Report - Section

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REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR 1977-78

GOVERNMENT OF KERALA

(CIVIL)

TABLE OF CONTENTS

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APPENDICES

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 the year 1977-78 and 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 1977-78; and

(ii) comments on Western ghats development programme, Manure supply scheme, Civil supplies schemes, Pamba irrigation project and assistance to the Greater Cochin Development Authority.

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

3. The cases mentioned in the present Report are among those which came to notice in the course of test audit of accounts during the year 1977-78 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 1977-78 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

1.1. Summary of transactions

The receipts, expenditure and surplus/deficit of Government for the year 1977-78 are given below with the corresponding figures of the previous year:—

		1976-77	1977-78
		(*in crores of rupees*)	
(1)	Revenue		
	Revenue receipts	3,86.18	4,44.94
	Revenue expenditure	3,89.48	4,15.89
	Revenue surplus (+) / Revenue deficit(—)	(—) 3.30	(+) 29.05
(2)	Public Debt		
	Internal Debt of the State Government (net) Increase (+) / Decrease(—)	(+) 13.16	(—) 19.17
	Loans and Advances from the Central Government (net) Increase (+)	(+) 21.25	(+) 39.07
	Total Public Debt (net) Increase (+)	(+) 34.41	(+) 19.90
(3)	Loans and Advances by the State Government (net) Increase (—)	(—) 9.84	(—) 14.53
(4)	Transfer to Contingency Fund	..	(—) 2.00
(5)	Contingency Fund (net) Increase (+)	(+) 0.66	(+) 1.05

		1976-77	1977-78
		(*in crores of rupees*)	
(6)	Public Account (net)		
	Increase (+)	(+) 25.89	(+)33.13
(7)	Capital Account (net)		
	Increase (—)	(—) 56.80	(—)72.91
	Net deficit(—)	(—) 8.98	(—)6.31
	Opening Cash Balance	(+)0.19	(—)8.79
	Net deficit(—)	(—)8.98	(—)6.31
	Closing Cash Balance	(—)8.79	(—)15.10*

1.2. Revenue surplus/deficit

(a) *Revenue receipts*:

The actuals of revenue receipts for 1977-78 compared with (i) the budget estimates and (ii) the budget estimates plus additional taxation during the year along with the corresponding figures for 1975-76 and 1976-77 are shown below:—

Year	*Budget*	*Budget plus additional taxation*	*Actuals*	*Variation between columns (4) and (3)*	
				Amount	*Percentage*
(1)	(2)	(3)	(4)	(5)	(6)
		(*in crores of rupees*)			
1975-76	2,95.29	3,00.29	3,51.22	(+)50.93	16.96
1976-77	3,87.76	3,99.76	3,86.18	(—)13.58	3.40
1977-78	4,30.71	4,33.71	4,44.94	(+)11.23	2.59

*There was a difference of Rs. 39.91 lakhs (net debit)between the figure reflected in the accounts and that communicated by the Reserve Bank of India in respect of 'Deposits with Reserve Bank' (included in the cash balance). Difference to the extent of Rs. 35.13 lakhs has since been reconciled and the remaining difference of Rs. 4.78 lakhs is under reconciliation (February 1979).

(b) *Expenditure on revenue account*:

The expenditure on revenue account as compared with (i) the budget estimates and (ii) the budget estimates plus supplementary provision is shown below:—

Year	*Budget*	*Budget plus supplementary*	*Actuals*	*Variation between columns* (4) *and* (3)	
				Amount	*Percentage*
(1)	(2)	(3)	(4)	(5)	(6)
		(*in crores of rupees*)			
1975-76	3,16.26	3,56.07	3,55.04	(—) 1.03	0.29
1976-77	3,88.48	4,14.33	3,89.48	(—)24.85	6.00
1977-78	4,19.02	4,43.49	4,15.89	(—)27.60	6.22

(c) The year ended with a revenue surplus of Rs. 29.05 crores as against a revenue surplus of Rs. 11.69 crores anticipated in the budget.

1.3. Revenue receipts

The revenue receipts during 1977-78 (Rs. 4,44.94 crores) increased by Rs. 58.76 crores over those in 1976-77 (Rs. 3,86.18 crores). The increase (counterbalanced by decrease under certain heads) compared to 1976-77 is analysed below:—

	1976-77	1977-78	*Amount of increase*(+)/ *decrease*(—)
	(*in crores of rupees*)		
(a) Tax Revenue			
(i) Taxes on income other than Corporation Tax	25.57	26.48	(+)0.91
(ii) Taxes on Agricultural Income	6.43	10.03	(+)3.60
(iii) Other Taxes on Income and Expenditure	0.04	0.01	(—)0.03
(iv) Land Revenue	3.20	2.88	(—)0.32
(v) Stamps and Registration Fees	15.29	17.25	(+)1.96
(vi) Estate Duty	0.43	0.44	(+)0.01

	1976-77	1977-78	*Amount of increase (+)/ decrease (—)*
	(in crores of rupees)		
(vii) Taxes on Immovable property other than Agricultural Land	0.42	0.38	(—)0.04
(viii) State Excise	31.03	39.08	(+) 8.05
(ix) Sales Tax	1,07.60	1,18.74	(+)11.14
(x) Taxes on vehicles	17.13	18.88	(+)1.75
(xi) Taxes on Goods and Passengers	0.51	0.27	(—)0.24
(xii) Taxes and Duties on Electricity	4.57	5.55	(+) 0.98
(xiii) Other Taxes and Duties on Commodities and Services	0.28	0.29	(+) 0.01
Total	2,12.50	2,40.28	(+) 27.78
(b) Non-Tax Revenue	67.79	80.64	(+)12.85
(c) Grants and Contributions			
(i) Grants from Central Government			
A—Non-Plan grants	42.14	46.09	(+)3.95
B—Grants for State Plan Schemes	14.99	22.28	(+)7.29
C—Grants for Central Plan Schemes	1.42	4.66	(+)3.24
D—Grants for Centrally Sponsored Plan Schemes	8.39	8.85	(+)0.46
(ii) State's share of Union Excise Duties	38.95	42.14	(+) 3.19
Total	1,05.89	1,24.02	(+)18.13
Total Revenue Receipts	3,86.18	4,44.94	(+)58.76

More information on the subject will be found in the Report of the Comptroller and Auditor General of India for the year 1977-78, Revenue Receipts—Government of Kerala.

1.4. Expenditure on revenue account

In 1977-78, the expenditure on revenue account (Rs. 4,15.89 crores) increased by Rs. 26.41 crores over that in 1976-77 (Rs. 3,89.48 crores). The increase was mainly under:—

Major Head of Account	*Actuals* 1976-77	*Actuals* 1977-78	*Increase during* 1977-78	*Reasons for increase*
	(*in crores of rupees*)			
249. Interest Payments	33.59	37.99	4.40	The increase was mainly due to payment of more interest on Savings Bank deposits and Provident Funds (Rs. 1.78 crores), on loans and advances from Central Government for Plan Schemes (Rs. 1.58 crores) and on Ways amd Means advances obtained and overdrafts drawn from the Reserve Bank of India (Rs. 0.98 crore).
277. Education	1,41.03	1,45.27	4.24	The increase was mainly under Primary Education (Rs. 1.65 crores) and Secondary Education (Rs. 1.43 crores) and was mainly due to increased expenditure on Minimum Needs Programme, increase in the assistance given to non-Government institutions and enhanced expenditure on Plan schemes.
337. Roads and Bridges	12.61	15.34	2.73	The increase was mainly due to increase in cost of maintenance of roads and additional expenditure for rectification of damages to roads caused by floods/cyclones.
305. Agriculture	8.51	10.69	2.18	The increase was mainly due to enhanced outlay on Plan schemes.
288. Social Security and Welfare	12.67	14.50	1.83	The increase was mainly due to rise in the number of destitute pensioners consequent on the enhancement of the income limit for eligibility to pension and payment of additional housing grant to the members of the scheduled castes.

Major Head of Account	Actuals 1976-77	Actuals 1977-78	Increase during 1977-78	Reasons for increase
	(in crores of rupees)			
334. Power Projects	3.26	5.00	1.74	The increase was due to enhancement in the payment of subsidy for rural electrification to the Kerala State Electricity Board.
280. Medical	29.63	31.26	1.63	The increase was mainly due to enhanced expenditure on hospitals and dispensaries, medical colleges and Employee's State Insurance Scheme.
314. Community Development	7.23	8.64	1.41	The increase was mainly due to enhanced expenditure on the 'CARE Food for Work' Projects, replacement of old vehicles in blocks and increase in administrative expenditure.
306. Minor Irrigation	2.94	4.34	1.40	The increase was mainly due to transfer of establishment charges in proportion to works expenditure on Minor Irrigation from "333—Irrigation, Navigation, Drainage and Flood Control Projects".
321. Village and Small Industries	3.20	4.30	1.10	The increase was mainly due to additional expenditure on payment of subsidy to new industrial units in the districts of Alleppey, Malappuram and Cannanore.

1.5. Capital expenditure

The capital expenditure during the three years ending 1977-78 as compared with (i) the budget estimates and (ii) the budget estimates plus supplementary grants/appropriations is shown below:—

Year	Budget	Budget plus supplementary	Actuals	Variation between columns (4) and (3) Amount	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
		(in crores of rupees)			
1975-76	44.54	53.74	47.39	(—)6.35	11.82
1976-77	50.89	63.56	56.80	(—)6.76	10.64
1977-78	64.41	80.59	72.91	(—)7.68	9.53

The progressive capital expenditure to end of March 1978 was Rs. 5,27.92 crores. Further details are given in Statement Nos. 2 and 13 of the Finance Accounts 1977-78.

An analysis of the capital expenditure during and to end of 1977-78 is given below:—

	During 1977-78	*Progressive total to end of* 1977-78
	(*in crores of rupees*)	
(i) Capital expenditure on Water and Power Development	36.54	1,86.14
(ii) Capital expenditure on Social and Community Services including public health, sanitation and water supply, housing, etc.	14.02	1,33.62
(iii) Capital expenditure on Transport and Communications including ports, roads and bridges and water transport services	7.17	79.09
(iv) Capital expenditure on industry and minerals including investments in industrial financial institutions	6.52	58.38
(v) Capital expenditure on agriculture and allied services including minor irrigation, soil conservation, animal husbandry, dairy development, fisheries and forests	2.39	31.32
(vi) Capital expenditure on general economic services including co-operation	4.80	26.31
(vii) Capital expenditure on public works	1.47	13.06
Total	72.91	5,27.92*

*The progressive total to end of 1976-77 mentioned in paragraph 1.7. 'Capital expenditure' of the Report of the Comptroller and Auditor General of India for the year 1976-77 (Civil) has been revised *pro forma* (vide details given in the foot notes to Statement No. 13 of the Finance Accounts 1977-78) and the progressive total to end of 1977-78 now indicated is with reference to the revised progressive expenditure as on 1st April 1977, adopted in Finance Accounts 1977-78.

1.6. Loans and advances by Government

(a) The actuals of disbursement of loans and advances by Government for 1977-78 as compared with (i) the budget estimates and (ii) the budget estimates plus supplementary grants along with the corresponding figures for 1975-76 and 1976-77 are shown below:—

Year	*Budget*	*Budget plus supplementary*	*Actuals*	*Variation between columns (4) and (3)*	
				Amount	*Percentage*
		(*in crores of rupees*)			
(1)	(2)	(3)	(4)	(5)	(6)
1975-76	15.93	26.62	24.54	(—) 2.08	7.81
1976-77	18.98	24.63	24.46	(—) 0.17	0.69
1977-78	18.82	27.48	26.15	(—) 1.33	4.84

(b) The budget and actuals of recoveries of loans and advances for the three years ending 1977-78 are given below:—

Year	*Budget*	*Actuals*	*Variation*	
			Amount	*Percentage*
		(*in crores of rupees*)		
1975-76	20.15	16.34	(—) 3.81	19.00
1976-77	15.45	14.62	(—) 0.83	5.37
1977-78	13.66	11.62	(—) 2.04	14.93

(c) The balance of loans and advances by Government outstanding on 31st March 1978 was Rs. 2,65.62 crores as shown below:—

Classes of loans and advances	*Balance outstanding on 31st March 1978 (in crores of rupees)*
1. Loans for Social and Community Services including education, housing, urban development, etc.	19.26
2. Loans for Economic Services	
(i) Loans for General Economic Services including those to Co-operative Societies and general financial and trading institutions	18.90

Classes of loans and advances	*Balance outstanding on 31st March 1978 (in crores of rupees)*
(ii) Loans for Agricultural and Allied Services	18.30
(iii) Loans for Industry and Minerals	25.78
(iv) Loans for Water and Power Development	1,78.92
(v) Loans for Transport and Communications	0.09
3. Loans to Government Servants, etc.	4.05
4. Loans for Miscellaneous purposes	0.32
Total	2,65.62

Further details are given in Statement Nos. 5 and 18 of the Finance Accounts 1977-78.

(d) The departmental officers who maintain the 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 and interest on loans. The information in regard to arrears in recovery of loans and advances as on 31st March 1978 had not been supplied (March 1979) in the following cases:-

Name of department	*Category of loans*
Agriculture	Agricultural loans
	Loans for animal husbandry
Development	Loans for fishery schemes
	Loans for port development
Industries	Loans for handloom schemes
	Loans for power loom schemes
	Loans under small scale industries schemes
	Loans under State Aid to Industries Act
Labour	Loans to Repatriates from Burma/Sri Lanka
Local Administration and Social Welfare	Loans for social welfare schemes
Revenue	Loans to cultivators affected by floods
	Other loans
Education	Loans under National Loan Scholarship scheme
Health	Medical loans

The details of arrears in recovery of loans as on 31st March 1978, the detailed accounts of which are maintained by the departmental officers, to the extent information has been received, are given below:–

	Amount overdue		*Earliest year from which outstanding*
	Principal	*Interest (including penal interest)*	
	(in lakhs of rupees)		
Agriculture Department			
Loans for dairy development	10.63	22.38	1975-76
Loans to Co-operative Societies	26.98	11.59	1970-71
Loans for soil conservation schemes	29.12	*	1956-57
Development Department			
Loans under community development programme	33.40	16.58	1955-56
Loans to scheduled castes/ scheduled tribes	0.11	..	*
Education Department			
Miscellaneous loans (Loan scholarship to technical students)	2.64	0.47	1966-67
Industries Department			
Loans to Government companies	2,10.01	2,93.15	1965-66
Loans for coir development	42.53	12.62	1959-60
Local Administration and Social Welfare Department			
Loans for housing schemes	14.51	15.21	1963-64
Revenue Department			
Colonisation Schemes	3.15	1.11	1969-70

In the case of loans given to bodies like municipalities and panchayats, the detailed accounts of which are maintained by Audit, the amount overdue for recovery at the end of March 1978 was Rs. 0.51 lakh.

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* Information awaited.

(e) *Interest due from the Kerala State Electricity Board*

The amount of interest due as on 31st March 1978 from the Kerala State Electricity Board on loans paid by Government was Rs. 43.33 crores after effecting adjustments in the accounts for 1977-78 for Rs. 5 crores against subsidies sanctioned towards loss in rural electrification and conversion of interest of Rs. 0.72 crore as loan.

