1973</i>
<i>(in lakhs of rupees)</i>					
Government Presses (Government Consumable stores, Central Press, binding materials, Trivandrum, type metals, security Government items, etc. Presses, Ernakulam and Shoranur and Central Prison Press, Trivan- drum)		31.22	88.65	72.47	47.40
<i>Health Department</i>					
Indigenous Medicines	Dietary articles, medi- cines, fuel, etc.	5.22*	30.27	27.55	7.94
The stock account does not include the accounts of stores relating to Ayurveda Colleges at Trivandrum and Tripunithura.					
Ayurveda College Tripunithura	Medicines, firewood, etc.	0.10	0.85	0.79	0.16
Ayurveda College Trivandrum	Dietary articles, medicines, etc.	0.69	7.87	7.98	0.58
Items like linen, beds, utensils, etc., have not been included in the stock accounts.					
Director of Homoeopathy, Trivandrum.	Dietary articles, medicines, etc.	0.84	2.19	1.65	1.38
Government Medical Stores, Trivandrum and District Medical Stores	Medicines and dressings, equipment and instruments, appliances, etc.	1,72.89	2,41.20	2,30.80	1,83.29

* The difference between the closing balance of the previous year and the opening balance of this year is due to exclusion of the stock relating to Homoco Institutions consequent on the formation of a separate department for Homoeopathy.

(i) Physical verification of stock has not been conducted after 1968-69.
 (ii) The Government Medical Stores, Trivandrum does not watch whether the stores issued by it to District Stores are duly accounted for by them as receipts.

(iii) Expiry date of medicines has not been noted in the ledger in many cases.

(iv) In the following instances the purchase was in excess of requirements:—

(a) Out of one lakh capsules of Tetra Chlorethylene purchased in April 1971, 91,500 capsules worth Rs. 34,395 remained to be issued at the end of March 1973. The quantity issued during 1971-72 and 1972-73 was 8,000 capsules and 500 capsules respectively.

(b) Out of 2,300 units of Antitoxin Diphtheria B. P. Therapeutic—10,000 I. U. purchased in March 1972 (expiry date: August 1973) only 600 units had been issued till August 1973. The value of the time-expired 1,700 units left in stock was Rs. 0.20 lakh.

Department	Stores	Opening			Closing
		balance	Receipts	Issues	balance
		on 1st			on 31st
		April 1972			March 1973
(in lakhs of rupees)					
<i>Local Administration and Social Welfare Department</i>					
Public Health Engineering Stores	Pipes and other sanitary fittings, building materials, etc.	(—)14.01*	4,62.65	5,76.76	(—)1,28.12

(i) Minus balances occurred in the stock accounts of five divisions (Water Supply Project division No. 1, Trivandrum; Public Health Divisions, Kottayam, Ernakulam and Trivandrum and Public Health Central Stores, Ernakulam). The minus balance was attributed to non-adjustment/delay in adjustment of debit advices for supplies already received.

(ii) Out of twelve divisions operating stock, information received from ten divisions showed that physical verification of stock had not been conducted during 1972-73 in five divisions (Public Health divisions, Quilon, Cannanore and Trivandrum, Water Supply Project division No. 1, Trivandrum and Public Health Construction division No. 4, Alwaye).

* 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.

(iii) Arrears in closing of half-yearly registers of stock were noticed in three divisions, (Public Health divisions, Quilon from October 1971 to September 1972 and Trivandrum from April 1966 to September 1972 and Water Supply Project division No. I, Trivandrum from April 1972 to September 1972).

(iv) In the case of four divisions (Public Health Construction division No. IV, Alwaye and Public Health divisions, Calicut, Alleppey and Cannanore), the stock held exceeded the reserve limit; the excess ranged from Rs. 0.19 lakh to Rs. 5.40 lakhs.

(v) The rules require that stores at the end of each financial year should be valued with reference to market rates and the profits/losses adjusted. In three divisions (Public Health divisions, Quilon and Calicut and Water Supply Project division No. I, Trivandrum) this was not done during 1972-73.

(vi) In two divisions (Public Health Central Stores division, Ernakulam and Public Health division, Trichur) value of building materials and sanitary fittings which remained as non-moving for over five years was Rs. 3.39 lakhs (March 1973).

Department	Stores	Opening balance on			Closing balance on
		1st April 1972	Receipts	Issues		31st March 1973
(in lakhs of rupees)					

Public Works Department

Public Works Building (Buildings and materials Roads and District Stores)	(—)1,59.38*	7,89.79	8,63.98	(—)2,33.57
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(i) Minus balances were noticed in twelve divisions; this was due to (a) non-adjustment of cost of supplies, (b) non-receipt of debit advices for supplies already received, (c) credit exceeding debit due to fixation of issue rate at a higher rate and non-adjustment of profit and loss as required in the rules and (d) discrepancies in accounting of transactions.

(ii) Arrears in closing of half-yearly registers of stock persisted in thirteen out of twenty-one divisions; arrears in two divisions (West Coast Roads, Tellicherry and District Stores, Calicut) were for more than five years.

* 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.

(iii) Annual physical verification of stock had not been conducted during 1972-73 in eight divisions; in one division (Medical College division, Kottayam) the verification was last conducted during 1970-71.

(iv) In eight divisions the stock held on 31st March 1973 exceeded the sanctioned reserve limits; the excess was between Rs. 0.13 lakh and Rs. 7.41 lakhs.

(v) Rules require that stores at the end of each financial year should be valued with reference to market rates and the profits/losses adjusted. In eleven out of twenty-one divisions this was not done during 1972-73.

Department	Stores	Opening	Receipts	Issues	Closing
		balance on 1st April 1972			balance on 31st March 1973
(in lakhs of rupees)					

Water and Power Department

Irrigation	Building materials	17.46*	93.75	1,18.33	(—)7.12
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(i) The stock accounts of four divisions (Kallada Irrigation Project division No. I, Thenmala; Pazhassi Irrigation division, Mattanur; Pamba Irrigation Project division No. I, Pathanamthitta and Kuttiadi Irrigation Project division No. I, Perambra) showed minus closing balances due to non-adjustment of cost of supplies.

(ii) The preparation of half-yearly registers was in arrears in four divisions (Irrigation division, Malampuzha; Chitturpuzha Project division; Kanjirapuzha Project division and Kuttiadi Project division No. I, Perambra) out of fifteen divisions.

(iii) Physical verification of balances had not been conducted during 1972-73 in three divisions (Minor Irrigation division, Cannanore; Kallada Irrigation Project division No. I, Thenmala and Irrigation division, Alleppey).

(iv) In one division (Pamba Irrigation No. II, Chengannur) stock held on 31st March 1973 exceeded the sanctioned reserve limit by Rs. 2.80 lakhs.

(v) In eight out of fifteen divisions valuation of stores at the end of the financial year with reference to market rates and adjustment of profits/losses as required in the rules were not done.

(vi) In Malampuzha Irrigation division the value of items which remained as non-moving (electrical fittings, motor spares, and machinery spares) for more than four years was Rs. 1.34 lakhs.

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

Department	Stores	Opening			Closing
		balance on 1st April 1972	Receipts	Issues	balance on 31st March 1973

(in lakhs of rupees)

Agriculture Department

Forest	Felled timber and other forest produce, livestock, etc.	4,56.28	10,56.16	7,54.78	7,57.66
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Preparation of timber returns was in arrears in 26 divisions; in Nemmara division the arrears date back to September 1964. No substantial progress has been achieved in the clearance of arrears even though additional staff was engaged from August 1970 to February 1971.

Animal Husbandry	Livestock, cattle feed, eggs, etc.	60.52	1,06.39	1,07.53	59.38
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(i) The issues include Rs. 2.30 lakhs representing value of articles written-off (Rs. 0.55 lakh), depreciation (Rs. 0.69 lakh), shortages (Rs. 0.98 lakh) and losses (Rs. 0.08 lakh).

(ii) Out of losses and shortages noticed upto 1970-71 sanction for write off still remains to be issued for Rs. 0.38 lakh relating to 1970-71 and Rs. 1.04 lakhs relating to 1971-72.

(iii) In the Feed Compounding Factory, Chengannur, no transactions were shown in the stock accounts for 1972-73 even though there was an opening balance of stock worth Rs. 8.60 lakhs as on 1st April 1972.

Agriculture	Plant protection materials, equipment, agricultural implements and appliances, manures and fertilisers, seeds, seedlings, etc.	69.81	1,29.79	1,20.60	79.00
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The figures are provisional as the stock accounts received in March 1974 have not been audited.

<i>Department</i>	<i>Stores</i>	<i>Opening balance on 1st April 1972</i>	<i>Receipts</i>	<i>Issues</i>	<i>Closing balance on 31st March 1973</i>
<i>(in lakhs of rupees)</i>					
<i>Taxes Department</i>					
Central Stamp Depot, Trivandrum	Stamps	7,01.06	6,00.31	4,64.27	8,37.10
Board of Revenue (Excise), Trivandrum	Opium	1,18.21	<i>(in kilogrammes)</i>		1,27.81
	Ganja	88.21	..	1.85	86.36

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

(i) *Health*: The stock accounts of the Transport wing of the department of Health Services have not been received from the Director (March 1974).

(ii) *Taxes*: The accounts of non-postal stamps held by treasuries contained unreconciled figures (April 1974).

44. Use of machines, equipment, stores, etc.

Health Department

(i) An X-ray apparatus costing Rs. 0.62 lakh purchased in December 1971 and installed in the Government Hospital, Ponnani in July 1972 has not been commissioned so far for want of electric connection in the dark room and X-Ray room of the hospital. The guarantee period of the equipment expired in December 1972. In the absence of the equipment the patients requiring X-Ray examination are examined in other hospitals, the nearest such hospital being 32 kilometres away.

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Public Works Department

(ii) Two Asphalt Cold Mixing Plants (cost: Rs. 0.44 lakh) purchased in April 1971 are lying unused (February 1974) in Buildings and Roads division, Muvattupuzha as no operators have been posted.

CHAPTER VI
**GOVERNMENT COMMERCIAL AND TRADING
 ACTIVITIES**

SECTION I

GENERAL

45. This chapter deals with the results of audit of:—

- (i) Departmentally managed Government Commercial Undertakings; and
- (ii) Investments and guarantees by the State Government.

SECTION II

**GOVERNMENT DEPARTMENTAL COMMERCIAL
 UNDERTAKINGS**

46. On 31st March 1973, there were five departmental commercial undertakings in the State as detailed below:—

<i>Name of undertaking</i>	<i>Year of commencement</i>
(1) Text Books Office, Trivandrum	1950
(2) Model Coir Factory, Beypore	1963
(3) Bleaching and Calendering Plant, Pappanamcode	1963
(4) State Water Transport Department, Alleppey	1968
(5) Public Works Department Engineering Workshop, Chackai	1969

Pro forma accounts of these undertakings for 1972-73 have not been received so far (April 1974).



TEXT BOOKS OFFICE

47. **Loss due to excess printing of text books**

Out of seven lakh copies of nine text books printed during 1966-67 to 1969-70 by the Text Books Office, which arranges printing and publishing text books prescribed for schools in the State, 1.74 lakh copies valued at Rs. 1.46 lakhs (cost Rs. 0.97 lakh) became obsolete by 1970-71 due to change in the syllabus and had to be disposed of as waste paper for Rs. 0.04 lakh. This resulted in a loss of Rs. 0.93 lakh.

⑦ Previous Papers
 Para 86 - AR 67
 107 - AR 1969
 80 - AR 1971-72

BLEACHING AND CALENDERING PLANT, PAPPANAMCODE

48. Introductory

The Bleaching and Calendering Plant, Pappanamcode was set up as a servicing unit in 1962 at the total cost of Rs. 10 lakhs (approximately) by the Pilot Industrial Development Project, Neyyattinkara under the Handloom Cess Fund Scheme sponsored by the Government of India. Main object of the plant was to provide post-weaving facilities to handloom industry in Trivandrum and Quilon districts. The plant commissioned in 1962 was declared as a Government Commercial Undertaking in November 1963.

In June 1972, Government ordered transfer of the plant to Kerala State Textile Corporation Limited. But the Corporation took charge of the plant in May 1974 except the warping and sizing unit. Due to certain defects in the warping and sizing unit, the same has not yet been taken over by the Corporation.

49. Working results

Since inception, the plant has been incurring losses. Accumulated loss from 1962-63 to 1966-67 was Rs. 6.82 lakhs. Although *pro forma* accounts from 1967-68 onwards have not yet (January 1974) been prepared, the plant is estimated to have suffered net loss of Rs. 1.25 lakhs per annum on an average. The loss was attributed (February 1969) by Government mainly to gross under-utilisation of plant capacity.

The plant has installed capacity to process 36 lakh metres of cloth (on one shift a day) which is estimated to yield revenue of Rs. 2.7 lakhs per annum by way of processing charges. The table below shows the extent of plant utilisation for the last four years ended 31st March 1973:—

<i>Year</i>	<i>Installed capacity</i>	<i>Quantity processed</i>	<i>Percentage of plant utilisation</i>
	(<i>Metres in lakhs</i>)		
1969-70	36.00	1.29	3.5
1970-71	,,	1.73	4.8
1971-72	,,	2.45	6.8
1972-73	,,	2.55	7.1

The unit expected that more cloth would be received for processing after installation of powerlooms in the handloom sector of the area. The powerlooms installed did not, however, work properly due to various factors. Government expected (December 1965) that if sized beams were made available to the powerloom units, they would be willing to send cloth to the unit for processing. This anticipation did not materialise as a warping and sizing plant to supply quality sized beams to the powerlooms could not be commissioned due to certain defects.

The processing charges fixed in 1963, were revised by Government in June 1969 as follows:—

	Rate per metre	
	Old rate (1963) (Re.)	Revised rate (1969) (Re.)
Bleaching and Calendering	0.10	0.15
Starching and Calendering	0.06	0.09
Damping, Calendering and holding	0.04	0.04
Cold Calendering	0.04	0.02

Even after revision of rates, the processing charges earned were not sufficient to meet the direct expenses. Details of revenue earned and direct expenses for 1970-71 to 1972-73 are given below:—

Year	Processing charges earned	Direct charges incurred for processing				Total
		Materials	Wages (factory)	Electricity and water charges		
	Rs.	Rs.	Rs.	Rs.	Rs.	
1970-71	11,192	7,742	18,997	7,011	33,750	
1971-72	12,505	8,015	22,104	6,349	36,468	
1972-73	14,353	7,472	22,285	5,851	35,608	

The management stated (September 1972) that enhancement of processing charges was not possible, as it would result in decline in the quantity of cloth received for processing.

50. Non-preparation of accounts

Though the plant was declared a commercial undertaking in 1963, it is not maintaining initial accounts under commercial system. *Pro forma* accounts of the plant have been prepared only upto 1966-67. Reason for non-maintenance of accounts on commercial system and non-preparation of *pro forma* accounts from 1967-68 onwards was stated (November 1973) to be lack of personnel experienced in commercial accounts.

51. Oil burning equipment

An oil burning equipment, intended to convert a firewood consuming boiler into oil fed one, was purchased in 1963 for Rs. 0.38 lakh and was erected in 1967. But the equipment was not put to use primarily due to the insufficient capacity of the blower and furnace in relation to the size of the boiler. Government stated (July 1972) that as various items of the equipment were purchased from different parties and installation work was carried out departmentally, nobody could be held responsible for defective working of the equipment. As agreed by the Principal, Government Engineering College, Trivandrum (October 1971) Government decided (December 1971) to transfer certain parts (blower set, storage tank and service tank) of the equipment to the college at book value (Rs. 10,496). The transfer has not actually been effected so far (March 1974). The remaining parts of the equipment are proposed to be disposed of by auction,

52. Warping and sizing plant

With a view to making the plant work on economical lines, Government sanctioned (December 1965) setting up of a warping and sizing plant as adjunct to the Bleaching and Calendering Plant at the estimated cost of Rs. 5 lakhs. This was intended to supply quality sized beams to the power-looms. The work was entrusted (January 1966) to the Kerala State Small Industries Corporation Limited. The Corporation placed orders (March 1966) for supply of Warping and Sizing machines on a firm in Ahmedabad with last date of delivery being 31st May 1966, for Rs. 4.01 lakhs (including Rs. 5,000 as erection charges). Though the firm supplied the sizing machine in time, supply of warping machine was completed only by January 1969. Completion of the building was also delayed upto January 1969 due to alteration in design necessitated by change in specification of the warping machine assembled. Erection of the plant was completed and trial run was conducted in March 1971. As the trial run did not produce satisfactory result, the plant has not been taken over by the department so far (February 1974). According to report of the Engineer in charge of the plant (July 1973), the machines are in dilapidated condition with their parts rusted and partly ruined. Rupees 4.85 lakhs (approximate) have been paid to the Corporation by Government towards cost of machinery, freight, installation charges, civil construction work etc.