(f) Rules require that departmental officers who administer loans should furnish to Audit by 15th July every year a certificate that the aggregate balances shown as recoverable at the end of preceding March in the registers maintained by them agree with those communicated to them by the Accountant General. In 345 cases the certificates of acceptance of balances had not been received from the departmental officers (January 1979) as shown below:—

Department	*Number*	*Balance of loans on 31st March 1978 (in crores of rupees)*
Agriculture	139	15.89
Industries	118	32.59
Development	34	7.79
Revenue/Local Administration and Social Welfare	17	8.44
Labour	10	0.70
Education	8	4.62
Health	3	1.20
Others	16	1.65
Total	345	72.88

The year-wise break up of the certificates due is given below:—

Year from which certificates are due	*Number of cases*
1966-67 and earlier years	87
1967-68 to 1970-71	69
1971-72	14
1972-73	23
1973-74	17
1974-75	42
1975-76	22
1976-77	34
1977-78	37
Total	345

Out of these 345 cases, 93 cases showed minus balances. The department-wise break-up of these cases is given below:—

Department	*Number*	*Balance of loans on 31st March 1978* (*in lakhs of rupees*)
Industries	34	(—)57.31
Agriculture	44	(—)68.44
Development	5	(—)4.37
Revenue	3	(—)2.52
Local Administration and Social Welfare	2	(—)0.09
Others	5	(—)6.24
Total	93	(—)1,38.97

(g) In respect of loans the detailed accounts of which are maintained by the Accountant General, the arrears in respect of receipt of certificates of acceptance of balances at the end of January 1979 were as follows:—

	Number of certificates	*Balance of loans as on 31st March 1978* (*in lakhs of rupees*)	*Earliest year to which the outstanding certificates pertain*
Municipalities	5	5.00	1977-78
Corporations/Boards, etc.	2	14.53	1977-78
Panchayats	550	32.08	1975-76
Total	557	51.61	

1.7. Sources of funds for capital expenditure and for net outgo under loans and advances

The sources from which capital expenditure (Rs. 72.91 crores) and the net expenditure under 'Loans and Advances by the State Government (Rs. 14.53 crores) during 1977-78 were met are shown below:—

(in crores of rupees)

I.	Net additions to—		
	(i) Internal Debt of the State Government	(—)	19.17
	(ii) Loans from the Central Government	(+)	39.07
	(iii) Small Savings, Provident Funds, etc.	(+)	24.29
II.	Miscellaneous (mainly deposits, etc., received by Government less the amounts refunded)	(+)	12.77
III.	Investments and drawing down of cash balances	(+)	3.43
IV.	Revenue surplus	(+)	29.05
V.	Amount transferred to Contingency Fund	(—)	2.00
	Net amount available for expenditure	(+)	87.44

1.8. Debt position of Government

At the end of 1977-78, the outstanding public debt and other obligations of Government were Rs. 7,96.46 crores. An analysis of the outstandings compared with the corresponding figures at the end of each of the three preceding years is given below:—

	1974-75	1975-76	1976-77	1977-78
		(in crores of rupees)		
Public Debt	4,87.69	5,26.96	5,61.37	5,81.27
Small Savings, Provident Funds, etc.	76.53	88.04	1,04.39	1,28.68
Other obligations	60.20	71.23	79.64	86.51
Total	6,24.42	6,86.23	7,45.40	7,96.46

A. Public Debt:

Public Debt comprises loans from Government of India, market loans and other loans from the Life Insurance Corporation of India, Reserve Bank of India, State Bank of India and other institutions. Public Debt increased during 1977-78 by Rs. 19.90 crores; details are given below:—

	Raised during 1977-78	*Discharged during* 1977-78	*Increase during* 1977-78	*Balance on 31st March* 1978
	(*in crores of rupees*)			
Internal debt of the State Government	2,16.85	2,36.02	(—)19.17	1,12.38
Loans and advances from the Central Government	69.41	30.34	(+)39.07	4,68.89
Total	2,86.26	2,66.36	(+)19.90	5,81.27

Under the States Reorganisation Act, 1956, the Public Debt of an existing State shall pass on to the successor State or if there be two or more successor States, be divided between them in proportion to the total expenditure on all capital works and other capital outlays incurred up to the appointed day in the territories of the existing State included respectively in each of those successor States. Pending determination and allocation of the capital outlays in the respective areas, balances outstanding under Public Debt (comprising Market Loans and Loans from the Central Government) as on 31st October 1956 in the books of the pre-reorganised States of Madras and Travancore-Cochin are allocated provisionally in the population ratio among the successor States. All such Market Loans were fully discharged by 1968-69 and the provisional liability of the Kerala State had also been discharged by 1968-69.

Final allocation of Public Debt had not been done so far due to non-finalisation of the allocation of the capital outlays in accordance with the provisions of the States Reorganisation Act.

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

(i) *Internal debt of the State Government*:

The transactions relating to loans raised from the open market to finance certain projects, schemes, etc., and the loans received from the Reserve Bank of India, the Life Insurance Corporation of India, the National Agricultural Credit Fund of the Reserve Bank of India, the National Co-operative Development Corporation, etc., are recorded under this head.

(a) *Market loans* :

A sum of Rs. 12.29 crores carrying 6 per cent interest was raised during 1977-78 at 0.5 per cent discount. It is repayable in 1987.

Further, transactions relating to 4 per cent Jenmikaram Payment (Abolition) Bonds, and 4.25 per cent and 4.50 per cent Kerala House Sites and Houses for families of landless workers (compensation for the value of lands) Bonds and 4.50 per cent Kerala Land Reforms (payment of compensation for excess lands) Bonds are also included under this head.

Government have constituted a depreciation fund for purchasing securities of the loans for cancellation during their currency 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 the contribution was increased to 8 per cent of the outstanding balance of the loans. The rate of contribution to these funds was changed in 1968-69 to range between 6.2 per cent and 9.2 per cent (depending upon the number of years in which the loans were to be repaid). In 1977-78, Rs. 95.64 lakhs were contributed to the Loan Depreciation Fund and Rs. 2,99.68 lakhs to the General Sinking Fund. The balance in these two funds at the end of 1977-78 was Rs. 5,81.87 lakhs and Rs. 18,43.82 lakhs respectively. Out of the total balance of Rs. 24,25.69 lakhs in these funds, Rs. 87.34 lakhs were invested in the securities of Government of India and Rs. 13 lakhs in the Industrial Finance Corporation Bonds. The balance of Rs. 23,25.35 lakhs was not invested and was utilised to augment the general cash balance of the State. Rupees 5.11 lakhs were received during the year as interest on the investments.

(b) *Ways and means advances and overdrafts from the Reserve Bank of India*:

Under an agreement with the Reserve Bank of India, Government of Kerala have to maintain with the Bank a minimum cash balance of Rs. 60 lakhs on all days. If the balance falls below this agreed minimum on any day, the Bank gives ways and means advances limited to a maximum of Rs. 6 crores. In addition, special ways and means advances

not exceeding Rs. 6 crores are made available by the Bank against marketable Government of India securities. The ordinary and special ways and means advances carry interest at one per cent below the Bank Rate for the first 90 days, one per cent above the Bank Rate beyond 90 days and up to 180 days and two per cent above the Bank Rate beyond 180 days. If even after the maximum advances are given, the cash balance falls below the prescribed minimum, the deficiency is left uncovered; the deficiency to the extent of the minimum balance is treated as shortfall on which interest is payable at one per cent below the Bank Rate. Overdrafts are given by the Bank if the State has a minus balance after availing the maximum amount of ways and means advances admissible. Overdrafts granted by the Bank carry interest at the Bank Rate up to and including the seventh day and at three per cent above the Bank Rate thereafter.

The extent to which the State Government were able to maintain the minimum balance with the Bank during the two years 1976-77 and 1977-78 is given below:—

	1976-77	1977-78
Number of days on which the minimum balance was maintained without obtaining any advance	2	1
Number of days on which the minimum balance was maintained by taking ordinary ways and means advances	50	11
Number of days on which the minimum balance was maintained by taking also special ways and means advances	71	40
Number of days on which there was shortfall from the agreed minimum balance, even after availing the ordinary and special ways and means advances to the full extent, but no overdraft was taken	15	14
Number of days on which overdrafts were taken	227	299

Ways and means advances:

At the end of the year 1976-77, Rs. 10.15 crores were outstanding as ways and means advances. During 1977-78 the State Government availed of ordinary ways and means advances amounting to Rs. 3.32 crores from the Reserve Bank of India. Besides ordinary ways and means advances, special ways and means advances amounting to Rs. 14.78 crores were also availed of from the Bank. The entire advance of Rs. 28.25 crores was repaid during the year. Interest of Rs. 1.25 crores was paid in 1977-78 on these advances.

Shortfalls and overdrafts:

During the year, the State Government could maintain the prescribed minimum cash balance without availing ways and means advances from the Bank only on one day. Even after availing of the maximum ways and means advances, the cash balance of Government was below the prescribed minimum on 313 days. On 299 days, Government had minus cash balance with the Reserve Bank of India. The amount of shortfall from the agreed minimum cash balance was Rs. 2.06 crores. The total shortfall of Rs. 2.66 crores (inclusive of Rs. 0.60 crore of previous year) was repaid before the close of the year. Overdrafts availed of during the year were Rs. 1,80.76 crores. The total overdraft of Rs. 1,99.93 crores (inclusive of Rs. 19.17 crores of previous year) were repaid during the year. The interest paid on shortfalls and overdrafts during the year amounted to Rs. 1.32 crores.

There were minus balances continuously for more than seven days during the period from 1st April 1977 to 28th June 1977, 1st July 1977 to 30th November 1977, 20th to 31st December 1977 and 1st to 30th March 1978. The minus balance touched the maximum figure of Rs. 34.79 crores on 22nd June 1977. Throughout the year the State Government had to rely heavily on advances and overdrafts from the Bank as a source of finance for meeting their expenditure.

(c) *Other loans*:

The balance of loans taken from other sources outstanding at the end of March 1978 was Rs. 18.58 crores. Its break-up is given below:—

Source of loan	*Balance outstanding on 31st March 1978 (in lakhs of rupees)*	*Details of loans obtained during 1977-78*
The National Agricultural Credit Fund of the Reserve Bank of India	5,57.56	Rupees 1,14.88 lakhs for subscribing to the share capital of eleven Primary Land Mortgage Banks, 306 Primary Agricultural Credit Societies, 4 Primary (Urban) Co-operative Banks, Malappuram District Co-operative Bank Limited and Kerala Co-operative Central Land Mortgage Bank Limited.

Source of loan	*Balance outstanding on 31st March 1978 (in lakhs of rupees)*	*Details of loans obtained during 1977-78*
The Life Insurance Corporation of India	10,45.21	Rupees 1,20 lakhs mainly for the approved loan schemes viz. Middle Income Group Housing Scheme, Low Income Group Housing Scheme, Rental Housing Scheme for State Government Employees, Land Acquisition and Development Scheme and the Village Housing Project Scheme.
The National Co-operative Development Corporation	2,54.94	Rupees 53.98 lakhs mainly for various co-operative ventures sponsored by the Corporation.
The Central Warehousing Corporation	0.41	Nil
Total	18,58.12	

(ii) *Loans and Advances from the Central Government*:

The loans and advances received from Government of India, and outstanding at the end of 1977-78 (Rs. 4,68.89 crores) formed 81 per cent of the total public debt.

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

B. *Balance under Small Savings, Provident Funds, etc., and other obligations*:

In addition to public debt, the balances under small savings, provident funds, deposits, etc., to the extent they have not been separately invested but are merged with the general cash balance of the State Government, constitute the liability of the State Government. Such liability on 31st March 1978 was Rs. 2,15.19 crores comprising un-invested balances of (i) interest-bearing obligations such as depreciation reserve funds of Government commercial undertakings, etc. (Rs. 0.65 crore), (ii) non-interest-bearing obligations such as deposits of local funds, civil deposits, other earmarked funds, etc. (Rs. 85.86 crores) and (iii) provident fund balances and deposits under small savings, etc. (Rs. 1,28.68 crores).

Interest on debt and other obligations:

The gross interest paid by Government during the year was Rs. 37.96 crores on public debt (including expenditure on management), small savings, provident funds, etc., and Rs. 0.03 crore on other obligations. Against these, Government received Rs. 10.76 crores towards interest on loans and advances and capital contribution given by it and Rs. 0.23 crore on investment of cash balances. The net burden of interest charges on debt and other obligations during the year was Rs. 27 crores (6.07 per cent of the total revenue receipts) as compared to Rs. 27.66 crores (7.16 per cent of the total revenue receipts) in 1976-77 and Rs. 22.29 crores (6.35 per cent of the total revenue receipts) in 1975-76.

There were, in addition, certain other receipts and adjustments (Rs. 2.28 crores) such as interest received from Departmental Commercial Undertakings, etc. If these are also taken into account, the net burden of interest during 1977-78 would be Rs. 24.72 crores (5.55 per cent of the total revenue receipts).

Government also received during the year Rs. 78.84 lakhs as dividend on investments in commercial undertakings, etc.

1.9. Guarantees

Government have given guarantees for repayment of loans, etc., received by Statutory Corporations, Boards, Government Companies, Local Bodies, Co-operative Societies and other institutions as below:—

	Maximum amount guaranteed (Principal only)	*Sums guaranteed outstanding on 31st March 1978*	
		Principal	*Interest*
	(*in crores of rupees*)		
(a) Working Capital raised by the Kerala Financial Corporation and dividends thereon	3.00	2.35	..
(b) Loans, debentures, bonds, etc., raised by			
(1) Statutory Corporations and Boards	1,31.53	1,22.88	*

* Details awaited.

	Maximum amount guaranteed (Principal only)	*Sums guarant outstanding 31st March 19*	
		Principal	*Inte*
	(in crores of rupees)		
(2) Government Companies	58.54	40.35	4.
(3) Co-operative Banks and Societies	1,11.47	46.03	0.
(4) Municipalities, Corporations, Townships and other local bodies	25.74	21.02	0.
(5) Other institutions	5.00	3.94	0.
Total	3,35.28	2,36.57	5.

Note: (1) The details of amounts outstanding as on 31st March 1978 ha not been intimated by Government in respect of guarantees giv to a few institutions.

(2) In cases where details of amounts of principal and interest are n separately available, the entire amount has been shown und "Principal".

(a) Under section 6 of the State Financial Corporations Act, 19 the shares of the State Financial Corporation are to be guaranteed by the St Government as to the repayment of principal and payment of annual divide Again, under section 7 of the above Act, the bonds and debentures of the St Financial Corporation are to be guaranteed as to the repayment of princip and payment of interest. Further, under section 8 of the Act *ibid*, fixed depos accepted by the State Financial Corporation are also to be guaranteed b the State Government as to the repayment of principal and payment interest. The actual amounts guaranteed on behalf of the Kerala Financi Corporation by the State Government under sections 6, 7 and 8 *ibid* an outstanding as on 31st March 1978 were Rs. 2,35 lakhs, Rs. 16,99 lakhs an Rs. 19.92 lakhs respectively. Up to end of 1977-78, Government pa Rs. 17.45 lakhs towards the guaranteed minimum dividend on the shar capital of the Corporation. Of this, Rs. 0.20 lakh only have been recovere (March 1979).

(b) Under section 66 of the Electricity (Supply) Act, 1948, the Sta Government may guarantee in such manner as they think fit the payment the principal and interest of any loans proposed to be raised by the Sta Electricity Board or of either the principal or the interest. The actual amou covered on 31st March 1978 by the guarantee given on behalf of the Keral State Electricity Board by the State Government under this section wa Rs. 88,05.52 lakhs.

(c) Under section 26 of the Road Transport Corporations Act, 1950, a State Road Transport Corporation may, with the previous approval of the Central/State Governments, borrow money in the open market or otherwise for the purpose of raising its working capital or for meeting expenditure of a capital nature. The State Government have guaranteed on behalf of the Kerala State Road Transport Corporation the repayment of principal and payment of interest in respect of debentures/bonds issued by it. As on 31st March 1978, the actual amount covered by the guarantee was Rs. 2,47.50 lakhs (principal).

(d) Under section 93 of the Kerala State Housing Board Act, 1971, the State Government may guarantee, in such manner as it thinks fit, the payment of the principal and interest of any loan proposed to be raised by the Kerala State Housing Board on debentures or of either the principal or the interest. The amount guaranteed by the State Government in regard to the loans raised by the Board and outstanding on 31st March 1978 was Rs. 9,49.60 lakhs (principal).

(e) Under section 11 of the Kerala State Rural Development Board Act, 1971, the State Government may guarantee the repayment of principal and payment of interest of any loan proposed to be raised by the Kerala State Rural Development Board. As on 31st March 1978, the amount thus guaranteed and outstanding was Rs. 5,66.86 lakhs.

(f) Apart from the above, the State Government had guaranteed (to third parties) to the end of 1977-78 the repayment of loans/bonds/debentures/overdrafts/ cash credit, etc., on behalf of 28 Government Companies, 38 co-operative banks and societies, 33 local bodies (28 municipalities, 3 Corporations, Greater Cochin Development Authority and Guruvayur township) and 9 other institutions. The maximum amount guaranteed on their behalf to the end of 1977-78 was Rs. 2,00.75 crores against which the loans, etc., actually outstanding were Rs. 1,16.75 crores (principal: Rs. 1,11.34 crores; interest: Rs. 5.41 crores).

Rupees 6.78 lakhs were received by Government during the year towards guarantee commission. As at the end of 31st March 1978, arrears in respect of guarantee commission due from fifteen institutions were reported to be Rs. 28.62 lakhs.

Further details of the guarantees are given in Statement No. 6 of Finance Accounts 1977-78.

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

(h) Government stood guarantee in March 1973 to the State Bank of Travancore for the loan of Rs. 25 lakhs advanced to the Kerala Fisheries Corporation Limited. Consequent on the transfer of the Boat Building Yards to the Fisheries Department from the company, Government had to discharge the liability. Accordingly, Rs. 25 lakhs (principal) were repaid by Government to the Bank in March 1977. Interest Rs. 6.72 lakhs was also paid by Government to the Bank during March 1978. The balance of interest amounting to Rs. 5.28 lakhs was waived by the Bank.

In July 1972 Government stood guarantee to the Food Corporation of India for a sum of Rs. 0.50 lakh on behalf of a co-operative society for the satisfactory fulfilment of a contract for the transport of foodgrains by the society for a period of two years from June 1972. Rupees 0.50 lakh were paid by Government in September 1977 to the Food Corporation of India in terms of the guarantee as the society failed to execute the work properly.