STATE WATER TRANSPORT DEPARTMENT

71e EPA/3-209
Unit II/EPA

53. Introductory

On 1st January 1966, Government took over the administration of inland water transport service in Quilon, Alleppey, Kottayam and Ernakulam districts. The service was till then run by a partly owned Government company, viz. Kerala Water Transport Corporation Limited which went into liquidation on 20th March 1965. Separate State Water Transport Department was formed on 7th June 1968.

Operation of the services under Government commenced with seventy-five boats with accessories taken over from the Official Liquidator. Value of the assets taken over was fixed (December 1965) by Government at Rs. 4 lakhs (boats : Rs. 3.88 lakhs; accessories: Rs. 0.12 lakh) although the value suggested for the boats by the Executive Engineer deputed by Government for the purpose, was only Rs. 1.50 lakhs. The basis for fixation of the value of boats at Rs. 3.88 lakhs by Government has not been stated. The boats taken over were very old. Twenty-three boats (purchase value: Rs. 1.21 lakhs; capital expenditure incurred till date of auction: Rs. 0.87 lakh) were scrapped and auctioned for Rs. 0.61 lakh (six each in June 1969 and September 1971; five each in November 1972 and February 1973 and one in September 1973). Up to March 1973, thirty-four boats were reconstructed at a cost of Rs. 12.64 lakhs and thirteen boats were repaired incurring capital expenditure of Rs. 4.07 lakhs. Six new boats (cost : Rs. 5.82 lakhs) were also constructed and commissioned upto the end of March 1973.

54. Working results

Operation of the services from 1965-66 (from January 1966) to 1972-73 resulted in a net loss of Rs. 13.07 lakhs (excluding interest on capital) as indicated below:

<i>Year</i>	<i>Revenue</i>	<i>Expenditure on operation of services (in lakhs of rupees)</i>	<i>Profit (+) Loss (-)</i>
1965-66 (from January 1966)	4.98	3.95	(+)1.03
1966-67	22.16	19.58	(+)2.58
1967-68	23.83	21.95	(+)1.88
1968-69	25.01	25.83	(-)0.82
1969-70	25.60	28.21	(-)2.61
1970-71	27.42	30.26	(-)2.84
1971-72	29.96	35.54	(-)5.58
1972-73	33.01	39.72	(-)6.71
Total	1,91.97	2,05.04	(-)13.07

The uneconomic working of the Department was attributed by Government mainly to increased expenditure on pay and allowances of staff, delay in repairs/reconditioning of boats due to inadequate facilities and high cost of maintenance of boats. Further, the fares fixed in 1966 were not revised till October 1973 though the cost of operation had increased. The fares were increased by 20 per cent with effect from 1st October 1973.

55. Delay in repairs/reconditioning of boats

Protected dry docking facility is available only for four boats. As on 30th June 1972, 19 boats were awaiting repairs/reconstruction in the dockyard. These were received for repairs from 1966 onwards. Work had been commenced only on five boats (on two boats in December 1971 and on other three boats from February to July 1972). No estimates for major repairs, overhaul, hull reconstruction etc., are being prepared for proper control over the cost. The department is also not maintaining history cards in respect of major components like engines, gearboxes, batteries, etc. Working efficiency of these components and premature failures, if any, could not, therefore, be verified. There is no schedule for periodical servicing of engines. Management stated (March 1974) that estimates for major repairs, overhauling etc., are now being prepared, but such estimates were not being prepared earlier as the department had no idea about the principles to be observed in preparation of the estimates. Instructions are stated to have been issued to maintain history cards for major components.

56. Loss in leasing out a boat to Public Works Department

One boat is being maintained and operated round the clock for the ferry service at Pallathuruthy on behalf of the Public Works department for annual lease amount of Rs. 0.41 lakh. Based on the average cost of operation of Rs. 17.44 and Rs. 20.44 per scheduled hour per boat during 1969-70 and 1970-71, the cost to the department for operating this service during these years works out to Rs. 1.55 lakhs and Rs. 1.79 lakhs respectively. The department was thus incurring heavy loss in the operation of this service. Government ordered in August 1971 that actual charges might be paid to the department from 1st April 1971. Though no separate accounts are being maintained to arrive at the actual charges the department claimed Rs. 0.56 lakh (in October 1972) and Rs. 0.63 lakh (in June 1973) for the years 1971-72 and 1972-73 respectively representing the expenditure on fuel etc., for the concerned boats, pay and allowances of the crew, depreciation and overhead charges. The Public Works department has not paid the amount so far (April 1974).

SECTION III

INVESTMENTS AND GUARANTEES BY THE STATE
GOVERNMENT**57. Investments of Government**

The following table shows Government investments in shares of Statutory Corporations, Government Companies, Joint Stock Companies and Co-operative Societies and debentures and bonds of banks and other concerns as on 31st March 1973 and returns therefrom received during 1972-73.

<i>Sector of investment</i>	<i>Investments to end of 1972-73</i>		<i>Dividend/Interest received in 1972-73</i>		<i>Percentage of return on total investment in the sector</i>
	<i>Number of concerns</i>	<i>Amount (In lakhs of Rupees)</i>	<i>Number of concerns</i>	<i>Amount (In lakhs of Rupees)</i>	
Statutory Corporations	3	10,59.86	1	1.59	0.15
Government Companies	38 (A)	26,82.69 (B)	4	12.93	0.48
Other Joint Stock Companies	42	2,70.84	25	27.62	10.19
Co-operative Societies and Banks	(x)	11,17.15	(x)	10.41	0.93
Debentures and Bonds	3	29.71	3	1.32	4.40
Total		51,60.25		53.87	1.04

Following concerns, in which Rs. 20.56 lakhs have been invested, are under liquidation:—

<i>Name of concern</i>	<i>Amount invested (In lakhs of Rupees)</i>
Kerala Water Transport Corporation	18.61
West Coast Fisheries (Travancore) Limited	0.50
Travancore Enamel Industries Limited	0.20
Central Banking Corporation of Travancore Limited	1.25
Total	20.56

- (A) This includes 5 Central Government Companies and also includes 3 State Government Companies newly formed during the year.
- (B) This includes investment (Rs. 2,73.79 lakhs) in 5 Central Government Companies.
- (x) Details not available.

Out of 42 Joint Stock Companies in which Government had made investments, dividends amounting to Rs. 27.62 lakhs were received from 25 companies (investment : Rs. 2,30.86 lakhs). No dividend was received during the year in respect of the remaining 17 companies in which Government had invested Rs. 39.98 lakhs.

Details of investments of Government are given in statement no. 14 of the Finance Accounts 1972-73.

58. Guarantees given by the State Government

Government have given guarantees for repayment of loans and interest thereon, share capital etc., raised by Statutory Corporations, Government Companies, Joint Stock Companies and Co-operative institutions as detailed below:-

	<i>Maximum amount guaranteed</i>	<i>Amount of loans, share capital etc. actually raised against amount guaranteed (In lakhs of Rupees)</i>
Statutory Corporations	44,41.04	44,27.57
Government Companies	7,07.15	5,79.19
Other Joint Stock Companies	1.92	0.12
Co-operative Societies and Banks	34,21.28	20,88.68
Total	85,71.39	70,95.56

In terms of section 6 (1) of the State Financial Corporation Act, 1951, payment of annual dividend at the minimum rate of 3.50 per cent on the share capital of the Kerala Financial Corporation has been guaranteed by the State Government. The total payment made on this account and outstanding at the end of 1972-73 was Rs. 17.45 lakhs. No amount was, however, paid by Government during 1972-73.

Further details of the guarantees are given in statement no. 6 of the Finance Accounts 1972-73.

59. Working of Co-operative Societies

(i) Introductory

At the end of June 1973 there were 9,413 Co-operative societies in the State out of which 829 societies were under liquidation.

(ii) *Arrears in audit*

Audit of the accounts of co-operative societies is conducted by the Registrar of Co-operative societies. As on 30th June 1973 audit was in arrears in respect of 6,162 accounts as indicated below:—

<i>Year</i>	<i>Number remaining to be audited as at the end of June 1973</i>	<i>Number of cases where audit is held up for want of records</i>
Upto 1967-68	1,847	1,785
1968-69	684	647
1969-70	752	708
1970-71	879	812
1971-72	2,000	889
	6,162	4,841

(iii) *Working results*

Review of the audited accounts of societies in which Government had invested Rs. 10,000 or more revealed that most of them were working at loss. The working results of the societies whose accounts were reviewed are shown below:—

<i>Year of Account</i>	<i>Number of Societies whose accounts were reviewed</i>	<i>Societies which earned profit</i>			<i>Societies which sustained loss</i>		
		<i>Number</i>	<i>Government investment (Rupees in lakhs)</i>	<i>Profit</i>	<i>Number</i>	<i>Government investment (Rupees in lakhs)</i>	<i>Loss</i>
1970-71	952	145	29.72	7.49	807	326.22	248.50
1971-72	1,163	236	99.49	18.18	927	228.01	151.29

(iv) *Deficiency in stock*

In 208 societies in 5 districts (for which details were available) deficiencies in stock to the extent of Rs. 5.38 lakhs were noticed.