(i) According to the guidelines issued by the State Government in July 1971 and March 1975, all the administrative departments of Government were to conduct a periodical review of guarantees sanctioned by Government each year by scrutinising the published accounts, periodical reports, etc. and to send the results of their review to the Accountant General before 30th September of the succeeding year. The results of the review due by September 1978 were awaited (March 1979) in respect of guarantees aggregating Rs. 3,27.42 crores given by Government to 105 institutions.

1.10. Investments

During 1977-78 Government invested Rs. 1,29.99 lakhs in Statutory Corporations, Rs. 8,94.22 lakhs in Government Companies, Rs. 28.64 lakhs in other Joint Stock Companies and Rs. 4,39.63 lakhs in Co-operative banks and societies. The progressive expenditure on investments was decreased by Rs. 0.02 lakh, due to *pro forma* adjustments. Government also invested Rs. 4.95 lakhs in the Industrial Finance Corporation Bonds during 1977-78.

The following table shows the extent of Government's investments at the end of 1977-78 in the shares of Statutory Corporations, Government Companies, other Joint-Stock Companies, co-operative societies and banks and debentures and bonds of banks and other concerns and the returns therefrom, with the corresponding figures for 1976-77.

	Year	*Number of concerns at the end of the year*	*Investments to the end of the year*	*Dividend/interest received*	
				Amount	*Percentage*
			(in lakhs of rupees)		
A. Shares of:					
Statutory Corporations	1976-77	3	15,62.36	34.83	2.23
	1977-78	3	16,92.35	2.98	0.18
Government Companies	1976-77	54	51,76.96	1.99	0.04
	1977-78	60*	60,71.16	25.25	0.42
Other Joint Stock Companies	1976-77	43	5,22.02	36.18	6.93
	1977-78	44	5,50.66	33.78	6.13
Co-operative societies and banks	1976-77	**	20,29.10	1.67	0.08
	1977-78	**	24,68.73	19.15	0.78
B. Debentures and bonds	1976-77	1	59.65	2.80	4.69
	1977-78	1	64.60	3.69	5.71
Total	1976-77		93,50.09	77.47	0.83
	1977-78		1,08,47.50	84.85	0.78

Further details of investments of Government are given in Statement No. 14 of the Finance Accounts 1977-78 and in the Report of the Comptroller and Auditor General of India for the year 1977-78 (Commercial).

Six institutions in which Government had invested Rs. 35.93 lakhs are under liquidation.

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* Includes five Central Government Companies (investment: Rs. 2,73.79 lakhs) and two subsidiary companies of a State Government Company (investment: Rs. 61 lakhs).

** Details awaited.

1.11. Financial results of irrigation works

(a) The irrigation works are broadly classified into two categories, viz., 'Commercial' and 'non-Commercial'. *Pro forma* accounts are at present prepared in respect of 'Commercial ' irrigation works. Government have not so far laid down any norms for classifying irrigation works as 'Commercial' or 'non-Commercial'; the matter is reported to be under consideration of Government since December 1971 (March 1979).

Capital and revenue accounts are kept in the State for eight irrigation works which have been completed; water from all the eight works is being used for irrigation.

The total revenue from these works during 1977-78 was Rs. 45.41 lakhs while the working expenses were Rs. 66.80 lakhs. Taking into account the interest (Rs. 2,04.79 lakhs) on capital, the loss during the year was Rs. 2,26.18 lakhs, which was 6.54 per cent of the capital outlay against 6.29 per cent in 1976-77.

Comparative figures for the eight works for the last three years are given below:—

	1975-76	1976-77	1977-78
	(in lakhs of rupees)		
Capital outlay to end of the year	26,63.81	29,70.82	34,58.05
Total revenue during the year	51.73	56.07	45.41
Working expenses	42.45	63.65	66.80
Net profit/loss excluding interest	(+)9.28	(—)7.58	(—)21.39
Interest on capital	1,63.31	1,79.26	2,04.79
Loss after meeting interest	1,54.03	1,86.84	2,26.18
Percentage of loss	5.78	6.29	6.54

1.12. Utilisation certificates

During the year 1977-78, Government paid Rs. 95.95 crores (approximately) as grants and contributions. The beneficiaries were local bodies,

educational and co-operative institutions, other bodies and individuals. The table below shows the broad purposes for which the grants were given:—

Purpose	*Amount (in crores of rupees)*
Education	
Universities	2.62
Non-Government Colleges	10.64
Non-Government Secondary Schools	20.26
Non-Government Primary Schools	45.24
Non-Government Special Schools	0.55
Non-Government Technical Colleges and Institutions	0.99
Other bodies, institutions and individuals	1.53
Kerala Agricultural University	2.32
Urban Development	0.58
Medical, Family Planning and Public Health	0.51
Co-operation	0.49
Assistance to Panchayats	1.20
Kerala Khadi and Village Industries Board	0.50
Social Security and Welfare	1.79
Subsidy to Kerala State Electricity Board	5.00
Other purposes	1.73
Total	95.95

The financial rules of Government require that where grants are given for specific purposes, certificates of proper utilisation of grants should be forwarded to Audit, after verification by the departmental officers, within twelve months from the date of sanction or such time as may be specified in each case. On 1st October, 1978, 8,695 certificates (Rs. 7,83.89 lakhs) relating to grants paid up to March 1977 were awaited. The department-wise details of the certificates due, received and outstanding are given in Appendix-I.

The utilisation certificates have not been received, although considerable time has elapsed after the grants were paid. In the absence of the certificates, it is not possible to state whether and to what extent, the recipients spent the grants for the purpose or purposes for which these were given.

102|9210|MC.

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2.1. Summary

(a) The following table compares the total expenditure during the year with the totals of grants and charged appropriations:—

		Grants/ Charged appropriations	*Expenditure*	*Excess (+) Saving (—)*	*Percentage*
			(*in crores of rupees*)		
VOTED					
Original	4,92.26	5,41.89	5,00.55	(—) 41.34	7.63
Supplementary	47.63				
Amount transferred to the Contingency Fund under the Kerala Contingency Fund (Amendment) Act, 1978	2.00				
CHARGED					
Original	*2,77.41*	*2,79.11*	*3,11.14*	(+)*32.03*	11.48
Supplementary	*1.70*				
Total	8,21.00	8,21.00	8,11.69	(—)9.31	1.13

The overall saving of Rs. 9.31 crores was the net result of saving of Rs. 31.56 crores in 40 grants and 27 charged appropriations in the Revenue Section and Rs. 11.05 crores in 18 grants and 11 charged appropriations in the Capital Section and excess of Rs. 2.38 crores in 3 grants and 4 charged appropriations in the Revenue Section and Rs. 30.92 crores in 6 grants and 1 charged appropriation in the Capital Section.

(b) Further details are given below:—

	Revenue	*Capital*	*Loans and Advances*	*Public Debt*	*Transfer to Contingency Fund*	*Total*
			(*in crores of rupees*)			
Authorised to be spent (grants and charged appropriations)						
Original	4,42.50	72.40	18.82	2,35.97	..	7,69.69
Supplementary	24.47	16.18	8.66	..	..	49.31
Amount transferred to the Contingency Fund under the Kerala Contingency Fund (Amendment) Act, 1978	..	..	..	..	2.00	2.00
Total	4,66.97	88.58	27.48	2,35.97	2.00	8,21.00
Actual expenditure (grants and charged appropriations)	4,37.79	79.39	26.15	2,66.36	2.00	8,11.69
Excess (+) / Shortfall (—)	(—)29.18	(—)9.19	(—)1.33	(+)30.39	..	(—)9.31

2.2. Excess over grants/charged appropriations requiring regularisation

(a) *Grants*:

There were excesses of Rs. 32,31,065 in three grants in the Revenue Section and Rs. 52,49,455 in six grants in the Capital Section. The excesses, the details of which are given below, require regularisation under Article 205 of the Constitution.

Revenue Section

Sl. no.	*Number and name of grant*	*Total grant Rs.*	*Expenditure Rs.*	*Excess Rs.*
1.	IV Elections	31,70,700	37,71,309	6,00,609

Excess was mainly due to payment of printing charges of ballot papers and hire charges of vehicles engaged for the general elections held in March 1977.

Sl. no.	*Number and name of grant*	*Total grant* *Rs.*	*Expenditure* *Rs.*	*Excess* *Rs.*
2.	XI District Administration and Miscellaneous	2,83,17,800	2,85,76,198	2,58,398

Excess was mainly due to purchase of new vehicles, increased petrol charges and more office expenses.

3.	XXXVIII Irrigation	10,99,92,300	11,23,64,358	23,72,058

Excess was reported to be mainly due to good progress of works necessitating purchase of additional materials, adjustment of more interest charges in proportion to works expenditure, execution of larger number of works than anticipated and additional maintenance and repair works for rectifying damages caused by the cyclone of November 1977.

Capital Section

1.	XVII Education, Art and Culture	4,84,98,000	5,00,45,510	15,47,510

Excess was mainly due to payment of an additional loan of Rs. 35 lakhs to the Kerala Books and Publication Society for making inevitable payments, accelerated progress in the construction of school buildings (Rs. 20.86 lakhs) and buildings for the Science Institute, State Institute of Education, Hostel for S. S. T. College, Trivandrum and two Industrial Training Institutes (Rs. 8.34 lakhs).

Excess was partly offset by saving under other items.

2.	XVIII Medical	70,94,600	91,36,533	20,41,933

Excess was reportedly due to good progress of works (Rs. 23.40 lakhs).

Excess was partly offset by saving under other heads.

3.	XXV Labour and Employment	8,51,000	18,11,517	9,60,517

Excess was mainly due to a post-budget decision to sanction interest-free loans to fishermen affected by natural calamities (Rs. 10.45 lakhs).

Sl. no.	*Number and name of grant*	*Total grant* Rs.	*Expenditure* Rs.	*Excess* Rs.
4.	XXXVI Community Development	4,20,000	6,54,850	2,34,850

Excess was reportedly due to increase in the number of deserving applications for loan.

5.	XXXVII Industries	13,32,74,100	13,36,80,562	4,06,462

Excess was mainly due to (i) additional share capital contribution to Kerala State Industrial Enterprises Limited (Rs. 81.46 lakhs) for revitalising its sick industrial units and strengthening equity base for obtaining additional institutional finance, (ii) additional share capital contribution to Kerala State Electronics Development Corporation (Rs. 20 lakhs), (iii) allotment of additional funds by Government of India and increase in the number of entrepreneurs availing assistance under the Rural Industries Projects (Rs. 18.16 lakhs) and (iv) additional share capital contribution for modernisation of Sitaram Spinning and Weaving Mills (Rs. 14 lakhs).

Excess was partly offset by saving under other heads.

6.	XLII Tourism	31,75,100	32,33,283	58,183

Excess was stated to be mainly due to good progress of works.

(b) *Charged appropriations*:

Excesses of Rs. 2,05,65,974 in four appropriations in the Revenue Section and Rs. 30,39,35,465 in one appropriation in the Capital Section, the details of which are given below, also require regularisation.

Revenue Section

Sl. no.	*Number and name of appropriation*	*Total appropriation* Rs.	*Expenditure* Rs.	*Excess* Rs.
1.	III Administration of Justice	***45,29,400***	***45,49,074***	***19,674***

Reasons for the excess have not been intimated (February 1979).

2.	VI Land Revenue	***2,64,000***	***2,89,516***	***25,516***

Excess was reportedly due to drawal of arrear claims of pension payable under the Travancore-Cochin Edavakai Acquisition Act, 1955.

Sl. no.	*Number and name of appropriation*	*Total appropriation* Rs.	*Expenditure* Rs.	*Excess* Rs.
3.	Debt Charges	*39,89,36,100*	*41,94,53,100*	*2,05,17,000*

Excess was mainly due to (i) unanticipated increase in the Savings Bank deposits during the closing months of the year requiring payment of more interest (Rs. 80.65 lakhs), (ii) increase in the rate of interest on Provident Fund deposits (Rs. 50.56 lakhs), (iii) unpredictable nature of expenditure on interest on loans bearing interest, it being dependent on the claims preferred by private parties holding Government Securities in respect of open market loans (Rs. 25.42 lakhs), (iv) increased interest liability on account of the loans for Plan Schemes received from Government of India after the finalisation of budget proposals (Rs. 24.14 lakhs) and (v) payment of additional interest to Government of India on delayed repayments of loans made during 1976-77 (Rs. 8.30 lakhs).

4.	XXXVIII Irrigation	*5,500*	*9,284*	*3,784*

Excess was due to payment of enhanced compensation awarded by Court in respect of land acquired for Walayar Project.

Capital Section

Public Debt Repayment	*2,35,97,02,500*	*2,66,36,37,965*	*30,39,35,465*

Excess was mainly due to (i) unanticipated fluctuations in the quantum of overdraft (Rs. 26,83·76 lakhs) and (ii) inadequate provision of funds made for the repayment of non-Plan loans sanctioned by the Central Government (Rs. 3,06.25 lakhs).

2.3. Supplementary grants/charged appropriations

During the year supplementary grants of Rs. 23.24 crores and Rs. 24.39 crores were obtained under 56 and 33 grants respectively in the Revenue and Capital Sections. Supplementary appropriations of Rs. 1.23 crores and Rs. 0.47 crore were also obtained for charged expenditure under 14 and 12 appropriations respectively in the Revenue and Capital Sections.

Details of significant cases of unnecessary, excessive and inadequate supplementary grants are given below:—

(i) *Unnecessary supplementary grants*

In the following cases, supplementary provision (exceeding Rs. 5 lakhs in each case) of Rs. 8.27 crores in the Revenue Section and Rs. 0.17 crore in the Capital Section remained wholly unutilised as the expenditure did not come up even to the original provison.

Revenue Section

Sl. no.	*Number and name of grant*	*Original grant*	*Supplementary grant*	*Expenditure*	*Saving*
		(*in lakhs of rupees*)			
1.	II Heads of States, Ministers and Head-quarters staff	3,64.68	13.63	3,54.79	23.52

Shortfall was mainly due to (i) non-implementation of the data processing scheme in full as the machinery and equipment required for the scheme could not be acquired during the year (Rs. 14.48 lakhs) and (ii) certain additional posts proposed for strengthening the Planning Board not being sanctioned (Rs. 5.11 lakhs).

2.	V Agricultural Income Tax and Sales Tax	2,97.49	5.08	2,82.72	19.85

Shortfall was mainly due to non-employment of full complement of staff in the Electrical Inspectorate (Rs. 7.47 lakhs) and non-purchase of certain electrical equipment pending finalisation of preliminaries (Rs. 2.36 lakhs).

3.	XII Police	19,93.56	42.90	19,58.51	77.95

Shortfall was mainly due to (i) less expenditure on salaries as Kerala Armed Police, II Battalion was only in the formative stage (Rs. 34.24 lakhs) and (ii) non-receipt of wireless and other equipment ordered for (Rs. 22.15 lakhs).

Sl. no.	Number and name of grant	Original grant	Supplementary grant	Expenditure	Savi
			(in lakhs of rupees)		
4.	XVI Pensions and Miscellaneous	18,96.74	84.24	17,74.75	2,06.2

Shortfall was mainly due to (i) decrease in expenditure on gratuiti towards the closing months of the year (Rs. 96.26 lakhs), (ii) unpredictab nature of expenditure on payment of commuted value of pensions (Rs. 74.2 lakhs), (iii) less expenditure on money order commission than anticipate (Rs. 9.78 lakhs) and (iv) the retirement claims of private college staff n coming up to the anticipated level.

5.	XVII Education, Art and Culture	1,53,22.22	78.14	1,46,74.48	7,25.8

Shortfall was mainly due to (i) non-filling up of vacant posts and savin in salaries on account of strike of non-gazetted employees (Rs. 4,25.80 lakhs (ii) delay in purchase of paper for printing text books (Rs. 87.06 lakhs (iii) transfer of the Engineering College, Trichur to Cochin Universi (Rs. 39.13 lakhs) and (iv) non-finalisation of land acquisition proceedin (Rs. 25 lakhs).

6.	XVIII Medical	32,20.30	78.13	31,26.26	1,72.1

Shortfall was mainly due to (i) savings under 'salaries' on account strike of a section of non-gazetted employees and posting of staff drawin less rates of pay (Rs. 22.80 lakhs), (ii) non-payment of stipend to officers depute for post-graduate study, curtailment of expenditure under 'office expense and other charges and non-filling up of leave vacancies (Rs. 9.82 lakhs) an (iii) non-filling up of vacant posts and non-receipt of certain articles ordere for (Rs. 9.73 lakhs).

7.	XX Public Health	4,23.99	10.00	3,81.87	52.1

Shortfall was mainly due to (i) late commencement of the Nation Malaria Eradication Programme (Rs. 11.36 lakhs) and (ii) non-appointme of the required staff for training of multi-purpose workers (Rs. 9.69 lakhs).

Sl. no.	Number and name of grant	Original grant	Supplementary grant	Expenditure	Saving
			(in lakhs of rupees)		
8.	XXI Public Health Engineering	7,79.33	10.00	4,34.24	3,55.09

Shortfall was mainly due to purchase of fresh stock and more issue of materials for works under the revenue portion of the grant (Rs. 4,00.85 lakhs).

Saving was partly counterbalanced by excess under other heads.

9.	XXVI Social Welfare including Harijan Welfare	14,67.91	74.60	14,54.75	87.76

Shortfall was mainly due to (i) decrease in the number of eligible students for pre-matriculation studies (Rs. 15.73 lakhs) and (ii) receipt of belated and defective applications for scholarships which could not be processed during the year (Rs. 12.83 lakhs).

10.	XXIX Miscellaneous Economic Services	12,43.16	2,02.00	11,11.66	3,33.50

Shortfall was mainly due to (i) non-implementation of a scheme of financial assistance to homeless Kudikidappukars for construction of houses (Rs. 183 lakhs), (ii) non-implementation of a housing scheme for the poor sections of the society pending settlement of terms for financial assistance from banking institutions and less claims for solatium under section 109 A of Kerala Land Reforms Act, 1963 (Rs. 98.33 lakhs) and (iii) procedural delay in settling claims for final annuity from religious, charitable and educational institutions (Rs. 42.32 lakhs).

11.	XXX Agriculture	18,17.70	2,19.76	18,08.46	2,29.00

Shortfall was mainly due to (i) late commencement and slow progress of works under Yela programme due to scarcity of cement and prolonged monsoon season (Rs. 59.11 lakhs), (ii) non-finalisation of proposals for strengthening administrative machinery during the year (Rs. 52.93 lakhs) and (iii) late execution of rectification works towards the end of the year owing to late receding of floods (Rs. 37.86 lakhs).

102|9210|MC.

Sl. no.	*Number and name of grant*	*Original grant*	*Supplementary grant*	*Expenditure*	*Saving*
			(in lakhs of rupees)		
12.	XXXV Forest	8,10.69	9.00	6,66.27	1,53.42

Shortfall was mainly due to (i) poor response from tenderers for working down timber from supply coupes to Government depots (Rs. 77.18 lakhs), (ii) savings under salaries due to strike of a section of non-gazetted employees during December 1977 and January 1978 (Rs. 18.11 lakhs) and (iii) slow progress of work under Survey of forest boundaries (Rs. 14.97 lakhs).

Capital Section

XXIX Miscellaneous Economic Services	1,03.00	17.00	82.39	37.61

Shortfall occurred as Kerala Land Reforms (Payment of compensation for excess lands) bonds could not be issued to the extent anticipated due to stay orders by Courts (Rs. 40.07 lakhs).

(ii) *Supplementary grants/charged appropriations which proved excessive*

In the following cases, the supplementary provision (exceeding Rs. 5 lakhs in each case) proved excessive.

Revenue Section

1.	XV Public Works	25,89.71	3,07.28	28,38.99	58.00

Shortfall was mainly due to abandonment of a scheme for supply of bitumen in bulk instead of in drums (Rs. 52.25 lakhs).

2.	XVI Pensions and Miscellaneous (charged)	*44.54*	*11.45*	*45.63*	*10.36*

Shortfall was mainly due to (i) there being no need for payment in satisfaction of court decrees on land acquisition cases (Rs. 10 lakhs) and (ii) post-budget decision to debit the payments in satisfaction of arbitration awards to the works concerned (Rs. 6 lakhs).

Saving was partly counterbalanced by excess under other heads.

Sl. no.	*Number and name of grant*	*Original grant*	*Supplementary grant*	*Expenditure*	*Saving*
			(*in lakhs of rupees*)		
3.	XXII Housing	1,83.21	1,19.22	2,15.00	87.43

Shortfall was mainly due to (i) non-levy of employment tax, the proceeds of which were to feed the Kerala State Poor Housing Fund (Rs. 50 lakhs) and (ii) non-approval of specific proposals for utilising the funds for effecting special repairs to rectify flood/cyclone damages (Rs. 14.82 lakhs).

4.	XXXIV Fisheries	2,49.83	35.00	2,60.26	24.57

Shortfall was mainly due to (i) non-finalisation of the matter regarding revision of wages of the employees and payment of gratuity to retired employees of the boat building yards, delay in finalising tenders for purchase of materials and relief in excise duty on new boats under revised tariff (Rs. 7.85 lakhs) and (ii) late commencement of the project for providing infrastructural facilities to two fishing villages and non-purchase of jeep (Rs. 5.78 lakhs).

Capital Section

1.	XXVIII Co-operation	7,79.19	2,94.61	9,14.59	1,59.21

Shortfall was mainly due to (i) less payment of loan to co-operative central banks for procurement of paddy owing to the raising of exemption limits for levy of paddy from cultivators and reduction in the quantum of levy in all slabs from the Virippu crop, 1977 onwards (Rs. 167 lakhs) and (ii) non-formulation of specific schemes for providing seed capital to co-operatives for availing of institutional finance (Rs. 50 lakhs).

Saving was partly counterbalanced by excess under other heads.

2.	XXX Agriculture	6,32.96	2,96.00	6,55.17	2,73.79

Shortfall was mainly due to (i) a post-budget decision to route the purchase of fertilisers through Malabar Marketing Federation, Calicut (Rs. 77.58 lakhs) and (ii) non-acquisition of fresh stock of plant protection chemicals during the year as sufficient quantity of chemicals purchased during earlier years was available for distribution (Rs. 37.48 lakhs).

3.	XXXIV Fisheries	83.25	30.00	89.22	24.03

Shortfall was mainly due to (i) investments in the Kerala Fisheries Corporation not being made during the year pending decision on the

restructuring of the assets transferred by Government to the Corporation (Rs. 9.32 lakhs) and (ii) non-finalisation of proposals for execution of certain building works (Rs. 8.82 lakhs).

Sl. no.	*Number and name of grant*	*Original grant*	*Supplementary grant*	*Expenditure*	*Saving*
			(in lakhs of rupees)		
4.	XXXIX Power	1,40.49	95.00	1,63.02	72.47

Shortfall was due to less payment of loan to the Kerala State Electricity Board since the Edamon-Kalamassery 110 K V line for which the loan was required by the Board was in the preliminary stages of construction (Rs. 62.03 lakhs).

(iii) *Inadequate supplementary grants/charged appropriations*

In the following cases, supplementary provision (exceeding Rs. 5 lakhs in each case) of Rs. 4.13 crores proved inadequate by more than Rs. 5 lakhs in each case; the final uncovered excess was Rs. 2.74 crores.

Sl. no.	*Number and name of grant/appropriation*	*Original grant/appropriation*	*Supplementary grant/appropriation*	*Expenditure*	*Excess*
			(in lakhs of rupees)		
		Revenue Section			
1.	Debt Charges (charged)	***38,92.34***	***97.02***	***41,94.53***	***2,05.17***
2.	XXXVIII Irrigation (voted)	9,45.21	1,54.71	11,23.64	23.72
		Capital Section			
1.	XVII Education, Art and Culture (voted)	3,41.96	1,43.02	5,00.46	15.48
2.	XVIII Medical (voted)	60.07	10.88	91.37	20.42
3.	XXV Labour and Employment (voted)	1.01	7.50	18.12	9.61

Reasons for the excess have been mentioned in paragraph 2.2 above.

2.4. **Unutilised provision**

(i) Rupees 31.56 crores remained unutilised in the Revenue Section (Rs. 31.27 crores in forty grants and Rs. 0.29 crore in twenty-seven charged appropriations).

(ii) Rupees 11.05 crores remained unutilised in the Capital Section (Rs. 10.92 crores in eighteen grants and Rs. 0.13 crore in eleven charged appropriations).

(iii) In fourteen grants and one charged appropriation in the Revenue Section and in seven grants in the Capital Section, the savings (more than Rs. 10 lakhs in each case) were more than 10 per cent of the total provision. The details of these grants and charged appropriations are given in Appendix-II.

(iv) Some of the major schemes, other than those mentioned in paragraph 2.3, where the provision remained substantially/wholly unutilised are given in Appendix-III.

2.5. Advances from Contingency Fund

A Contingency Fund of Rs. 3,00 lakhs (enhanced to Rs. 5,00 lakhs in January 1978) has been placed at the disposal of the Governor to enable advances to be made by him for meeting unforeseen expenditure pending authorisation by the Legislature. The advances from the Fund are to be obtained only for expenditure of an emergent character, the postponement of which would be undesirable till its authorisation by the Legislature.

Ninety-six sanctions were issued during 1977-78 advancing Rs. 7,83.59 lakhs, of which one sanction for Rs. 45.59 lakhs was subsequently cancelled and the amount was reduced by Rs. 2.18 lakhs in five cases.

Rupees 1,05.20 lakhs advanced in 6 cases from 14th March to 31st March 1978 remained to be recouped to the Fund at the close of the year (these were recouped to the Fund on 4th August 1978). 9 sanctions issued between 22nd February and 31st March 1978 advancing Rs. 62.94 lakhs were not operated till the close of the year.

2.6. Shortfall/excess in recoveries adjusted in the accounts in reduction of expenditure

Under the system of gross budgeting followed by Government, the demands for grants presented to the Legislature are for gross expenditure and exclude all credits and recoveries which are adjusted in the accounts in reduction of expenditure; the anticipated recoveries and credits are shown separately in the budget estimates. During 1977-78 such recoveries were anticipated at Rs. 31.47 crores (Revenue: Rs. 23.48 crores; Capital: Rs. 7.99 crores). Actual recoveries during the year, however, were Rs. 28.38 crores (Revenue: Rs. 21.90 crores; Capital: Rs. 6.48 crores) resulting in a shortfall of Rs. 3.09 crores (Revenue: Rs. 1.58 crores; Capital: Rs. 1.51 crores). Some

of the important cases of shortfall/excess in recoveries are detailed below; reasons therefor have not been intimated (January 1979).

Sl. no.	*Number and name of grant*	*Budget estimates*		*Actuals*		*Amounts of shortfall/excess of recoveries over estimates*	
		Revenue	*Capital*	*Revenue*	*Capital*	*Revenue* *More* (+) *Less* (—)	*Capital* *More* (+) *Less* (—)
		(in crores of rupees)					
1.	XV Public Works	9.46	..	11.01	..	(+) 1.55	..
2.	XXI Public Health Engineering	3.81	..	2.07	..	(—) 1.74	..
3.	XXII Housing	0.50	..	..	0.59	(—) 0.50	(+) 0.59
4.	XXVIII Co-operation	..	0.08	..	0.22	..	(+) 0.14
5.	XXIX Miscellaneous Economic Services]	2.00	..	0.19	..	(—) 1.81	..
6.	XXX Agriculture	0.15	1.72	0.61	0.76	(+) 0.46	(—) 0.96
7.	XXXI Food	..	5.51	..	4.45	..	(—) 1.06
8.	XXXVII Industries	..	..	..	0.12	..	(+) 0.12
9.	XXXVIII Irrigation	6.40	0.49	7.17	0.81	(+) 0.77	(+) 0.32

2.7. Reconciliation of departmental figures

According to the standing instructions of Government, expenditure recorded in the departmental books should be reconciled every month with that recorded in the books of the Accountant General. Such reconciliation enables the departmental officers to exercise proper control over expenditure and to detect frauds and defalcations, if any, at an early stage. As at the end of March 1979, 605 certificates of reconciliation for Rs. 21.37 crores for the year 1977-78 were due from 59 Controlling Officers.

One Controlling Officer (Special Secretary to Government, Local Administration and Social Welfare Department) had not reconciled the expenditure of Rs. 3.68 crores incurred from April 1974 to March 1978 under two minor heads (March 1979).

2.8. Withdrawal of funds in advance of requirements

The financial rules of Government prohibit drawal of money from treasury unless it is required for immediate disbursement. According to details furnished to Audit, thirty-four drawing and disbursing officers drew funds aggregating Rs. 34.58 lakhs in March 1978 and earlier months and retained them in the cash chest either in the form of cash or bank draft. Out of these

amounts so retained, Rs. 30.36 lakhs were disbursed during the period from April 1978 to March 1979 and Rs. 0·54 lakh were refunded into the treasury. The balance of Rs. 3.68 lakhs has not been disbursed (January 1979).

Details of the amounts drawn, disbursed/refunded and retained by each of the drawing/disbursing officers are given in Appendix—IV.

2.9. Irregular withdrawal of funds

In March 1974, Government sanctioned reconstruction of the Chavitoori bridge and the approach road to Parampuzha timber depot in the Kottayam Forest Division at an estimated cost of Rs. 6.05 lakhs (revised to Rs. 8.58 lakhs in December 1975). The work was to be executed by the Medical College Division, Kottayam of the Public Works Department and 50 per cent of the cost of the work was to be met by the Forest Department. Based on tenders, the work was awarded (August 1977) by the Public Works Department to a contractor at 48 per cent above the estimate rate to be completed in a period of two years. The contractor commenced the work in October 1977 and the work is in progress.

According to the provisions of the Kerala Public Works Account Code, cost of work executed by the Public Works Department on behalf of a Civil Department was to be passed on to the latter by book transfer, the adjustment of cost in the accounts of the Civil Department being done by the Accountant General; no cash settlement was involved in such transfers. Moreover, according to the instructions laid down in the Kerala Public Works Department Manual when the Public Works Department carried out works on behalf of other departments against provision of funds made in the budget of the Civil Department, no deposit is to be insisted from the Civil Department. In contravention of these rules, the Divisional Forest Officer, Kottayam drew Rs. 0.72 lakh in March 1975 and Rs. 1.50 lakhs each in March 1976 and March 1977 for meeting expenditure on the bridge work and forwarded the cheques to the Public Works Department where they were held under deposit. The drawal of funds by cheque before the work was awarded to the contractor in August 1977 was irregular. Expenditure incurred on the work by the Public Works Department to end of December 1978 amounted to Rs. 4.28 lakhs; the share of cost debitable to the Forest Department was Rs. 2.14 lakhs. Government stated (October 1978) that the action of the Divisional Forest Officer, Kottayam was not in order and that instructions were being issued to the Chief Conservator of Forests to avoid recurrence of such irregularities in future.

CHAPTER III

CIVIL DEPARTMENTS

AGRICULTURE DEPARTMENT

(AGRICULTURE)

3.1. Manure Supply Scheme

A scheme for the distribution of chemical fertilisers at reasonable prices with the object of popularising their use in the State was in vogue in the erstwhile Travancore-Cochin State. The scheme was continued after the re-organisation of the State in 1956. The procurement and distribution of fertilisers were attended to by the Agricultural Department of the State up to 1960-61. From 1st April 1961, Government appointed the Fertilisers and Chemicals (Travancore) (FACT) Limited as their agent for stocking and distributing fertilisers. The arrangement with FACT continued up to November 1973; from November 1973 to March 1974 FACT sold the fertilisers which were lying with them. From March 1974, the Kerala State Co-operative Marketing Federation Limited (KSCMF) undertook distribution of the pool fertilisers on the same terms and conditions as applicable to FACT. From 1st March 1976, the work relating to handling and distribution of pool fertilisers was entrusted by Government of India to the Food Corporation of India. Sales were continued to be made by FACT and KSCMF in respect of stocks received by them prior to March 1976.

Purchases were made mainly from the Central pool operated by Government of India. Allotment of pool fertilisers to the State was made by Government of India on the basis of requisitions from the State Government. The Director of Agriculture was to arrange for issue of instructions for despatch of the fertilisers out of the Central pool to FACT and the Federation direct· The Union Ministry of Food and Agriculture were to make payment of the cost of fertilisers to the suppliers and pass on the debit to the Accountant General through the Pay and Accounts Officer of the Ministry. FACT and KSCMF were responsible for rendering stock and sales account to the department, for keeping such initial accounts as were prescribed by the department and to furnish periodical statement of accounts to the Directorate of Agriculture. The Directorate of Agriculture was to ensure that (a) all quantities billed for

by the Pay and Accounts Officer, Ministry of Agriculture, (Department of Agriculture) and adjusted by the Accountant General were entered as stock receipts in the statement of accounts and (b) sale proceeds of the fertilisers were remitted into treasury by FACT and KSCMF.