60. Intensive development of fisheries in Kozhikode District

(a) A scheme for intensive development of fisheries in Kozhikode district with assistance from the Agricultural Refinance Corporation (estimated cost: Rs. 75.20 lakhs) was sanctioned by Government in July 1970 with the main object of increasing fish production and linking production with storage, processing and marketing. The scheme was to be implemented through the Kozhikode Regional Fish Marketing Co-operative Society and seven Primary Co-operative Societies. The Marketing Society was to co-ordinate all activities under the scheme.

The scheme was to be financed from a loan of Rs. 56.40 lakhs from the Agricultural Refinance Corporation, Bombay, repayable in ten years and guaranteed by the State Government. Balance Rs. 18.80 lakhs was to be provided by Government by way of subsidy (Rs. 7.50 lakhs) on cost of engines for boats and share capital contribution (Rs. 11.30 lakhs) to the Marketing Society. The financial assistance to the Marketing Society was to be routed through the Kerala State Co-operative Bank (which was to make advances to the society) and the Malabar Co-operative Central Bank, Kozhikode. The average cost of the establishment sanctioned by Government for implementing the scheme was to be met by the Marketing Society out of grants from Government on a tapering basis for three years. Government decided (July 1970) that services of seven Fisheries Inspectors were to be rendered free for three years for appointment in the seven primary societies besides giving training to 50 fishermen-trainees to be recruited from the area for manning the mechanised boats.

The scheme envisaged (i) supply of 50 mechanised boats (including one boat originally sanctioned as a mobile workshop and decided to be issued as fishing boat) with nets and implements (Rs. 69.95 lakhs) to the primary societies on hire purchase basis (cost to be repaid in ten years), (ii) establishment of an ice plant (Rs. 2 lakhs), purchase of two insulated vans (Rs. 1.50 lakhs) and a workshop for boats (Rs. 1 lakh) and (iii) opening of two fish stalls (Rs. 0.75 lakh). The primary societies were to work as production units supplying catches to the Marketing Society for processing, storage and marketing. The scheme was to be implemented in its entirety during 1970-71 except installation of the ice plant which was scheduled to be set up during 1971-72. The implementation of the scheme commenced in October 1970. The Director of Fisheries stated (February 1974) that the scheme was re-phased with the approval of the Agricultural Refinance Corporation in October 1971 providing for implementation of the entire scheme during 1971-72 except setting up of the ice plant which was to be established during 1972-73 and that Government had been requested in September 1973 for further re-phasing of the scheme upto 1973-74.

(b) *Financial and physical achievements.* The State Co-operative Bank has advanced Rs. 70.40 lakhs to the Marketing Society out of which, the Marketing Society has spent Rs. 70.10 lakhs so far (November 1973). Although the scheme was to be implemented during 1970-71 (except setting up of the ice plant), no boats were issued to the primary societies during the year due to non-delivery of boats by a Government company with whom order was placed (August 1970) for supply of boats by 31st March 1971. The delivery period was later on extended upto 1st September 1971. The company, however, supplied only two boats within the extended delivery period although payments amounting to Rs. 24.65 lakhs (which included final stage payments upto 95 per cent cost in respect of 20 boats) had been made by then. The remaining 48 boats were supplied during September 1971—February 1972; Rs. 0.56 lakh were levied as fine for late delivery of boats, out of which Rs. 0.54 lakh have already been adjusted in the final bills.

Land for the ice plant was handed over to the Society by the Fisheries Department only in September 1973. The ice plant is yet to be set up (February 1974).

An insulated van and a lorry (in the place of two vans) were purchased in January 1972. Building for workshop was completed in August 1972 (cost : Rs. 0.31 lakh) and the workshop started functioning with some machinery acquired. Power connection is yet to be received and electrical items of machinery are yet to be purchased (February 1974). The proposal for opening fish stalls has been dropped. The scheme has thus not been implemented in full so far (February 1974).

(c) *Financial results*

The season for fishing operations is generally from November to May. Only 23 boats were received by the society before commencement of the 1971-72 season. Balance 27 boats received during December 1971—February 1972 were not available for the full season. Details of anticipated and actual receipts, expenses, and net income from the operation of the 50 boats during 1971-72 and 1972-73 (years ended 30th June) were as below:—

<i>Particulars</i>	<i>Anticipated as per scheme (Figures in lakhs of Rupees)</i>	<i>Actuals</i>	
		<i>1971-72</i>	<i>1972-73</i>
Receipts	36.70 (at Rs. 73,410 per boat)	8.61	25.91
Expenses on operation (including depreciation and insurance)	26.85 (at Rs. 53,703 per boat)	12.90	22.63
Net income	9.85 (at Rs. 19, 707 per boat)	(—)4.29	(+)3.28
Interest on loan paid during the year	..	5.00	3.43
Loss (—)/Profit (+)	..	(—)9.29	(—)0.15

Though the scheme was considered remunerative and expected to earn sufficient income to repay the loan from the Agricultural Refinance Corporation, its working during the first two years has resulted in loss of Rs. 9.44 lakhs. The average number of days each boat worked during these years was less than that anticipated and the average expenditure on oil and lubricants and repairs was more than what was anticipated in the scheme report as indicated below:—

	<i>As per scheme</i>	<i>Actuals</i>	
		<i>1971-72</i>	<i>1972-73</i>
Average number of days each boat was expected to be worked in a year	185	86	132
Average expenditure on oil and lubricants per day per boat (in Rupees)	65.00	69.50	87.00
Average annual expenditure on repairs per boat (in Rupees)	3,500.00	—	4,092.00

The Marketing Society stated (November 1973) that non-receipt of all the boats in time for the fishing season during 1971-72, frequent damages to nets, repairs to engines and scarcity of diesel oil during 1972-73 were some of the reasons contributing to shortfall in the average of fishing days.

Operation of the insulated van and lorry which were being hired out to private parties (as fish caught were being sold in auction on the spot and no fish stalls were opened under the scheme) also resulted in loss of Rs. 0.17 lakh till the end of June 1973, taking into account depreciation and interest on capital cost. Bata paid to drivers and cleaners for which details were not available has not been taken into account in arriving at the loss.

(d) Other points of interest

(i) The scheme envisaged issue of boats on hire purchase basis to the primary societies only. Under orders of the Director of Fisheries (March 1971), the boats were issued on hire purchase basis to members belonging to the primary societies who were to own the boats after the payments under the hire purchase agreement were over.

(ii) The boats were not insured after the first year though required under the scheme.

(iii) Log book for insulated van procured in January 1972 was maintained by the Marketing Society only from 31st December 1972.

(iv) Registers showing assistance given to primary societies and its recoveries (maintained by the Project Officer) were incomplete.

(v) Daily catch of fish was not being weighed and recorded from December 1972 onwards by the Marketing Society. Reports about quantity of fish caught were, therefore, not based on actual weight.

(vi) Order for supply of 50 marine diesel engines was placed (August 1970) by the Director of Fisheries with a firm at Rs. 61,362 per engine, including excise duty and central sales tax. The lowest offer of Rs. 43,730 per engine was rejected as this firm was agreeable to supply only three engines of the correct specification per month while the department wanted the entire supply before 31st March 1971. Further, guarantee period was only six months against one year in the tender and there was no mention in the offer about after sales servicing. No action was taken by the department to ascertain from the firm their willingness or otherwise to extend the guarantee period and to provide after sales service. The successful tenderer supplied only thirty-three engines within the agreed time (average of about five engines per month). Had the lowest offer been considered and the order for the 21 engines (which they had agreed to supply within the required time) placed with them, the department could have saved a sum of Rs. 3.70 lakhs.

61. Scheme for procurement of rubber from small growers

With a view to enabling small growers of rubber (those having 20.23 hectares or less of rubber plantation) to get assured minimum price for rubber produced by them, the State Government, with the financial assistance of the Government of India, sanctioned (December 1971) a scheme for procurement of rubber through co-operative agencies. Upto November 1973, Rs. 187.50 lakhs were received by the State Government as loan from the Central Government for implementing the scheme. Between January 1972 and November 1973 Government granted and paid loans amounting to Rs. 212.50 lakhs to Kerala State Co-operative Marketing Federation for purchasing rubber from small growers through marketing societies. Out of this, Rs. 112.80 lakhs were repaid by the Federation leaving balance of Rs. 99.70 lakhs at the end of November 1973.