(1) The details of quantities of fertilisers stocked and handled by FACT and the Federation during the period 1973-74 to 1976-77 were as indicated in the following table:—

	1973-74		1974-75		1975-76		1976-77	
	FACT	*KSCMF*	*FACT*	*KSCMF*	*FACT*	*KSCMF*	*FACT*	*KSCMF*
Opening stock (tonnes)	4,903	Nil	5,147	1,450	3,676	3,909	3,662	16,730
Purchase (tonnes)	6,461	1,600	5,085	18,556	Nil	14,896	Nil	Nil
Total ,,	11,364	1,600	10,232	20,006	3,676	18,805	3,662	16,730
Sales ,,	6,217	150	6,556	16,097	14	2,075	21*	3,505
Closing stock ,,	5,147	1,450	3,676	3,909	3,662	16,730	3,641	13,225
Value of closing stock (A) (in lakhs of rupees)	37	14	40	70	37	298	35	230

A test-check of the working of the scheme conducted by Audit with reference to the records in the Directorate of Agriculture in May-August 1978 disclosed the following points:—

(2) The accounting procedure prescribed by Government (March 1972) envisaged that the Director of Agriculture should maintain quantity and value accounts of fertilisers and effect reconciliation of these figures with those booked by the Accountant General. For this purpose, a stock register was to be maintained with full particulars showing the details of despatch instructions issued for release of stock of fertilisers from the central pool, quantity of fertilisers received, particulars of invoices, dates of receipt of fertilisers by the agent, transit shortage/excess receipts, value of fertilisers,

*Includes 4 tonnes (cost: Rs. 1,713) written off in 1976-77 due to damage caused by floods.

(A) Closing stock at the end of each year is valued at the pool price applicable on that date.

The stock accounts for 1977-78 relating to the pool fertilisers have not been finalised by the department (January 1979).

particulars of adjustments made by the Accountant General, etc. This was however not maintained in respect of the stock entrusted to FACT. Such a register maintained in respect of the stock entrusted to KSCMF was incomplete and the department stated that the register would be made up-to-date. In the absence of full particulars, it was not possible to verify whether the entire stock for which payment was adjusted by the Accountant General had actually been received by the agents and taken to stock, whether debit vouchers had been received and adjusted by the Accountant General in respect of entire quantity of fertilisers received by the agents and whether payment in respect of any consignment was yet to be made.

Reconciliation of remittances of sale proceeds made by the agents with the treasury accounts had not been done so far (January 1979).

(3) Annual physical verification of stock lying with the agent was to be conducted by the agent at his cost in the presence of a competent officer of Government specially authorised in this behalf and a certificate of such verification was to be forwarded to the Director of Agriculture. Mention was made in paragraph 23 (v) of the Report of the Comptroller and Auditor General of India for the year 1969-70 about shortage of fertilisers valued at Rs. 19.89 lakhs for which the liability had not been fixed. The Public Accounts Committee 1972-73 in their 13th Report recommended that the assessment of liability on account of shortage in stock should be expedited and that the Committee should be kept informed of the progress made. In a meeting held in January 1978 in which the officers of the Secretariat, the Director of Agriculture and a representative of FACT participated, the shortage up to 1972-73 was fixed as 3,408.717 tonnes (cost: Rs. 16.52 lakhs). It was also decided that a Committee consisting of the Area Manager, FACT and the representative of Agriculture Department was to be constituted for joint inspection of the records and settlement of the issue. The report on the joint verification by the Committee was stated (May 1979) by the Director of Agriculture to have been finalised and submitted to Government in April 1979 for regularisation of shortages.

Physical verification of the stock of fertilisers with KSCMF conducted by the Managing Director of the Federation in March 1977 revealed the following shortages in stock:—

Urea	28.296 tonnes	Value: Rs. 1.09 lakhs
N.P.K. 13:13:20	34.676 tonnes	
N.P.K. 15:15:15	2.526 tonnes	

The liability for the shortages had not been fixed (January 1979). The accounts for 1977-78 with the verification report as on 31st March 1978 have not been received by the department from the Federation.

(4) The closing stock of 13,225 tonnes at the end of March 1977 with KSCMF included 11,200 † tonnes (cost: Rs. 1,99 lakhs) of N.P.K. 13:13:20 received in 1975-76. There was no demand for this reportedly due to its higher price compared to other varieties.

According to the Dean, Agriculture College, Vellayani (September 1978) the fertiliser would deteriorate on prolonged storage. The condition of the fertiliser had not been tested by the department for potency (September 1978). Attempts are being made by the department in consultation with Government of India to dispose of the quantity.

(5) The pool price of three fertilisers (Urea 46 per cent, N.P.K. 15:15:15 and N.P.K. 13:13:20) was reduced by Government of India with effect from 8th February 1977 and again from 12th October 1977. The stock of fertilisers in hand as on the date of price reduction was to be revalued at the reduced price and the difference in cost was to be got reimbursed by Government of India. The State Government had not preferred the claim for reimbursement so far (January 1979). The amount pending reimbursement worked out to about Rs. 11 lakhs. The Director of Agriculture stated (November 1978) that reimbursement of the cost of fertilisers would be obtained from Government of India.

(6) Mention was made in paragraph 23 (iii) (c) of the Report of the Comptroller and Auditor General of India for the year 1969-70 of the non-realisation by FACT of Government's share of distribution charges* in respect of sale of fertilisers to mixing firms** amounting to Rs. 2.85 lakhs. The Public Accounts Committee recommended in their 13th Report (1972-73) that Government should issue suitable orders for collection of distribution charges and regularisation of amounts not collected. Orders of Government in this regard have not yet been issued (January 1979). It was noticed in Audit that 16,654 tonnes of fertilisers were sold by the agents to mixing firms

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† A quantity of 200 tonnes is reported to have been sold up to September 1978.

* Incidental charges allowed by the Government of India to be shared by the State Government and the agent.

** Firms by which fertilisers are mixed and fertiliser mixtures produced.

during 1972-73 to 1975-76 without realising the Government share of bution margin; the short realisation on this account worked out to R lakhs. The Director of Agriculture stated (November 1978) that the was under correspondence with Government.

(7) The sale proceeds realised during a month were to be re by the agents into the treasuries before the end of the succeeding (extended by another 30 days in April 1976). KSCMF have not re Rs. 20 lakhs (February 1979) towards sale proceeds relating to 19 (Rs. one lakh) and 1977-78 (Rs. 19 lakhs).

(8) The following are the main points brought out in the fore paragraphs:—

(i) The stock register of fertilisers maintained in the Direct was incomplete as details of the quantity of fertilisers indented for and act received, particulars of invoices, dates of receipt of fertilisers by the a particulars of cost paid through adjustments made by Accountant Ge etc., were lacking.

(ii) The liabilities for the shortage in stock of fertilisers up to 197 (value: Rs. 16.52 lakhs) held by FACT and of the shortage of fertilisers (va Rs. 1.09 lakhs) with KSCMF noticed in March 1977 have not been fixe

(iii) The closing stock of 13,225 tonnes with KSCMF included 11 tonnes of N.P.K. 13:13:20 (cost: Rs. 1,99 lakhs) received in 1975-76.

(iv) No claim has been made to Government of India for reimbu ment of about Rs. 11 lakhs owing to reduction (February 1977 and Octo 1977) in price of fertilisers in stock.

(v) Government's share (Rs. 4.63 lakhs) of distribution ma has not been realised in respect of sale of fertilisers to mixing firms du 1972-73 to 1975-76.

The points mentioned above were reported to Government in Octo 1978; their reply is awaited (March 1979).

3.2. Orange and Vegetable Farm, Nelliampathy

The Orange and Vegetable Farm, Nelliampathy, situated in Chit Taluk of Palghat District comprises an area of 325 hectares. It was set in 1943-44. A fruit preservation unit started in the farm in 1966 underta manufacture and sale of squashes, jam, jelly, etc. Capital expenditure curred on the farm to the end of March 1978 was Rs. 7.30 lakhs.

The cultivable area of the farm is 253 hectares; 40 hectares are covered by land and buildings and 32 hectares are uncultivable waste. Crop-wise details of the cultivated area of 223 hectares are as under:—

Orange	160.5	hectares
Coffee	31	hectares
Cardamom	20	hectares
Mango	10	hectares
Vegetables	1.5	hectares

Test check in Audit in March-April 1978 disclosed that the expenditure exceeded the receipts from the farm every year resulting in total cumulative deficit of Rs. 26.24 lakhs up to 1977-78. Details of receipts and expenditure of the farm for five years ending 1977-78 are given below:—

Year	*Cultivation expenses*	*Establishment charges*	*Total working expenses*	*Total receipts*	*Excess of expenditure over receipts*
		(*in lakhs of rupees*)			
1973-74	4.07	0.85	4.92	0.75	4.17
1974-75	5.24	1.01	6.25	1.06	5.19
1975-76	6.23	1.06	7.29	1.53	5.76
1976-77	6.69	1.10	7.79	2.90	4.89
1977-78	6.89	1.51	8.40	2.17	6.23
Total	29.12	5.53	34.65	8.41	26.24

The Superintendent of the farm attributed the recurring deficit to inadequate supervision, increase in the cost of fertilisers, wages and salaries of staff, low productivity of labour due to indiscipline and damages due to attack of wild animals and constant trespass by local inhabitants and their cattle.

It was noticed in Audit that cultivation of oranges accounts mainly for the deficit in receipts *vis-a-vis* the expenditure (the deficits on this account during 1974-75 and 1975-76, for which particulars were furnished by the

department, being Rs. 3.45 lakhs and Rs. 4.41 lakhs respectively). The production of oranges has generally been less than the estimate each year as may be seen from the details given below:—

Year	*Area*	*Production*	
		Estimate	*Actuals*
	(*hectares*)	(*tonnes*)	
1973-74	148	200	25.12
1974-75	148	200	96.67
1975-76	148	200	95.12
1976-77	160.5	150	255.86
1977-78	160.5	230	145.68

It is relevant to mention in this context that according to the Additional Director of Agriculture (January 1978) there was

(i) under-utilisation of the area covered by oranges as there were only 18,500 plants in the entire area of 160.5 hectares against 32,100 plants at the standard rate of 200 plants per hectare; and

(ii) loss of about 1,000 plants each year due to disease.

The Superintendent of the farm stated (October 1978) that the Additional Director's recommendation of spraying of chemicals to combat diseases has been implemented during 1978-79. The Director of Agriculture stated (June 1978) that proposal for making the farm viable was under consideration.

The points mentioned above were reported to Government in August 1978; their reply is awaited (March 1979).

3.3. Scheme for bringing cultivable fallow lands under food crops

As part of the scheme for bringing cultivable fallow lands under food crops, cultivation of crops like tapioca, banana and vegetables was undertaken by the department from 1965-66, in the lands lying waste in the campuses of the Medical College, Trivandrum, T. B. Hospital, Pulayanarkotta, Health Centre, Pangappara and the C. D. Hospital, Iranimuttom. Special staff consisting of a Junior Agricultural Officer and 3 Agricultural Demonstrators was also employed for the purpose. A total area of 28.25 hectares was brought

under various crops, mainly tapioca. The scheme was intended to run on 'no-profit-no-loss' basis. According to details available with the department for the last seven years, the expenditure incurred exceeded the income from produce by Rs. 4.40 lakhs as shown below:—

Year	*Production of tapioca*	*Expenditure*	*Receipts*	*Excess of expenditure over receipts*
	(*in tonnes*)	(*in lakhs of rupees*)		
1971-72	28.563	0.63	0.14	0.49
1972-73	66.094	0.69	0.27	0.42
1973-74	115.356	1.08	0.54	0.54
1974-75	98.497	1.28	0.67	0.61
1975-76	93.310	1.35	0.59	0.76
1976-77	68.746	1.15	0.46	0.69
1977-78	42.735	1.19	0.30	0.89
Total	513.301	7.37	2.97	4.40

The Director of Agriculture reported to Government (September 1975) that the scheme was running on loss mainly due to increase in the cost of labour and sought orders for winding up the scheme. In view of the heavy recurring loss sustained and the request of the Principal, Medical College, Trivandrum for the surrender of the land to the college, Government ordered (June 1978) discontinuance of the scheme with immediate effect. The scheme, which was intended to run on 'no-profit no-loss' basis, was discontinued from June 1978 after incurring a cumulative loss of Rs. 4.40 lakhs.

The matter was reported to Government in October 1978; their reply is awaited (March 1979).

(ANIMAL HUSBANDRY)

3.4. Intensive Cattle Development Projects

(1) The Intensive Cattle Development Project is an integrated project started with the specific object of stepping up the production of milk in a specified area mainly by improving the quality of the cattle through cross breeding. Two intensive cattle development projects were undertaken in the State, one in 1968-69 at Alwaye and the other in 1972-73 at Palghat. The projects were intended to cover one lakh/fifty thousand breedable cows and buffaloes.

The main activities envisaged in the projects were:—

(a) a village-wise survey in the entire project area to ascertain the base level data on milk production, to be used as the yard-stick for evaluation of results,

(b) controlled breeding by providing adequate breeding facilities to cover all breedable cattle by artificial insemination or by natural service, as the case may be,

(c) mass castration of all scrub bulls in the project area,

(d) periodic prophylactic vaccination of all livestock against infectious diseases,

(e) systematic registration and recording of milk yield of all milch animals,

(f) procurement and supply of high yielding milch animals against financial assistance by way of loans,

(g) providing incentives to livestock farmers for rearing improved progeny by organising cattle shows, competitions, calf rallies, etc. and granting subsidies for rearing selected progeny,

(h) developing feed and fodder resources by ensuring sale at cost price of cattle feed, organising fodder demonstration and development plots on cultivators' own land, supply of seeds and planting materials, etc.

Four regional centres (Kanjirappally, Mavelikara, Vaikom, Alwaye) were started under the Alwaye project, during February-April 1969, with 25 sub-centres under each centre. There are two regional centres (Palghat, Trichur) with 31 sub-centres under each in the Palghat project.

Expenditure (revenue and capital) incurred on the projects up to 1977-78 was Rs. 1,39.11 lakhs (Alwaye: Rs. 1,02.92 lakhs and Palghat: Rs. 36.19 lakhs).

Test-check in Audit of the accounts and records relating to the two projects during July-August 1978 disclosed the following points:—

Expenditure incurred on the projects from 1969-70 onwards activity-wise, is furnished below:—

	Alwaye	*Palghat*
	(in lakhs of rupees)	
Establishment	96.73	Not available
Bulls and equipment	4.36	
Subsidies for fodder	0.11	
Loan assistance for purchase of milch cattle	4.00	

Expenditure on establishment worked out to about 92 per cent of the total expenditure as against 48 per cent in the model scheme. Government attributed (January 1979) the high percentage of establishment cost to the following reasons:—

(i) increase in pay and allowances of the staff consequent on revision of scales of pay; and

(ii) less disbursement of loan and less expenditure on purchase of equipment than what was provided in the scheme.

The scheme contemplated provision of incentives to livestock farmers by granting subsidies for rearing selected progeny and supply of planting materials to the cultivators with a view to assist fodder development. These items were not, however, taken up for implementation. Other agencies like Kerala Livestock Development and Milk Marketing Board and Small Farmers Development Agency were reported to be implementing these activities in the project area.

(2) *Breeding programme*

As against the targeted coverage of one lakh/fifty thousand breedable cattle in the Alwaye and Palghat projects respectively, the coverage by artificial insemination was as below:—

Year	*Number of artificial inseminations conducted**	
	Alwaye	*Palghat*
1975-76	91,680	32,118
1976-77	1,16,889	43,193
1977-78	1,20,150	46,411

While the overall coverage was satisfactory, in many sub-centres the coverage was less than half the target of 1,000 inseminations per year; out of 162 sub-centres, 27 achieved less than half the target in 1977-78 (34 in 1976-77 and 51 in 1975-76). The shortfall was attributed (January 1979) by Government to the fact that different agencies in the State were attending to artificial insemination.

* Figures furnished by the department.

(3) *Conception and calving*

The success of the programme of controlled breeding depends on the project being able to ensure that all or most of the animals served by them conceived and calved. Though the targets fixed by the department required that all the cases served should be followed up to ascertain the results, this was not done in any year vide details given below:—

Year	*Number of artificial insemination done**		*Number of cases followed up**	
	Alwaye	*Palghat*	*Alwaye*	*Palghat*
1971-72	90,566	..	67,224	..
1972-73	91,424	..	80,451	..
1973-74	91,064	45,471	78,963	25,384
1974-75	87,308	35,480	81,215	23,756
1975-76	91,680	32,118	79,515	18,024
1976-77	1,16,889	43,193	98,709	22,915
1977-78	1,20,150	46,411	1,05,192	24,684

The shortfall in follow-up was attributed by the Project Officers to the following reasons:—

(i) Sale or transfer of the animals outside the project area by the owners,

(ii) Animals from outside areas being brought for insemination in the sub-centres,

(iii) Inaccessability of the animals in certain areas.

(4) *Castration of scrub bulls*

For proper control over breeding, the scheme prescribed that the provisions of the Kerala Livestock Improvement Act, 1961 should be enforced in the project area and mass castration of all scrub bulls carried out regularly after conducting a preliminary survey. Total number of castrations done in the project areas from inception of the projects to end of 1977-78 was 6,293 in Alwaye and 30,812 in Palghat. The Project authorities had not conducted a survey to identify the number of scrub bulls in the respective areas for undertaking systematic castration of all such bulls so that promiscuous breeding could be eliminated.

* Figures furnished by the department.

(5) *Milk production*

No village to village preliminary survey of the area selected for the location of the project so as to ascertain the base level data was conducted in either of the two projects. The scheme provided for registration and recording of yield of milk of all milch animals and their progeny systematically. This was also not done. Government stated (January 1979) that systematic assessment and evaluation of the milk production could not be done for want of sufficient staff to undertake these activities.

In the absence of data regarding milk yield prior to and after the commencement of the programme, the progress achieved in stepping up milk production is not susceptible of assessment.

No operational studies have so far been undertaken for evaluation of the progress achieved and to find out measures for promoting efficiency and economy though such studies are envisaged. Various agencies like Small Farmers Development Agency, Dairy Development Department, Kerala Livestock Development and Milk Marketing Board, Cattle Improvement Scheme, etc., also function in the project area and perform artificial insemination work, para veterinary services, fodder cultivation work, etc. The Project Officer, Alwaye stated (August 1978) that there is overlapping in many areas posing difficulties in evaluating the performance.

(6) *Summing up*

The bulk of the expenditure (92 per cent) incurred on the major project at Alwaye was on establishment (Rs. 96 lakhs) and no amount was spent for providing incentives and subsidy to farmers for rearing improved progeny and fodder development contemplated in the scheme. While the overall coverage by artificial insemination was satisfactory, the coverage was less than half the target in 27 out of 162 sub-centres during 1977-78. Follow-up action to ascertain the results of artificial insemination was not undertaken in many cases of inseminations done in the Palghat project in 1977-78. No survey was conducted to identify the number of scrub bulls in the project areas for undertaking systematic castration of all such bulls. The main object of the projects was to increase milk production but assessment of milk yield over the years was not done to determine whether the production of milk had increased; the preliminary survey for collection of the base level data to facilitate such assessment was also not done.

(FOREST)

3.5. Teak Plantation at Parambikulam

In February 1961 Government sanctioned a scheme for planting 6,073 hectares of teak in Parambikulam in a period of 5 years (1,215 hectares per annum) during the Third Plan period at a total cost of Rs. 32.94 lakhs. The cost of planting operations as sanctioned in the scheme was Rs. 20.85 lakhs, and the balance of Rs. 12.09 lakhs was for expenditure on establishment (Rs. 5.71 lakhs), works like roads and buildings (Rs. 6.08 lakhs) and on tools and plant (Rs. 0.30 lakh).

The planting operations were commenced by the department in March 1961. Against a target of 6,073 hectares (at the end of 1965) at a cost of Rs. 20.85 lakhs, the area planted to the end of 1965 was 4,767 hectares at a cost of Rs. 16.40 lakhs. Organisational problems, lack of planting materials, inadequacy of staff and non-availability of labour to the required extent were attributed by Government (October 1978) as the reasons for shortfall in physical targets. The planting operations were continued up to 1973 when the total area covered was 6,742 hectares at a cost of Rs. 44.03 lakhs (to end of March 1978).

According to the working plan for teak plantation, weeding was to be done for the first two years of planting to keep the plants free from weed growth. The weeding operations were conducted even beyond the two year period and the total expenditure incurred on weeding operations to end of March 1976 amounted to Rs. 17.14 lakhs against Rs. 3.79 lakhs estimated. Still, the teak plantations raised in 1961, 1962, 1964, 1965 and 1969 failed in an area of 2,153 hectares out of the total planted area of 3,677 hectares, mainly due to weed growth (as seen from the plantation journals maintained by the division). Other reasons adduced by the department for the failure of the plantations were damage by elephants, larger espacement, delay in planting operations, formation of clay pans in the soil, etc. In the area of 2,153 hectares where the plantations failed, rehabilitation by fresh plantation was done in 1,182 hectares and by coppicing method in 847 hectares; the remaining area of 124 hectares was not rehabilitated. Expenditure of Rs. 10.95 lakhs incurred on the original plantation in this area became infructuous. Government stated (October 1978) that there are no norms to determine whether plantation is a complete failure or not and that money spent on raising plantation and on other cultural operations could not be considered infructuous. The fact, however, remains that the plantations in the area of 2,153 hectares were treated as 'failed' in the plantation journals and 2,029 hectares had to be rehabilitated in full either by fresh plants or by coppicing method, necessitating fresh expenditure on planting and other operations.

DEVELOPMENT DEPARTMENT

3.6. Mobile Workshop

To organise a mobile workshop for quick servicing and repairs of fishing crafts, Government sanctioned (December 1966) the purchase of a 120" wheel-based Bedford chassis and its conversion into a workshop with requisite tools and machinery at a cost not exceeding Rs. 0.64 lakh. The Bedford chassis was purchased in March 1967 (cost: Rs. 0.37 lakh) and, after construction of body at a cost of Rs. 0.12 lakh, was taken delivery by the department in April 1968. The mobile workshop was also provided with the necessary machinery and tools at a cost of Rs. 0.16 lakh. A driver was appointed for the unit in October 1973 and a mechanical foreman in January 1974.

From April 1968 to September 1978 the mobile workshop remained practically idle except for the period when it was used as a transport vehicle. At no time was it used for servicing and repair of fishing craft. The Director of Fisheries stated (July 1978) that the facilities expected to be provided by the workshop were available in departmental boat-yards and service stations where the repairs and servicing of departmental boats were being attended to.

Expenditure on pay and allowances of the mechanical foreman for the period from January 1974 to September 1978 amounted to Rs. 0.45 lakh. According to the Deputy Director of Fisheries (October 1978), his services were utilised for miscellaneous items of work not connected with the operation of the workshop such as assisting in the seizure of mechanised boats (in cases of default of hire purchase dues), conducting survey of damaged boats, assessing the cost of spare parts of boats issued to private parties, etc. Expenditure on the pay and allowances of the driver for the period October 1973 to May 1978 when he was transferred to a different post amounted to Rs. 0.23 lakh.

Thus, the mobile workshop on which Rs. 0.65 lakh had been invested and on which expenditure of Rs. 0.68 lakh was incurred as salaries of the staff has not been put to the use for which it was set up.

Government stated (February 1979) that the post of the foreman attached to the vehicle has been abolished (February 1979), that a proposal submitted by the Director of Fisheries in August 1978 for converting the mobile workshop as a transport van for fish is under consideration and that the Director of Fisheries has been directed to initiate action against the officers responsible for the lapses.

FOOD DEPARTMENT

3.7. Civil Supplies Schemes

Introductory

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 Kerala Rationing Order, 1966, governing the distribution of rationed articles through authorised distributors was introduced in July 1966. The administration of statutory rationing in the State is vested in the Civil Supplies Department. Foodgrains required for distribution are obtained mainly from the Food Corporation of India on the basis of allotment made by Government of India. This is supplemented by procurement of paddy locally under the Kerala Rice and Paddy (Procurement of Levy) Order, 1966 and the Kerala Paddy and Rice (Declarations and Requisitioning of Stocks) Order, 1966.

Test-check in Audit in April-August 1978 of the accounts and records kept in the Board of Revenue (Civil Supplies) and in six District Supply Offices and nine Taluk Supply Offices disclosed the following points:—

(1) *Excess payment of incidental charges*

In June 1968, Government sanctioned an addition of Re. 1 per quintal to the rate of Rs. 3.25 payable to the village officers of 30 villages of Ottappalam Taluk where transport of paddy by headload was involved. In March 1976, the additional rate was extended by Government to two more firkas in the taluk. The department, however, paid the additional charge of Re. 1 per quintal during the period Mundakan crop 1970 to Mundakan crop 1975 to 76 village officers in Ottappalam Taluk resulting in an excess payment of Rs. 1.68 lakhs as computed by the department in March 1978. The excess payment had not so far been recovered from the village officers (December 1978) as directed by the Board of Revenue in April 1975. Government stated (December 1978) that the Sub-Collector, Ottappalam has been instructed to recover the excess amount drawn by the village officers. Information regarding the progress of recovery is awaited (January 1979). It was noticed in Audit that though the excess payment came to the notice of the Board in 1971 and was objected to, the additional charge was continued to be paid to the village officers till the Mundakan crop 1974-75. Had timely action been taken to stop the excess payment immediately it came to notice of the Board in 1971, the extra payment of Rs. 1.27 lakhs could have been avoided.

(2) *Excess payment of interest on investment*

The agents entrusted with the procurement of paddy in Cannanore District were allowed interest on investment for procurement at 2 per cent of the cost of paddy procured though the incidental charges* of Rs. 5 per quintal (Rs. 6.50 per qunital in North Wynad Taluk) sanctioned to them by Government in February 1968 included an element of interest on investment also and the agents were not eligible for separate payment of interest on investment. Such payment was allowed by the Taluk Supply Officers with effect from 4th November 1973 till 23rd May 1976. Though the excess payment came to the notice of the Board as early as May 1974, the matter was taken up by the Board with the District Supply Officer only in December 1975 who stopped further payments from May 1976. The excess payment on this account made to 22 procuring agents amounted to Rs. 1.22 lakhs. The Board of Revenue stated (July 1978) that action would be taken to recover Rs. 1.22 lakhs paid in excess. Government, however, stated (December 1978) that the exact amount of interest included in the incidental charges is not known and that the interest portion would be very negligible and could be overlooked for all practical purposes.

(3) *Delay in the recovery of value of shortage in the stock of paddy*

As per instructions issued by the Board of Revenue in September 1966, Taluk Supply Officers were to issue authorities for issue of paddy procured by the village officers in such a manner that the latter kept with them in storage only the minimum quantity and that too for a period not exceeding one week, and if for any reason any village officer was allowed to retain with him unnecessarily large stock of paddy leading to damage, shrinkage and consequent loss to Government, the Taluk Supply Officer concerned was to be liable for such loss. Village Officers were to maintain stock registers for the paddy purchased and issued and these accounts as well as the stock of paddy were to be verified by the Taluk Supply Officers at least once a week. The District Supply Officers also were to verify the village accounts at least once a fortnight. Under instructions issued by the Board of Revenue in May 1968, Taluk Supply Officers were to maintain 'stock and release' accounts of paddy in respect of each village, indicating the quantity of paddy not released and the quantity noted as shortage.

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*Incidental charges are the charges incidental to the procurement and issue of paddy/rice such as cost of gunny bags, transport charges, hulling charges, godown rent, charges for weighing and measuring, interest on investments and margin of profit.

Test-check conduted in Audit in May-June 1978 in 4 offices (Special Tahsildar, Allepepy, Taluk Supply Officers, Kozhikode, Kuttanad, Changanacherry) showed that the basic records of procurement and release of paddy, such as stock account of paddy, release account of paddy, consolidated release account, etc., were not either maintained or the records maintained were incomplete. No records were also available to show that physical verification of paddy had been conducted weekly by the Taluk Supply Officers. As a result of these defects, timely release of the paddy procured was not ensured leading to retention of stock with the village officers for long periods and shortage in stock.

The Board of Revenue directed the District Collectors in April 1977 to examine all past cases of shortages and send investigation reports before 30th June 1977 indicating the quantities of paddy procured and released, quantity shown as shortage in the accounts, the dates of commencement of procurement, dates of receipt of first report of procurement by Taluk Supply Officer, commencement of release, extent of delay in the release of paddy, etc., together with their recommendations as to how much quantity was to be written off. No reports were, however, received from the District Collectors. In the meantime, a team of staff of the Board of Revenue collected (May , June and July 1977) from certain taluks details of date-wise procurement and release of paddy as per stock registers maintained in the villages and shortages were assessed on a flat rate of 1/2 per cent in the case of storage of paddy between 15 to 28 days and 1 per cent in the case of storage beyond 28 days in spite of instructions from Government (January 1977) that actual shortage should be assessed in each case and allowed only if it was due to circumstances beyond the control of the officers concerned. On this ad hoc basis, Rs. 1.71 lakhs representing the cost of paddy not released in about 500 cases by 240 village officers/village assistants were written off by the Board between September 1977 and June 1978. In 491 cases the village officers were directed (between September 1977 and June 1978) to refund Rs. 4.01 lakhs being the cost of shortages in excess of the limits specified above. Of this Rs. 0.02 lakh had been recovered in 3 cases (December 1978). In about 359 cases the shortage in storage has not been assessed for want of relevant records (December 1978). Government stated (December 1978) that in order to dispose of the pending cases the question of allowing uniform shrinkage allowance of 1 per cent to all village officers as suggested by Board of Revenue was under consideration.

(4) *Non-release of paddy entrusted to milling agents for hulling*

In November 1976, the Board of Revenue revised the form of agreement to be executed by the millers, to whom departmental paddy is entrusted for hulling, laying down the conditions under which the paddy was to be released by the millers as rice. Under these conditions the millers were to furnish security of Rs. 5,000 and to produce bank guarantee equal to twice the cost of paddy or registered charge on the assets of the miller equal to the cost of paddy and a bank guarantee for the same amount. If shortage was noticed during physical verification the cost of paddy/rice found short was to be recovered at three times the levy rates in addition to forfeiture of security deposit. Test-check disclosed two cases where the millers were entrusted with paddy for hulling in violation of the conditions stipulated by the Board. Quantities of 867.29 quintals of paddy costing Rs. 0.88 lakh (at levy rate) and 1,289.90 quintals of paddy costing Rs. 1.31 lakhs(at levy rate)respectively were entrusted to two mills at Talapilly for hulling (between October 1977 and February 1978) on a security in the form of mortgage deed for Rs. 0.50 lakh and Rs. 0.90 lakh respectively (in addition to the usual security of Rs. 0.05 lakh each) against the securities of Rs. 1.77 lakhs and Rs. 2.63 lakhs which should have been taken. The security taken from the millers did not cover even the cost of paddy given for hulling. The first miller did not release any rice due viz. 578.19 quintals and the second miller released only 10 quintals of rice as against 859.93 quintals due. The inspection conducted at these mills by the departmental officials in May 1978 revealed that the millers held no stock of paddy or rice with them. Against Rs. 6.55 lakhs recoverable from the two millers in terms of the agreement executed by them, only Rs. 1.50 lakhs were available by way of security. Government stated (December 1978) that revenue recovery steps have been initiated by Tahsildar, Talapilly for the recovery of the amount from the first miller, and that directions have been issued to the District Supply Officer, Trichur to dispose of the objections filed by the second miller expeditiously and to recover the amount.

It was noticed during test-check that out of 13,960.16 quintals of paddy issued to millers during the period from April 1971 to March 1976, 4,699.36 quintals of rice had not been released by the millers in two districts. The total liability of the millers towards the cost of paddy and gunny entrusted to them and not released amounted to Rs. 17.19 lakhs at three times the cost of paddy including the cost of gunny, against which demand raised by the department during December 1972 to January 1978 was only Rs. 16.29 lakhs.

No amount has been recovered from the millers (January 1979). The security available with the department is Rs. 0.22 lakh only as prior to the revision of the agreement in November 1976 security of Rs. 1,000/2,000 only was taken from hullers.

(5) *Delay in recovery of excess transport charges*

Charges for the transport of rationed articles to be allowed to the retail dealers are to be fixed with reference to the distance from the depots of the Food Corporation of India to the retail shop. The refixation of the rate of transport charges with reference to the distance as per the village records, by the Taluk Supply Officer, Changanacherry in May 1974 revealed that 17 retail dealers had been paid transport charges in excess. Though action was initiated by the Taluk Supply Officer in September 1974 for the recovery of the transport charges paid in excess, the matter was not pursued and the amount of overpayment made to each dealer was not assessed for effecting recovery (June 1978). Government stated (December 1978) that the amount paid in excess on this account to the retail dealers has been provisionally assessed at Rs. 0.24 lakh and that notices are being issued to the dealers for remittance of the amounts.

INDUSTRIES DEPARTMENT

3.8. Scheme for grant of subsidy to Industrial units

Mention was made in paragraph 35 of the Report of the Comptroller and Auditor General of India for the year 1974-75 (Civil) of the points noticed in Audit during test-check of sanctions relating to the scheme for the grant of subsidy to industrial units sanctioned by Government of India in August 1971 and implemented in the State from 1972-73 onwards.