The notified price of Rubber Manufacturers Association grade V rubber which was to be purchased from small growers at Rs. 470 per quintal, was fixed at Rs. 496.86 per quintal. The margin allowed for the Federation and the Marketing Societies for the buffer stock operation was Rs. 13 and Rs. 13.86 per quintal respectively. Upto the end of November 1973, the Federation bought 5035.28 tonnes of rubber and sold 4994.18 tonnes to manufacturers of rubber products. Review of the scheme revealed the following points:—

(i) Open market price of Rubber Manufacturers Association grade V rubber rose steadily as shown below:—

<i>Date</i>	<i>Price range (per quintal)</i>
October 1971	Rs. 365-375
January 1972	Rs. 380-425
January 1973	Rs. 465-482.50
August 1973	Rs. 482-500

Due to increase in price in the open market, the sale of rubber to the Federation by small growers declined during July and August 1973.

(ii) The Federation was to repay the loans as and when the stock purchased with loan assistance was sold. The sale proceeds were not to be utilised for further purchases. Rupees 60.37 lakhs out of the sale proceeds were, however, utilised by the Federation for further purchases on the apprehension of delay in getting further loans from Government.

(iii) Loans to the Federation were to bear interest from the date of payment to the date of repayment (excluding periods of storage of rubber in excess of one month). Interest due from the date of sale of stock to the date of remittance of sale proceeds (Rs. 2.73 lakhs upto the end of August 1973) has not been paid by the Federation so far (September 1973).

(iv) The Federation was to remit sale proceeds to Government immediately on realisation. In case of delay, it was liable to pay penal interest at 2.5 per cent over and above the normal rate. Accordingly up to the end of August 1973 penal interest of Rs. 1.06 lakhs was due to be paid to Government which has not been paid so far (January 1974).

(v) Cost of establishment maintained by the department for implementing the scheme was Rs. 0.21 lakh up to 15th November 1972.

For each quintal of rubber purchased from 16th November 1972, the Federation was to remit to Government Rs. 2.50 towards cost of establishment maintained by the department. This was to be remitted immediately on purchase, without waiting for sale. The actual cost of establishment maintained by the department from 16th November 1972 to the end of November 1973 was Rs. 1.53 lakhs. Against this, amount recoverable from the Federation on the basis of purchases made between November 1972 and November 1973 was Rs. 0.66 lakh. Out of this, Rs. 0.13 lakh still remain to be remitted by the Federation (January 1974).

CHAPTER VII

FINANCIAL ASSISTANCE TO LOCAL BODIES, OTHER BODIES AND INDIVIDUALS

62. Kerala Khadi and Village Industries Board

(i) The Board receives financial assistance from the State Government and the Khadi and Village Industries Commission. Up to March 1973, Rs. 6,56.50 lakhs were received as loans and grants by the Board as shown below:—

	Loan	Grant	Total
	(in lakhs of rupees)		
From State Government	3.16	1,16.25	1,19.41
From Khadi and Village Industries Commission	3,71.14	1,65.95	5,37.09
Total	3,74.30	2,82.20	6,56.50

(ii) The Board gives loans and grants to co-operative societies and other institutions. According to the conditions governing such loans, the loanee societies/institutions were to execute deeds, hypothecating their movable assets to the Board as security for the loan. Out of 1,445 societies/institutions assisted up to the end of March 1973, deeds of hypothecation were still to be received in 918 cases involving loan assistance of Rs. 1,74.89 lakhs (December 1973). Six hundred and thirteen institutions/co-operative societies assisted by the Board were defunct at the end of March 1973. The amount overdue from them was Rs. 49.71 lakhs (March 1973).

(iii) The opening stock of Khadi goods in Payyannur Khadi Centre as on 1st April 1972 included old and shop-soiled goods valued at Rs. 3.26 lakhs. Of these, goods valued at Rs. 2.14 lakhs produced during the period from 1962 to 1967 (total production during the period: Rs. 31.49 lakhs) were sold during 1972-73 for Rs. 0.95 lakh at reduced rates, resulting in a loss of Rs. 1.19 lakhs. The reduction allowed ranged from 25 to 75 per cent of the sale price originally fixed. The accumulation of stock, necessitating reduction sale, was due to production of goods without assessing marketability, goods getting damaged for want of adequate storage facilities, change of fashion in the case of readymade garments and absence of periodical review to regulate production and sale according to market trends.

(iv) According to the Kerala Khadi and Village Industries Board (Acquisition and Disposal of Immovable Properties) Rules 1968, the value paid for land purchased is not to exceed the value assessed by Revenue authorities. For construction of a godown for Payyannur Khadi Centre, 45.5 cents of land were purchased by the Board in March 1970 from a private person after paying a negotiated price of Rs. 300 per cent. The value of land as assessed by the Revenue authorities was Rs. 100 per cent. The Board stated (February 1974) that negotiated purchase was resorted to with a view to avoiding lapse of funds offered as assistance by the Khadi and Village Industries Commission.

(v) Shortages of stock (estimated value: Rs. 0.73 lakh) were detected at the time of annual stock verification between 1958 and 1973. Rupees 0.07 lakh have been recovered towards the value of shortages so far (April 1974). The liability of the staff responsible for the shortage in the remaining cases including that relating to twenty-four persons who have left the services of the Board has neither been finally assessed nor any recovery effected. Two of these cases (amount involved: Rs. 0.50 lakh) relate to the years 1958 and 1959.

(vi) On a review of three village industries assisted by the Board, the following points were noticed:—

(a) Of 122 societies/institutions which received Rs. 49.86 lakhs from the Board as loan and grant for development of village pottery industry, thirty-two societies and one institution are defunct. Rupees 11.13 lakhs were overdue for recovery (March 1973) from the working and the defunct societies/institutions, out of which Rs. 3.28 lakhs related to defunct societies and institutions.

(b) Up to March 1973, the Board paid Rs. 13.81 lakhs as loans and grants to 339 units for development of leather industry. Of these, 23 units (21 societies and two other institutions) from whom Rs. 2.78 lakhs were overdue are defunct—March 1973.

(c) During the period from 1958-59 to 1972-73, the Board paid Rs. 15.90 lakhs as loans and grants to fifteen societies and eight other registered institutions for development of hand-made paper industry. Of these, ten units are defunct (March 1973). The amount overdue from them is Rs. 3.42 lakhs. Production of the units assisted by the Board was far below the targets fixed. The details of production and sales for three years ended 1972-73 of the hand-made paper industry units assisted by the Board are given below:—

Year	Target fixed		Actual	
	Production	Sales	Production	Sales
1970-71	4.80	4.80	1.94	1.71
1971-72	4.00	4.00	2.84	2.68
1972-73	3.50	3.50	3.03	2.58

The shortfall in production was mainly due to the non-functioning of some units.

(vii) A test-check of the accounts of societies assisted by the Board revealed the following:—

(a) A society was paid Rs. 0.13 lakh as loan and grant in March 1971 for the establishment of a foot-wear unit. The President of the society closed down the unit in December 1972, and moved all movable assets of the society to his house. The Board stated (February 1974) that action under the Kerala Co-operative Societies Act 1969 and the rules thereunder had been initiated to set right the affairs of the society and that legal action under the Act would be taken against the President of the society.

(b) Rupees 0.45 lakh were paid to another society in March 1971 for the establishment of a blacksmithy and carpentry workshop intended to manufacture agricultural implements, grills, gates, etc. Rupees 0.15 lakh were intended for construction of a building and Rs. 0.30 lakh for purchase of machinery. In February 1972, the society used the assistance for purchasing second-hand machinery from a defunct automobile workshop. The items purchased with the assistance included chairs, dining tables, basket chairs, etc. The society is now engaged in repairing automobiles.

(c) A working capital loan of Rs. 0.10 lakh was granted to a society in March 1973 for production of edible oil on the basis of a report that the society was in possession of ten ghanis in working condition. Subsequent inspection conducted in October 1973 revealed that the society was not having any ghanis in working order and that it was not producing oil. The Board stated (February 1974) that Rs. 2,100 had been recovered from the society and that instructions had been issued to recover the balance before the close of 1973-74.

(d) Sales depots opened for marketing Khadi and Village Industries products by eighteen societies with grant assistance of Rs. 0.25 lakh paid during 1960-61 to 1970-71 are not functioning now (December 1973). The Board has stated that these depots had been closed down due to decline in sales.