Expenditure incurred on the scheme till the end of March 1978 amounted to Rs.2,78.08*lakhs of which Rs.2,16.47 lakhs were reimbursed by Government of India to end of May 1978. The following table gives the year-wise details

*Figures as per accounts.

of the funds allotted, expenditure incurred and the number of units which received the subsidy:—

Year	*Allotment*	*Disbursement*	*Number of units to which subsidy was paid*		
	(in lakhs of rupees)		*Alleppey District*	*Malappuram District*	*Cannanore District*
1972-73	10.20	9.54	36	Nil	Nil
1973-74	27.23	29.93	87	37	46
1974-75	3.03	3.03	Nil	5	30
1975-76	50.00	47.81	88	13	90
1976-77	41.62	41.63	56	53	57
1977-78	1,46.34	1,46.14	114	72	99
Total	2,78.42	2,78.08	381	180	322
				883	

2. A further test- check of the implementation of the scheme by 57 assisted units in the State conducted in June-September 1978 in the offices of the Industries Development Commissioner and the Deputy Commissioners (Small Industries) Alleppey, Cannanore and Malappuram disclosed the following points:—

(i) *Grant of subsidy to ineligible units*

Under the orders issued by Government of India (August 1971 and July 1972), subsidy was payable to new industrial units started at Alleppey and Malappuram Districts which took effective steps on or after 1st October 1970 or 26th August 1971 respectively. Subsidy of Rs. 0.12 lakh was paid (March 1974) to an industrial unit in Malappuram which had taken effective steps prior to 26th August 1971. (This unit had mentioned in two separate applications for assistance under the scheme that effective steps had been taken by it in June 1970 and July 1971 respectively). The unit was therefore not entitled to the subsidy.

On this being pointed out, the Industries Development Commissioner stated (November 1978) that the details regarding the investment made by the unit prior to and after 26th August 1971 had been called for from the unit and that steps would be taken to recover in lump the amount paid if no reply was received from the party within a reasonable time.

(ii) *Payment of subsidy at incorrect rate*

Under the scheme, subsidy was payable at the rate of 10 per cent (at 15 per cent from 1st March 1973) of the total fixed capital investment on land, buildings, plant and machinery in the case of new units. In respect of existing units, subsidy was to be calculated on the additional fixed capital investment. Two units (one in Alleppey and the other in Malappuram District) which took effective steps prior to 1st March 1973 were paid (1973-74 to 1976-77) subsidy of Rs. 1.43 lakhs at the rate of 15 per cent of their fixed capital investment against the correct rate of 10 per cent. Of the claim for reimbursement of subsidy paid by the State Government to the two units, Government of India disallowed (March 1976 and June 1976), Rs. 0.27 lakh being the subsidy in excess of 10 per cent of the fixed capital investment. Taking into account further subsidy of Rs. 0.24 lakh paid (1976-77) to one of the units, the excess payment on this account worked out to Rs. 0.44 lakh. The Industries Development Commissioner stated (November 1978) that in the case of the unit in Alleppey District (excess subsidy paid: Rs. 0.42 lakh) the date of effective steps was taken as 16th September 1973 as advance for machinery was paid only on that date. However, as orders for substantial portion of the machinery had already been placed prior to 1st March 1973 the unit was eligible for subsidy at the rate of 10 per cent only as pointed out by Government of India.

Another existing unit in Alleppey District was paid subsidy of Rs. 4.81 lakhs (1976-77) on the additional fixed capital inclusive of the value of such capital created prior to 1st March 1973 at 15 per cent of such investment. The excess subsidy paid on this account amounted to Rs. 0.18 lakh. The Industries Development Commissioner stated (November 1978) that the unit was paid subsidy at the enhanced rate of 15 per cent as only a minor portion of the investment for the expansion scheme was made before 1st March 1973 and the balance expenditure was met after 1st March 1973. As the rate of subsidy payable for additional fixed capital investment prior to 1st March 1973 was only 10 per cent, payment of subsidy on this investment at the enhanced rate of 15 per cent was not in order.

It may be mentioned that Government of India had intimated the State Government in August 1975 that all cases in which subsidy had been paid to industrial units at the enhanced rate of 15 per cent, otherwise in accordance with the scheme, should be reviewed and overpayments, if any, recovered or adjusted against future subsidy. No such review has been done. The Industries Development Commissioner stated (November 1978) that action would be taken in future to adjust or recover the excess payments of subsidy made, if any.

(iii) *Irregular grant of subsidy*

(a) Under the scheme, individual units which set up or expand industries in the backward districts covered by the scheme are only entitled to the subsidy. One unit, which had set up industry in Ernakulam District not covered by the scheme and which shifted to Alleppey District in November 1974, was paid (September 1975) subsidy of Rs. 0.13 lakh at 15 per cent of its fixed capital investment treating it as new unit which had started industry in the backward district after 1st March 1973. This subsidy was not admissible under the scheme.

Similarly, one existing industrial unit in Alleppey was paid Rs. 0.61 lakh (September 1975) on the additional fixed capital investment for expansion. The additional fixed capital created included machinery costing Rs. 2.13 lakhs purchased prior to 1st October 1970 and machinery costing Rs. 0.86 lakh transferred from one of their branch units at Ernakulam, a non-qualifying district. The computation of additional fixed capital investment taking into account the cost of the above items of machinery was not in order. As the balance amount of additional fixed capital investment created in Alleppey District fell below 25 per cent of the total fixed capital investment prior to expansion, the unit was not entitled to any subsidy. The subsidy of Rs. 0.61 lakh paid to the unit was, therefore, inadmissible. The Industries Development Commissioner stated (November 1978) that as the original scheme did not exclude such units and did not make any distinction between transferred units, transferred machinery, etc., the subsidy was sanctioned. It may be mentioned that the original scheme provided for payment of subsidy only in respect of industrial units set up *ab initio* in the backward district and the grant of subsidy to units transferred from other areas was specifically provided for only with effect from 1st January 1977.

(b) Under the scheme, value of capital assets acquired and actually paid for only was to be reckoned for purposes of determining the fixed capital investment. However, according to Government of India orders issued in August 1976, small scale industrial units which were provided with land, building or machinery on hire purchase basis by State Government Corporations might be paid the subsidy in advance against the part cost of land, building and machinery. One unit in Alleppey District was paid subsidy of Rs. 7.37 lakhs in August 1977 and February 1978 reckoning the value of plant and machinery amounting to Rs. 18.24 lakhs which had not been actually paid for. The unit was not a small scale industrial unit and the plant and

machinery had been acquired by it on deferred payment from private sources, that is, other than State Government Corporations. The advance subsidy was not, therefore, admissible on plant and machinery and excess payment on this account amounted to Rs. 2.74 lakhs.

(c) The value of second-hand machinery was not to be included in computing the fixed capital investment prior to 1st January 1977. Five units in Alleppey District, one unit in Cannanore District and three in Malappuram District were paid (1973-74 to 1975-76) subsidy amounting to Rs. 6.11 lakhs reckoning the value of second-hand machinery of Rs. 4.84 lakhs. Excess payment of subsidy on this account amounted to Rs. 0.52 lakh.

(iv) *Follow-up action*

(a) Under the scheme, the financial institutions/State Government were to furnish to the Ministry of Industrial Development, certificates of utilisation of the amounts disbursed by them as subsidy to the units within a period of one year from the date of payment of the final instalment of subsidy. No such certificate has been furnished to Government of India.

(b) According to the instructions issued by Government of India (September 1975), the Industries Development Commissioner was to maintain a register containing detailed information regarding the setting up of the industrial units, their items of manufacture, capital investment, subsidy granted and date of receipt of annual progress reports. No such register was maintained by the department. The Industries Development Commissioner stated (July 1978) that a register in the required form would be maintained in future. In the absence of this register, it could not be verified whether the annual progress reports due from the assisted units were being received in all cases.

(c) Under the scheme, the subsidy paid to a unit was to be refunded in full if it discontinued production (other than for short periods extending up to six months due to reasons beyond its control) within 5 years of commencement of production. According to the information available with the department, 25 units which received subsidy amounting to Rs. 6.88 lakhs (20 units in Alleppey District and 5 units in Cannanore District) had either closed down or not commenced production. Subsidies paid to these units had not been got refunded (March 1979). The Industries Development Commissioner stated (November 1978) that revival of the units was part of the promotional activities of the department under the rehabilitation programme of sick units.

3. *Summing up*

(i) Out of the subsidy of Rs. 1,80.77 lakhs granted to 57 units test-checked in Audit, payment of subsidy of Rs. 4.74 lakhs to 16 units was found to be inadmissible with reference to the criteria prescribed in the scheme.

(ii) Certificates of uitlisation of funds have not been furnished to Government of India for any year.

(iii) Due to non-maintenance of prescribed follow-up records, it could not be verified whether annual progress reports were received from all the assisted units.

(iv) According to information available with the department, 25 units (subsidy paid: Rs. 6.88 lakhs) had either closed down or not commenced production.

The matter was reported to Government in September 1978; their reply is awaited (March 1979).

LABOUR AND HOUSING DEPARTMENT

3.9. Purchase of drugs and dressings for the Employees State Insurance Hospitals and Dispensaries

In February 1974, Government sanctioned the purchase of drugs and dressings required for 1974-75 for the hospitals and dispensaries under the Employees State Insurance Scheme at an estimated cost of Rs. 5.61 lakhs (revised to Rs. 14.50 lakhs in July 1974). The Administrative Medical Officer, Employees State Insurance Scheme invited (March 1974) tenders for the supply of 72 items of drugs and dressings to be distributed among the Employees State Insurance hospitals and dispensaries. The tender notice, however, did not specify the period during which the tenderers were to keep their rates valid as required in the Kerala Stores Purchase Manual. The omission in this regard was supplied in June 1974 when the Administrative Medical Officer requested the tenderers to keep their rates valid up to 30th June 1974 which they did. Twenty tenders were received in response to the tender notice of which three were rejected by the Administrative Medical Officer as they did not conform to the tender conditions; the remaining tenders together with the tabulated statement of tenders were forwarded by him to Government in June 1974 for acceptance. Orders on the tenders were issued by Government in January 1975, more than six months after the expiry of the validity period.

Of the eleven firms whose rates for 70 items of drugs and dressings were accepted by Government, ten firms supplied 51 items at their quoted rates against 65 items covered by their tenders. The remaining firm, whose rates for 5 items had been accepted by Government, backed out. Four of these items were purchased during 1976-77 from another firm on the basis of fresh tenders invited in November 1975 which entailed an extra expenditure of Rs. 0.20 lakh.

Delay in taking action on the tenders received in June 1974 thus resulted in an extra expenditure of Rs. 0.20 lakh. Government attributed (June 1978) the delay to unavoidable administrative reasons.

PLANNING AND ECONOMIC AFFAIRS DEPARTMENT

3.10. Western Ghats Development Programme

Introductory

The main objective of the Western Ghats Development Programme is exploitation of the resources of the hilly areas with a view to improving the living standard of the population of the Western Ghats region. The programme was approved in December 1974 for implementation during the Fifth Plan period. The cost of the programme was to be met entirely by Government of India in the form of loan and grant assistance to the State. Rupees 4.9 crores were allotted to the State under the programme to be expended during the Fifth Five Year Plan period. Funds earmarked for the programme were not to be diverted for utilisation in other areas.

2. *Schemes sanctioned by the State Government under the programme*

With the approval of the Planning Commission, the State Government sanctioned between 1974-75 and 1977-78 eight schemes to be implemented under the programme. Rupees 3,38 lakhs (loan: 50 per cent and grant: 50 per cent) were allotted to the State by Government of India during the same period, out of which Rs. 2,66.89 lakhs were actually released to the State Government to end of 1977-78. Expenditure incurred by the State Government to the end of March 1978 amounted to Rs. 2,79.95 lakhs. Details of the

schemes and the expenditure incurred during the years 1974-75 to 1977-78 are given in the table below:—

Name of the scheme	*Estimated cost of the scheme (in lakhs of rupees)*	*Year of commencement*	*Expenditure*				*Total*
			1974-75	1975-76	1976-77	1977-78	
			(in lakhs of rupees)				
1. Organisation of a co-operative farm in Attappady	3,00.00	1974-75	5.00	8.25	30.00	29.99	73.24
2. Organisation of a co-operative farm for cultivation of Cardamom in South Wynad	1,60.86	1976-77	..	..	6.56	14.99	21.55
3. Dairy Development Scheme, Idukki	1,40.25	1974-75	16.10	22.90	34.88	47.25	1,21.13
4. Dairy Development Scheme, Attappady	95.13	1974-75	2.89	2.28	7.56	6.01	18.74
5. Scheme for afforestation, land improvement and agricultural development in Idukki	87.97	1976-77	..	..	0.15	Nil	0.15
6. Scheme for establishment of milk chilling plants	24.47	1977-78	..	..	..	24.47	24.47
7. Development of Ponmudi hill station near Trivandrum as a tourist resort	16.46	1976-77	..	..	7.64	6.64	14.28
8. Scheme for giving financial assistance to milk co-operatives	6.41	1977-78	..	..	..	6.39	6.39
Total	8,31.55		23.99	33.43	86.79	1,35.74	2,79.95*

In respect of schemes at serial numbers 1, 2 and 5, Government's share of the cost of the scheme was Rs. 1,36.50 lakhs, Rs. 58.26 lakhs and Rs. 39.00 lakhs respectively; the balance was to be met from institutional finance.

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* Expenditure on the programme as per Accounts amounted to Rs. 2,82.58 lakhs. The difference between the booked figure and departmental figure i.e., Rs. 2.63 lakhs is under reconciliation.

3. A test-check of the programme by Audit during March—May 1978 disclosed the following points:—

A. Scheme for organising a co-operative farm in Attappady

The scheme sanctioned in March 1976 at an estimated cost of Rs.3,00 lakhs was intended for the settlement of 420 tribal families in a co-operative farm at Attappady in Palghat. Of the estimated outlay, Rs. 1,36.50 lakhs were to be met by Government towards development of infrastructure facilities like minor irrigation works, link roads, bunding, terracing, fencing, power supply, etc., and assistance towards capital expenditure on buildings, equipment, furniture, etc., and cost of establishment; the balance was to be met out of institutional finance towards cultivation charges and marketing expenses. The infrastructure facilities other than minor irrigation works were to be completed by 1977-78, irrigation by 1978-79 and the entire earmarked area of 934 hectares was to be brought under cultivation by 1978-79.

Each tribal family was to be provided with dwelling house and assigned two hectares of land. They were to organise themselves into a co-operative farming society and undertake cultivation jointly. The Block Development Officer, Integrated Tribal Development Block, Attappady was placed in charge of the scheme under the control of the District Collector, Palghat. A society called the Attappady Co-operative Farming Society Limited was organised in March 1975 under the scheme.

The scheme commenced in March 1975. Rupees 73.24 lakhs were spent on it to end of March 1978. Details of expenditure activity-wise are given below:—

Name of activity	*Expenditure (in lakhs of rupees)*
1. Minor Irrigation	3.54
2. Link roads	6.69
3. Bunding, terracing and fencing	19.66
4. Power supply	4.44
5. Labour amenities	13.92
6. (a) Assistance to Co-operative Society	19.64
(b) Cost of staff	5.35
Total	73.24

The following points were noticed in Audit:—

(i) Though the society had a membership of 254, only 136 families were settled in the farm (December 1978). Out of 420 houses to be constructed under the scheme, 280 houses were completed by December 1978 (cost: Rs. 9.34 lakhs) and work on 90 houses was in progress. Out of 280 houses completed, 144 houses constructed between August 1977—September 1978 (cost: Rs. 4.83 lakhs) were vacant (December 1978). The Project Officer stated (April 1978) that as and when families came, they were accommodated and that only by extension and educational methods the families were being drafted.

(ii) The scheme according to the Project Report prepared had provided for cultivation of crops like paddy, jowar, maize, etc., in 534 hectares and cardamom in 400 hectares. The cropping pattern was subsequently changed with reference to soil condition and about 562 hectares were under cultivation in 1978-79 (cardamom: 308.5 hectares and coffee/pepper: 245 hectares and other crops: 8.5 hectares). The shortfall in area cultivated was attributed by Government (December 1978) to non-availability of land, delay in appointment of staff and climatic conditions. Out of 1,040 hectares of vested forest lands identified for use under the scheme, 938 hectares were made available to the society up to March 1978. This included 200 hectares in Pothupady under encroachment, 130 hectares in the same locality which were devoid of any tree growth and hence were unfit for cultivation of cardamom and coffee and 191 hectares in Varadimala which were under dispute with a petition pending disposal before the Forest Tribunal. Government stated (December 1978) that additional area of 220 hectares was also made available for cultivation since April 1978.

(iii) Rupees 5.35 lakhs were paid as subsidy to the society till the end of 1977-78 towards cost of staff. This included Rs. 2.25 lakhs paid (March 1976) to the society for 1975-76 though the society had not entertained any staff till the end of July 1976. Government stated (December 1978) that this was done anticipating that the staff would be in position at the beginning of 1976-77.

(iv) The Assistant Director, Cardamom Board, during his visit in January—March 1976, had found the site at Karuvara and Chundakki unsuitable for cardamom cultivation as it was rocky and devoid of adequate shade. He recommended starting of cultivation at another site, Pothupady, after getting uniform and adequate shade by planting quick growing trees. The department, however, planted 5 hectares in Chundakki, 10 hectares in

Karuvara and 25 hectares in Pothupady in 1977-78 at a cost of Rs. 1.17 lakhs. Forty per cent of the seedlings planted perished. This was attributed (April 1978) by the Project Officer to the damage done by wild animals and monkeys. Rupees 0.47 lakh representing the proportionate expenditure on the above cultivation became infructuous.