63. Audit by the Examiner of Local Fund Accounts

(a) Audit of the accounts of city corporations, municipalities, panchayat^s and certain other institutions is conducted by the Examiner of Local Fund Accounts.

(b) The extent of arrears in audit for the accounting periods up to end of 1971-72 as at the end of December 1973 was as shown below:—

Category	Number of institutions the accounts of which for the period up to 31st March 1972 were to be audited by 31st March 1973	Number of institutions remaining to be audited at the end of December 1973	
		Accounts for 1971-72	Accounts for earlier years
City Corporations	3	3	2
Municipalities	30	3	1
Panchayats	960	8	8
Miscellaneous institutions	398	84	47
Total	1,391	98	58

The position of arrears in audit of local bodies for the accounting years up to 1970-71 was as indicated below:—

<i>Name of institution</i>	<i>Year the accounts for which remain to be audited</i>	<i>Reasons for non-finalisation of audit</i>
Corporation of Cochin	1968-69 onwards	Non-production of annual financial statement and Demand, Collection and Balance Statement
Corporation of Calicut	1969-70 and 1970-71	
Trichur Municipal Council	1970-71	
Karadka Panchayat	1962-63	Records reported to be either in Court or in Police custody in connection with misappropriation cases
Tunneri Panchayat	1964-65	
Triprangode Panchayat	1964-65 and 1965-66	
Thadikkadavu Panchayat	1964-65 and 1965-66	
Kalikavu Panchayat	1968-69, 1969-70 and 1970-71	
Muttar Panchayat	1970-71	
Upputhara Panchayat	1969-70 and 1970-71	
Ayyanthole Panchayat	1968-69, 1969-70 and 1970-71	

(c) The number of inspection reports issued up to March 1973 and outstanding at the end of December 1973 was as indicated below:—

<i>Category</i>	<i>No. of reports</i>	<i>Earliest year to which the report relates</i>
City Corporations	82	1948-49
Municipal councils	364	1944-45
Panchayats	7,961	1946-47
Miscellaneous institutions	140	1956-57

Of the eighty-two reports shown under city corporations, forty-six reports relate to exhibitions, tournaments, etc. conducted by the corporations.

(d) A review of the inspection reports revealed the following:—

(i) As at the end of March 1973, Rs. 20.04 lakhs were due to Government from various local bodies towards audit charges. Out of this, Rs. 14.29 lakhs were due from Hindu Religious and Charitable Endowments Administration alone. The dues related to periods from 1960-61 onwards.

(ii) Out of Rs. 3.73 lakhs paid as grant to Kerala Grandhasala Sangham during the years 1969-70 to 1971-72 for meeting establishment and organisational expenses, the actual expenditure incurred was Rs. 3.38 lakhs. The excess grant of Rs. 0.35 lakh remains to be adjusted.

64. Excess payment of grant

Local audit of the accounts of the District Educational Office, Malappuram, for the period from June 1968 to May 1969 disclosed irregular payment of grant towards rent of a school building to the Management of the school. On a detailed scrutiny of the grantee's accounts conducted by the department at the instance of Audit, it was found that the Management was claiming grant towards rent of the school building even though it was not paying rent to any outside agency and that the building actually belonged to the Management itself. The irregular payment of grant on this account till March 1970 amounted to Rs. 0.17 lakh. Action is stated to be underway to recover the amount (July 1973).

CHAPTER VIII

OUTSTANDING AUDIT OBSERVATIONS AND INSPECTION REPORTS

65. Outstanding audit observations

(a) The irregularities and defects noticed in Audit are reported to the departmental authorities. Periodical reports of outstanding audit observations are also being forwarded to the Finance department, the administrative departments of Government and the heads of departments for taking necessary action to expedite their settlement. The financial rules of Government require the departmental officers to attend to audit observations promptly; the Public Accounts Committee has also been repeatedly stressing the need for quick disposal of audit observations.

The number of audit observations (other than those reported through inspection reports) pertaining to the period up to 31st March 1973, awaiting clearance as on 30th September 1973 was 32,874 (money value: Rs. 22.84 crores).

(b) The number of audit observations pending settlement and the money value of the transactions to which they pertain are on the increase as shown below:—

<i>As on</i>	<i>Number of observations</i>	<i>Amount (in lakhs of rupees)</i>
30th September 1971	21,712	10,78.37
30th September 1972	23,098	13,90.88
30th September 1973	32,874	22,84.42

(c) Year-wise analysis of audit observations issued up to 31st March 1973, which were not settled up to 30th September 1973, is given below:—

<i>Year of issue</i>	<i>Number</i>	<i>Amount (in lakhs of rupees)</i>
1966-67 and earlier years	419	9.38
1967-68	479	40.57
1968-69	972	57.15
1969-70	1,960	56.64
1970-71	5,255	1,59.86
1971-72	9,607	6,31.83
1972-73	14,182	13,28.99
Total	32,874	22,84.42

(d) Category-wise break-up of the outstanding audit observations is given below:—

<i>Nature of observations</i>	<i>Number</i>	<i>Amount (in lakhs of rupees)</i>
(i) Sanction for establishment not received	466	14.27
(ii) Sanction not received for contingent and miscellaneous expenditure	2,240	4,20.00
(iii) Sanctions to estimate not received	150	10.77
(iv) Detailed contingent bills for lumpsum drawals not received	6,193	4,38.08
(v) Payees' receipts, vouchers or other documents not received	12,400	11,20.65
(vi) Advances paid to Government servants not recovered	7,474	63.69
(vii) Agreements with contractors/suppliers not received	167	1,00.77
(viii) Payments to contractors/suppliers not in conformity with contracts/agreements	2	0.05
(ix) Overpayments or amounts disallowed in audit not recovered	135	0.76
(x) Other reasons	3,647	1,15.38
Total	32,874	22,84.42

(e) *Non-submission of detailed contingent bills, payees' receipts, vouchers, etc.*

The amounts outstanding for want of detailed contingent bills relate to advances drawn on abstract bills for which detailed accounts have not been submitted. The detailed contingent bills (containing full particulars of expenditure incurred) with supporting sub-vouchers and payees' receipts are required to be submitted to Audit not later than the 20th of the month succeeding that in which the advance was drawn. Non-submission of the detailed bills may result in irregularities remaining undetected. In the absence of payees' receipts and sub-vouchers, it cannot be ensured that the payments have been made, nor can the expenditure be audited. The outstanding amount under this category has increased substantially during 1972-73.

<i>As on</i>	<i>Number of observations</i>	<i>Amount (in lakhs of rupees)</i>
30th September 1971	11,656	6,85.21
30th September 1972	12,737	8,59.06
30th September 1973	18,593	15,58.73

Details of a few illustrative instances of audit observations outstanding under this category are given below:—

(i) Detailed accounts for advances drawn by Taluk Supply Officer, Vaikom (Rs. 5.15 lakhs in February—May 1972) for procurement of paddy are still awaited (June 1974).

(ii) Advances were drawn by the District Family Planning Officers, Trichur (Rs. 5.97 lakhs in March 1972) and Ernakulam (Rs. 3.00 lakhs in July 1972) and District Collector, Quilon (Rs. 14.79 lakhs in March 1973) in connection with Family Planning camps. Detailed accounts in respect of these advances are still awaited (March 1974).

(iii) An advance of Rs. 0.30 lakh was drawn by the Director of Public Relations in August 1972 for participation in an industrial, agricultural, arts and defence exhibition organised by the Corporation of Trivandrum in 1972. Detailed accounts for the advance are still awaited from him (March 1974).

66. Outstanding inspection reports

Important irregularities and defects in accounts noticed during local audit and inspections are included in inspection reports which are sent to departmental officers and heads of departments and also to Government, where necessary.

Two thousand three hundred and forty-eight inspection reports containing 6,077 paragraphs issued up to March 1973 were outstanding at the end of September 1973. Of these, 1,448 reports containing 3,287 paragraphs were outstanding for over one year (reports issued prior to April 1972).

Year-wise analysis of outstanding inspection reports is given below:—

	<i>Civil Departments</i>		<i>Revenue Departments</i>		<i>Commercial Departments/ activities</i>	
	<i>Number of</i>		<i>Number of</i>		<i>Number of</i>	
	<i>Inspection reports</i>	<i>Para- graphs</i>	<i>Inspection reports</i>	<i>Para- graphs</i>	<i>Inspection reports</i>	<i>Para- graphs</i>
1969-70 and earlier years	289	530	36	66	..	..
1970-71	375	725	41	119	7	18
1971-72	640	1,628	52	176	8	25
1972-73	792	2,401	98	353	10	36
Total	2,096	5,284	227	714	25	79

2096 ✓
25 ✓
2121 ✓
5284 ✓
79 ✓
5363 ✓
2 ✓

The number of inspection reports and paragraphs outstanding on 30th September 1972 and mentioned in the Report for the year 1971-72 were 1,873 and 4,673 respectively.

The important types of irregularities noticed in local audit/inspection during 1972-73 are briefly mentioned in Appendix VII.

Trivandrum,

(R. C. GHEI)

The 12th July 1974

Accountant General, Kerala.

Countersigned

New Delhi,

(A. BAKSI)

The 17th July 1974

Comptroller and Auditor General of India.

...
..	..	80	30	057	082	...
31	7	111	14	227	237	...
02	0-	071	25	220.1	040	...
02	01	222	00	104.2	207	...
07	02	115	722	...	...	...

APPENDICES

PLATE I

APPENDIX I

Extent of utilisation of supplementary grants

(Reference : paragraph 16—page 22)

Sl. no.	Number and name of grant	Original grant	Supplementary grant	Total grant	Expenditure	Excess (+) Saving (—)	
						Amount	Percentage
<i>(in lakhs of rupees)</i>							
I. Unnecessary supplementary grants/appropriations							
1	Debt Charges (All charged)	24,16.22	41.87	24,58.09	23,17.51	—1,40.58	6
2	X District Administration and Miscellaneous	2,24.80	7.23	2,32.03	2,22.10	—9.93	4
3	XVII General Education	60,56.56	1,07.39	61,63.95	59,77.97	—1,85.98	3
4	XVIII Technical Education	2,26.64	11.70	2,38.34	1,93.71	—44.63	19
5	XIX Medical	14,22.20	48.87	14,71.07	13,89.52	—81.55	5
6	XXII Agriculture	9,60.16	41.25	10,01.41	9,50.59	—50.82	5
7	XXVII Industries	2,70.26	15.25	2,85.51	1,85.26	—1,00.25	35
8	XXX Harijan Welfare	4,87.73	16.61	5,04.34	4,74.93	—29.41	6
II. Excessive supplementary grants/appropriations							
9	II Land Revenue	3,72.38	23.00	3,95.38	3,83.50	—11.88	3
10	XVI University Education	7,93.03	3,06.44	10,99.47	9,14.19	—1,85.28	17
11	XXXI Statistics and Miscellaneous	1,26.30	20.65	1,46.95	1,30.55	—16.40	11
12	XXXVII Pensions	6,50.07	1,87.65	8,37.72	8,05.25	—32.47	4
13	XLV Capital Outlay on Industrial and Economic Development	5,49.08	1,09.92	6,59.00	6,07.96	—51.04	8
14	LV Loans and Advances by the Government	19,29.80	4,41.74	23,71.54	23,13.01	—58.53	2

APPENDIX I (Concl.)

Extent of utilisation of supplementary grants

Sl. no.	Number and name of grant	Original grant	Supplementary grant	Total grant	Expenditure	Excess(+) Saving(-) Amount	Percentage
(in lakhs of rupees)							
15	Public Debt- Repayment (All charged)	1,72,15.86	29,12.40	2,01,28.26	1,91,14.48	-10,13.78	5
III. Inadequate supplementary grants							
16	XIII Police	9,78.48	35.00	10,13.48	10,22.54	+9.06	1
17	XXVIII Community Development Pro- jects, National Extension Service and Local Develop- ment Works	4,42.12	2.50	4,44.62	4,53.40	+8.78	2
18	XXXII Irriga- tion	6,84.69	1,10.98	7,95.67	8,61.53	+65.86	8
19	XXXIII Public Works	14,92.85	36.11	15,28.96	20,31.41	+5,02.45	33
20	XLIII Capital Outlay on Public Health	6,75.84	1,15.84	7,91.68	8,37.71	+46.03	6
21	XLVI Capital Outlay on Irrigation	6,51.24	43.51	6,94.75	7,19.34	+24.59	4
22	XLVII Capital Outlay on Public Works	7,94.04	2,89.41	10,83.45	11,51.53	+68.08	6
23	LII Commuted value of Pensions	35.25	14.10	49.35	61.09	+11.74	24

APPENDIX II

**Grants/appropriations where the unutilised provision exceeded
20 per cent of the total provision**

(Reference : paragraph 17—page 22.)

Sl. no.	Number and name of grant	Charged/ voted	Total grant/ appropriation	Saving	Per- centage of saving to the total provi- sion
			(in lakhs of rupees)		
1	I Agricultural Income Tax and Sales Tax	Charged	0.35	0.35	100
2	III Excise	„	0.22	0.07	32
3	X District Administration and Miscellaneous	„	0.82	0.65	79
4	XIV State Insurance and Miscellaneous	Voted	44.91	20.71	46
5	XIX Medical	Charged	0.60	0.34	57
6	XXVII Industries	Voted	2,85.51	1,00.25	35
7	XXX Harijan Welfare	Charged	0.70	0.47	67
8	XXXIII Public Works	„	4.26	1.27	30
9	XXXIV Ports	Voted	32.20	9.30	28
10	XXXVII Pensions	Charged	2.84	1.17	41
11	XL Miscellaneous	Voted	10,06.70	4,07.25	40
12	XLI Miscellaneous Compensations and Assignments	Charged	6.99	5.69	81
13	Do.	Voted	73.96	15.14	20
14	XLII Capital Outlay on Compensation to Land Holders	Voted	4.00	2.47	62
15	XLIII Capital Outlay on Public Health	Charged	0.50	0.47	94
16	XLIV Capital Outlay on Agricultural Improvement	„	6.05	4.15	69
17	Do.	Voted	25.65	17.78	69
18	XLVII Capital Outlay on Public Works	Charged	5.00	1.75	35
19	XLVIII Capital Outlay on Other Works	Charged	1.45	1.45	100
20	LI Capital Outlay on Forests	Voted	89.32	40.66	46
21	LIII Capital Outlay on Schemes of Government Trading	„	6,38.02	2,30.80	36
	Total		22,30.05	8,62.19	

APPENDIX III

Plan schemes provision for which remained wholly or substantially unutilised

(Reference: paragraph 17—page 22)

Sl. no.	Grant number and group head	Scheme	Provision	Saving (and percentage)	Saving surrendered/ reappropriated within the grant and month	Reasons for saving
(in lakhs of rupees)						
1	XVI F (f) 39(xxv)	Scheme for providing employment to post-graduates (employment scheme)	50.00	50.00 (100%)	..	Non-implementation of the scheme during the year owing to procedural delay
2	XVII C (a) (VI)L	Abolition of shift in Primary Schools	100.00	100.00 (100%)	100.00 (January and March 1973)	Non-implementation of the scheme as a measure of economy
3	XXVII(b) VII(i) FF	Functional Industrial Estate (Employment scheme)	90.00	89.87 (99.85%)	10.20 (March 1973)	Post-budget decision to implement the scheme under central programmes for which separate provision was made
4	XLIV(i)	Agricultural University-Land acquisition charges	20.00	20.00 (100%)	20.00 (March 1973)	Non-finalisation of land acquisition proceedings
5	XLV(d) (ii) T	Engineers' Co-operatives Employment Scheme	60.00	60.00 (100%)	60.00 (March 1973)	Saving was due to post-budget decision to take up the scheme under Special Employment Programme
6	XLV(d)(ii) A8	Purchase of ordinary and special debenture of Land Mortgage Bank (Agricultural Production)	37.00	31.95 (86%)	31.95 (March 1973)	Saving occurred as the Bank could not float debentures to the extent anticipated because of delay in completing formalities under the various schemes for issuing loans and securing mortgages for debentures

APPENDIX III (Contd.)

Plan schemes provision for which remained wholly or substantially unutilised

Sl. no.	Grant number and group head	Scheme	Provision	Saving	Saving	Reasons for saving
				(and percentage)	surrendered/ reappropriated within the grant and month	
				(in lakhs of rupees)		
7	XLV(c)(ii) A.	Industrial Estates	36.40	27.16 (75%)	23.10 (March 1973)	Saving of Rs. 23.10 lakhs was due to non-implementation of the scheme 'Functional Industrial Estates at Kalamassery, Alleppey and Veli' owing to reduction of outlay for schemes under the special employment programme in the industrial sector. Reasons for the balance saving of Rs. 4.06 lakhs are awaited.
8	XLV(b) (ii) 2	The Plantation Corporation of Kerala Limited-Oil Palm	25	20 (80%)	18 (March 1973)	Saving was due to (i) sanctioning of loan instead of share capital contribution to the company (Rs. 13 lakhs) and (ii) delay in formation of a subsidiary company and shortfall in nursery expenses of imported seeds (Rs. 7 lakhs).
9	XLV(b)(ii)22	Kerala State Coir Corporation Limited	34.50	20 (58%)	20 (January and March 1973)	Saving of Rs. 20 lakhs was due to reduction of share capital contribution and failure of the company to take steps to receive assistance,

APPENDIX III—(Contd.)

Plan schemes provision for which remained wholly or substantially unutilised

Sl. no.	Grant number and group head	Scheme	Provision	Saving (and percentage)	Saving surrendered/ reappropriated within the grant and month	Reasons for saving.
(in lakhs of rupees)						
10	XLVII(c) B	Original Works-Miscellaneous-Schemes under the Five Year Plan	3,60.14	56.36 (16%)	40.97 (March 1973)	Reasons for the saving are awaited
11	XLIX (d) (ii)	Purchase of a sea-going dredger	93.00	22.44 (24%)	..	Reasons awaited.
12	LIII A (iv) 2	Grain Supply Scheme-Gross expenditure - Purchase price of rice-Departmental purchase	3,85.00	2,04.99 (53%)	1,85.00 (March 1973)	Saving was mainly due to non-achievement of targeted purchase of paddy on account of factors like wide-spread damage of crops, scarcity of fertilisers, abolition of internal checkpoints enabling free movement of paddy and organisation of co-operative societies for procurement of paddy in Kuttanad and Ambalapuzha taluks.
13	LIII.A (iv) 1	Grain supply scheme-Purchase price of rice-Purchase price	30.50	27.41 (90%)	30.10 (March 1973)	Saving was due to non-finalisation of claims for subsidy and differential cost payable to the Government of India, Food Corporation of India, etc.

APPENDIX III—(Concl'd.)

Plan schemes provision for which remained wholly or substantially unutilised

Sl. no.	Grant number and group head	Scheme	Provision	Saving (and percentage)	Saving surrendered/ reappropriated within the grant and month	Reasons for saving
(in lakhs of rupees)						
14	LV.I (x) B.II.2	Loans to Kerala State Electricity Board for Rural Electrification (Plan)	100.00	100.00 (100%)	100.00 (March 1973)	Saving was due to reduction in quantum of loan sanctioned by Government.
15	LV.I (x) C(b) 13	Loans to Kerala State Industrial Development Corporation (Plan)	70.00	70.00 (100%)	70.00 (March 1973)	Saving was due to diversion of the provision for implementation of more urgent schemes.

APPENDIX IV

**Grants/appropriations where unsurrendered savings were in excess of
Rs. 20 lakhs in each case**

(Reference: paragraph 18—page 23)

Sl. no.	Number and name of grant	Total grant/ appropriation	Saving	Amount surrendered	Amount not surrendered (and its percentage to the total saving)
(in lakhs of rupees)					
1.	XVI University Education	10,99.47	1,85.28	75.56	1,09.72 (59)
2.	XVII General Education	61,63.95	1,85.98	78.49	1,07.49 (57)
3.	XIX Medical	14,71.08	81.55	9.72	71.83 (88)
4.	XX Public Health	6,12.38	36.65	6.88	29.77 (81)
5.	XXII Agriculture	10,01.41	50.82	22.08	28.74 (56)
6.	XXVII Industries	2,85.51	1,00.25	17.13	83.12 (82)
7.	XXXVII Pensions	8,37.72	32.47	..	32.47(100)
8.	XL Miscellaneous	10,06.70	4,07.25	3,16.69	90.56 (22)
9.	LIII Capital Outlay on Schemes of Govern- ment Trading	6,38.02	2,30.80	1,74.26	56.54 (24)
10.	Public Debt	2,01,28.26	10,13.78	6,41.55	3,72.23 (36)

APPENDIX V

Excess surrender of savings

(Reference: paragraph 18—page 23)

(a) Grants in which amount surrendered was more than the savings available

Sl. no.	Number and name of grant	Total grant	Savings	Amount surrendered	Excess amount surrendered
(in lakhs of rupees)					
1.	X District Administration and Miscellaneous	2,32.03	9.93	14.19	4.26
2.	XI Administration of Justice	2,16.07	14.34	18.83	4.49
3.	XLI Miscellaneous compensations and Assignments	73.96	15.14	18.72	3.58

(b) Grants in which there were surrenders though there were no savings available for surrender

Sl. no.	Number and name of grant	Total grant	Actual expenditure	Excess	Amount surrendered
(in lakhs of rupees)					
1.	XXXIII Public Works	15,28.96	20,31.41	5,02.45	16.86
2.	XLVII Capital Outlay on Public Works	10,83.45	11,51.53	68.08	39.14
3.	XLVIII. Capital Outlay on Other Works	55.65	1,82.93	1,27.28	42.55

APPENDIX VI

Writes off, waivers and ex-gratia payments

(Reference: paragraph 29—page 43)

In 462 cases, losses due to theft, fire, etc., irrecoverable revenue, duties, advances, etc., were written off or waived or ex-gratia payments made during 1972-73. The details are as follows:—

Sl. no.	Name of Department	Write off of losses, irrecoverable revenue, duties, advances, etc.		Waiver*		Ex-gratia payments	
		Items	Amount Rs.	Items	Amount Rs.	Items	Amount Rs.
1.	Taxes	3	16,219	1	160	..	..
2.	Home	22	35,688	2	703	7	22,355
3.	General Education	27	34,882	24	9,598	..	..
4.	Local Administration and Social Welfare	1	6,653	..	..	..	..
5.	Agriculture	52	1,48,045	5	39,850	1	3,500
6.	Higher Education	11	11,757	..	..	..	..
7.	Law	1	68	..	..	..	..
8.	Public Works	3	12,347	..	..	4	2,310
9.	Public	1	858	1	369	5	3,854
10.	Industries	4	1,61,467	..	..	..	..
11.	Health	31	17,352	2	61	1	192
12.	Development	18	26,812	7	39,261	..	..
13.	Water and Power	4	14,731	2	16,07,48,364 (A)	..	..
14.	Revenue	4	890	..	..	3	5,605
15.	Finance	..	..	..	..	215	2,27,700
	Total	182	4,87,769	44	16,08,38,366	236	2,65,516

* Information regarding waivers ordered during 1972-73 has not been received from Director of Animal Husbandry and Director of Public Relations.

(A) This includes the waiver by Government of accumulated interest (Rs. 16,07,48,214) as on 31st March 1970 due to Government. Reference in this connection may also be made to paragraph 7 of chapter I of this Report.

APPENDIX VII

Important types of irregularities noticed in local audit and inspection during 1972-73

(Reference : paragraph 66—page 92)

Civil offices and treasuries:

Number of offices/treasuries inspected: 1,101

<i>Nature of irregularities</i>	<i>Number of offices in which irregularities were noticed</i>
1. Defective maintenance of cash book, non-conduct of physical verification/surprise verification of cash balance, etc.	219
2. Non-maintenance/defective maintenance of stock registers, failure to conduct physical verification of stock, etc.	138
3. Non-maintenance/defective maintenance of initial accounts and registers such as bill register, register of contingent charges, etc.	65
4. Failure to obtain adequate cash security from persons handling cash	12

Public Works divisions:

Number of divisions inspected: 104

<i>Nature of irregularities</i>	<i>Number of divisions in which irregularities were noticed</i>
1. Non-observance of rules regarding measurement/ check measurement of works	18
2. Non-maintenance /defective maintenance of materials -at-site accounts, etc.	13
3. Non-inspection of sub-divisional offices by Executive Engineers/Divisional Accountants	9

APPENDIX VII

Important types of irregularities noticed in local
audit and inspection during 1932-33

(Appendix VI—page 34)

Number of instances reported	Description of irregularity	Value of irregularity
1	1. Failure to maintain a proper cash account from year to year.	Rs. 1000
2	2. Failure to maintain a proper cash account from year to year.	Rs. 500
3	3. Failure to maintain a proper cash account from year to year.	Rs. 200
4	4. Failure to maintain a proper cash account from year to year.	Rs. 100
5	5. Failure to maintain a proper cash account from year to year.	Rs. 50
6	6. Failure to maintain a proper cash account from year to year.	Rs. 25
7	7. Failure to maintain a proper cash account from year to year.	Rs. 10
8	8. Failure to maintain a proper cash account from year to year.	Rs. 5

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