B. Organisation of a co-operative farm in South Wynad for cultivation of Cardamom

The scheme envisaged settlement of 750 tribal families by organising a co-operative farm in an area of 1,500 hectares of vested forest lands in South Wynad. Each family was to be assigned two hectares of land and provided with a dwelling house and the assignees were to be enrolled as members of a co-operative farming society to be organised under the scheme. Cardamom was to be cultivated in the entire area under the technical supervision of the Cardamom Board. The scheme was to be implemented in a period of four years commencing from 1976-77. Of the estimated expenditure of Rs. 1,60.86 lakhs, Rs. 58.26 lakhs were to be spent out of Government funds and the balance was to be provided through institutional finance. A Project Administrator of the rank of a Deputy Collector was placed in immediate charge of the scheme.

The scheme commenced in November 1976. Expenditure incurred on the scheme to end of March 1978 amounted to Rs. 21.55 lakhs as shown under:—

Activity	1976-77	1977-78
	(*in lakhs of rupees*)	
Establishment and other administrative expenses	0.39	1.44
Equipment, vehicles, furniture, etc.	0.84	0.20
Road works including petty works	2.99	1.89
Maintenance of nursery and planting	2.34	11.46
Total	6.56	14.99

Rupees 13.80 lakhs spent on nursery and planting operations which should have been met from institutional finance, were met from Government funds as institutional finance had not been obtained. The Project Administrator stated (October 1978) that action has not been taken to get institutional finance since the land has not been assigned to the society so far. According to him (October 1978) the cost of the scheme was expected to go up to Rs. 2,88.22 lakhs owing to increase in cost of labour and cost of construction of houses. Government stated (December 1978) that the estimate was under revision.

Details of targets fixed for settlement of families and cultivation and the achievement in this regard are given below:—

Year	*Number of families*		*Area*	
	to be settled	*actually settled*	*to be cultivated*	*actually cultivated*
			(in hectares)	
1976-77	Nil	29	Nil	Nil
1977-78	160	35	80	12
1978-79	460	Nil	640	240
	(up to December 1978)			

The shortfall in settlement of families and the area brought under cultivation was attributed (June 1978) by the Project Administrator to delay in getting land and shortage of labour.

Barring a small area of 41.6 hectares, land required for the scheme has not been transferred to the department. Out of the area of 1,500 hectares of forest lands selected by the department for Cardamom Plantation, 867.19 hectares were under dispute with the erstwhile owners of the lands with the result that Forest Department could not transfer the land to the project authorities. In May 1977, Government decided to implement the scheme in full in the land identified and earmarked for the scheme, notwithstanding the fact that the area was under dispute with the erstwhile owners as no suitable alternative land was available.

The following table gives the details of seedlings raised in the primary nursery, seedlings transferred to the secondary nursery and seedlings ripe for plantation.

Year	*Number of seedlings in primary nursery on germination (in lakhs)*	*Number of seedlings transferred to secondary nursery (in lakhs)*	*Percentage of casualty in primary nursery*	*Number of seedlings ready for transplantation (in lakhs)*	*Percentage of casualty in secondary nursery*
1976-77	12,28,665	10,44,500	15	5,91,641	43
1977-78	23,04,000	15,52,800	25	*	*

* Planting to be done only in June 1979.

According to 'Cardamom Culture and Package of Practices' issued by Cardamom Board, seedlings are to be transferred from the primary to the secondary nursery only during rainy season (May-June). The seedlings raised in 1976-77 in the primary nursery were transplanted to the secondary nursery between August 1977 and November 1977 as the land required for the secondary nursery had been made available to the department only in July 1977. It was noticed from the progress reports for the months of October 1977 and November 1977 sent by the Project Administrator to the District Collector, Kozhikode that owing to overcrowding of seedlings in the primary beds, all smaller and weaker plants suffered casualty.

According to the Project Administrator (December 1978), the shortfall in seedlings from the secondary nursery was mainly due to transplantation shock, drought and unusual heavy rains, delayed transplantation due to non-availability of nursery site and shortage of labourers, attack by wild elephants and pests and diseases. The cost of shortfall in seedlings could not be ascertained as cost details were not available with the department.

C. Dairy development scheme, Idukki

The scheme sanctioned by Government in January 1975 at an estimated cost of Rs. 1,40.25 lakhs envisaged breeding of cattle, payment of subsidy for purchase of cattle feed and fodder, assistance to milk co-operatives, establishment of chilling plants, incentive to inseminators, purchase of transport vehicles, etc. The scheme commenced in 1974-75 was being implemented by the Dairy Development Department till March 1976 when it was transferred to the control of the Kerala Livestock Development and Milk Marketing Board Limited. Government authorised (May 1976) the Board to draw funds for the scheme from the treasury on bills countersigned by the Secretary to Government, Planning and Economic Affairs Department.

Expenditure incurred on the scheme till 1977-78 amounted to Rs. 94.71 lakhs*. The following table gives the details of expenditure incurred on the various activities under the scheme from 1974-75 to 1977-78.

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*Against Rs. 1,21.13 lakhs shown as expenditure under the scheme in the table in sub para (2), Rs. 26.42 lakhs remained unutilised (April 1978).

	Nature of activity	*Estimated outlay up to end of March* 1978	*Total expenditure to the end of March* 1978
		(*in lakhs of rupees*)	
1.	Artificial breeding	5.28	10.03
2.	Feed and fodder	47.20	18.43
3.	Incentive to inseminators	1.20	0.19
4.	Assistance to milk co-operatives	4.33	0.34
5.	Establishment of chilling plants	27.00	16.43
6.	Milk transport vehicles	18.50	25.06
7.	Communication	7.80	17.99
8.	Administration	7.25	6.24
	Total	1,18.56	94.71

Till the end of March 1978, the Board had drawn Rs. 97.13 lakhs from Government but had utilised only Rs. 70.71 lakhs till that date.

The following points were noticed in Audit:—

(1) Resettlement of Muthuvans (a hill tribe) in Kundalai grass lands by organising them under a co-operative fold for pursuit of dairying and other operations at a cost of Rs. 9.09 lakhs was taken up by the Board as part of the scheme for the exploitation of existing grass lands. The Board received from Government Rs. 6.68 lakhs during 1976-77 and 1977-78 as advance for meeting expenditure on the scheme. The Board informed Audit (June 1978) that it had decided to abandon the scheme owing to non-availability of land and paucity of time for implementing it. The advance of Rs. 6.68 lakhs received by the Board was not refunded to Government. Government stated (January 1979) that land would be made available for this purpose shortly and the scheme would be taken up if there was possibility of extending the time of implementation of the scheme beyond March 1979.

(2) *Establishment of milk chilling plants*

The scheme provided for establishment of milk chilling plants to enable storage and marketing of milk. The details of the milk chilling plants purchased

and commissioned and average daily collection during the years 1976-77 and 1977-78 are given below:—

Station where installed	*Capacity (in litres)*	*Date of commissioning*	*Average daily collection in litres*	
			1976-77	1977-78
1. Munnar	4,000	Established prior to January 1975	2,319	2,587
2. Vandiperiyar	2,000	do.	507	398
3. Kuttikkanam (Peermade)	2,000	do.	913	998
4. Vagamon	This plant is under a co-operative society.			
5. Vellathooval	2,000	6-10-1976	Not available	392
6. Kattappana	2,000	6-10-1976	235	791
7. Thodupuzha	2,000	12-2-1978	..	473
8. Vagamon	2,000	Purchased in September 1976 but not yet commissioned.		

Excepting the plant at Thodupuzha which was commissioned only in February 1978, all the other milk chilling plants were underutilised, the percentage of underutilisation varying from 39 to 81. Government stated (January 1979) that the full capacity of the plant can be utilised only during flush season which extends only to four months in an year and that during the remaining part of the year, the collection of milk may vary from 50 to 70 per cent of the capacity of the plant. It may be mentioned that the actual utilisation ranged between 12 and 50 per cent of the installed capacity in respect of the chilling plants (except that at Munnar) as against the average utilisation of 60 per cent possible according to Government's reply.

(3) Two vehicles were purchased in July 1976 at a cost of Rs. 0.76 lakh each for establishing two mobile breeding units. The mobile breeding units were put to operation (October 1976), one at Munnar and the other at Elappara to attend to cases of infertility amongst the breedable cattle and carry out vaccination programme. The unit based at Munnar is not functioning (January 1979) since February 1977 for want of a Veterinary Surgeon.

D. Dairy development scheme, Attappady

The scheme estimated to cost Rs. 95.13 lakhs and sanctioned by Government in January 1975 was intended for the development of dairy

farming and milk production in the Attappady valley. It envisaged improvement of the breed of the cattle by artificial insemination, organisation of co-operative societies and provision of institutional finance for purchase of cattle, distribution of cattle feed at subsidised rates, assistance for construction of cattle sheds, setting up of milk chilling plants, extension of communication facilities for transport of milk, etc. The Director of Dairy Development (redesignated in March 1977 as Milk Commissioner) was entrusted with the responsibility for the implementation of the scheme. From September 1976, a full-time Project Officer was placed in immediate charge of the scheme.

Up to end of March 1978, Rs. 18.74 lakhs were spent on the scheme against an outlay of Rs. 81.78 lakhs provided from 1974-75 to 1977-78. The shortfall was attributed (May 1978) by the department mainly to dropping of the proposal for starting of training centres, non-establishment of one of the two chilling plants, non-availability of sufficient number of cross-bred calves and limiting the feed subsidy to female cross-bred calves only as per directions from the Planning Commission.

The following points were noticed in Audit:—

(1) The scheme envisaged coverage of the entire cow population in the area by artificial insemination but no yearly target was fixed by the department. The total number of breedable cows, number of artificial insemination units functioning and number of artificial insemination done, etc., during the years 1974-75 to 1977-78 are given below:—

	1974-75	1975-76	1976-77	1977-78
Total number of breedable cows	7,000	7,000	19,769 *	19,769
Number of artificial insemination units functioning	Nil	4	9	14
Number of artificial insemination done	Nil	1,229	2,321	3,565
Number of cross bred calves born	Nil	Nil	164	474

The reasons for poor coverage are awaited from the department(January 1979).

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* Increase due to extension of the scheme to parts of Mannarghat Taluk not falling within the Attappady valley.

(2) The scheme envisaged payment of subsidy at 25 per cent of the cost of cross bred milch cows subject to a maximum of Rs. 500 per cow to small farmers and at 33-1/3 per cent of the cost of cross bred cows subject to a maximum of Rs. 667 per cow to marginal farmers and agricultural labourers. The balance cost was to be met from institutional finance as loan. Subsidy was to be routed through the financing institutions who were to purchase the cows utilising also their funds earmarked for payment of loan and distribute the cows to the beneficiaries. The outlay proposed in the scheme was Rs. 5.50 lakhs. Up to end of March 1978, the department paid to two financing institutions Rs. 1.70 lakhs as subsidy for 281 cows against which the institutions distributed 153 cows. The Milk Commissioner stated (May 1978) that lack of satisfactory marketing facilities was the reason for the slow implementation of the programme.

(3) As against the provision of Rs. 34.31 lakhs towards subsidised distribution of cattle feed, the expenditure till the end of March 1978 was only Rs. 1.58 lakhs. The Project Officer stated (October 1978) that the shortfall in expenditure was due to non-availability of sufficient number of cross bred calves with the tribes and other low income groups in the region.

(4) *Milk chilling plant*

To promote the milk marketing system in Attappady, a 2,000 litre capacity milk chilling plant costing Rs. 1.39 lakhs was purchased in March 1975 and erected at Agali in August 1976. A stand-by generator set costing Rs. 0.42 lakh was purchased in February 1977 and installed in March 1978. The chilling plant has not yet been put to use as, according to the Milk Commissioner (May 1978), the Plant could not be operated in isolation without a Dairy Plant to pasteurise the milk and without providing facilities for marketing milk. As the function of marketing milk had been transferred to the Kerala Livestock Development and Milk Marketing Board Limited from May 1976, proposal to transfer the chilling plant to the Board put forward in March 1977 by the Milk Commissioner was pending decision with Government (January 1979). Rupees 3.317 lakhs spent on plant and other accessories remain unproductive (January 1979).

Two milk transport vehicles purchased for transportation of milk and assembled in April 1975 and January 1978 at a cost of Rs. 1.30 lakhs and Rs. 1.27 lakhs respectively under the scheme could not be utilised due to non-commissioning of the chilling plant at Agali. The vehicle purchased in April 1975 was transferred (December 1975) to the Idukki Dairy Scheme. The second

vehicle is housed in the compound of the Valiathura Sewage farm for want of accommodation.

(5) There were two milk co-operative societies which were functioning in the area at the commencement of the scheme. Till the end of March 1978, 11 more co-operative societies were organised and given financial assistance of Rs. 1.52 lakhs for collection of milk. The societies could not function effectively as they were not able to collect the entire production of milk from the members reportedly owing to non-commissioning of the chilling plant at Agali and lack of proper transportation facilities in the valley. Government stated (January 1979) that with the taking over of the Palghat Dairy Plant, the problem faced by the societies for the marketing of milk would be solved.

E. Scheme for afforestation, land improvement and agricultural development in Idukki

The scheme estimated to cost Rs. 39.00 lakhs (excluding institutional finance : Rs. 48.935 lakhs) sanctioned by Government in March 1976 was to be implemented by the District Collector, Idukki. It envisaged identification and development of about 2,000 hectares of land in the Mankulam area of Idukki District by organising a farming co-operative society with the objective of settling 1,000 landless families. A sum of Rs. 0 .15 lakh had been incurred on the scheme in 1976-77 towards the survey and demarcation of plots in about 210 hectares of land and no expenditure was incurred in1977-78. The selection of beneficiaries had not been finalised (February 1979). The District Collector attributed (May 1978) the delay in implementing the scheme to (i) delayed finalisation of the rules for assignment of land (February 1977) and (ii) encroachment in the area proposed to be assigned. The District Collector, Idukki further stated (February 1979) that though all the encroachers were evicted in November 1978 and provisional allotment orders issued to 787 persons, the allotment was stayed (November 1978) by Government.

F. Scheme for the establishment of milk chilling plants

Under the scheme, four chilling plants were proposed to be established at a cost of Rs. 25.65 lakhs, one each at Neyyattinkara/ Nedumangad, Pathanamthitta, Meenachil and Chittur. The scheme was to be implemented by the Kerala Livestock Development and Milk Marketing Board Limited. Funds amounting to Rs. 24.47 lakhs were paid by Government to the Board in advance in March 1978. The Board had spent Rs. 5.44 lakhs only (December 1978) on the establishment of a chilling plant at Neyyattinkara.

4. *Summing up*

The main points noticed in the implementation of the various schemes are summed up below:—

(i) Against Rs. 4.9 crores allotted by Government of India for expenditure during the Fifth Plan period (1974-75 to 1978-79), Rs. 2.82 crores have been spent up to end of March 1978.

(ii) In respect of the two schemes for the organisation of co-operative farms in Attappady and South Wynad, 934 hectares and 720 hectares were to be brought under cultivation by 1978-79 against which the area under cultivation was 562 hectares and 252 hectares respectively. The number of families settled in the two farms was only 136 and 64 against the target of 420 and 720 families by end of 1978-79. The slow progress was reported to be due to delay in making available Government land to the societies and difficulty in drafting tribal families, for settlemnt in the farms.

(iii) The scheme for agricultural development at Idukki (estimated cost: Rs. 88 lakhs) which was to be completed by 1979-80 did not register any progress and only Rs. 0.15 lakh have been spent to end of March 1978 on survey and demarcation of land. This was due to delay in finalisation of rules for assignment of land and encroahment in the area proposed to be assigned. The selection of beneficiaries has not been finalised.

(iv) Of the two dairy development schemes at Idukki and Attappady, six milk chilling plants commissioned under the Idukki scheme are under-utilised, the percentage of under-utilisation varying from 39 to 81 and one plant purchased in September 1976 has not so far been commissioned. The chilling plant (cost: Rs. 1.39 lakhs) installed in August 1976 under the Attappady scheme has not yet been put to use for want of a dairy plant and has been proposed for transfer to Kerala Livestock Development and Milk Marketing Board Limited.

(v) For implementing the Dairy Development Scheme at Idukki and the scheme for the establishment of milk chilling plants, funds to the extent of Rs. 1,21.60 lakhs were made over to Kerala Livestock Development and Milk Marketing Board by way of advances till March 1978; Rs. 26.42 lakhs as at the end of March1978 in respect of the former and Rs. 19.03 lakhs as at the end of January 1979 in respect of the latter remained unutilised.

REVENUE DEPARTMENT

3.11. Land acquisition

Certain points noticed during the audit of records relating to land acquisition conducted in the Board of Revenue and in the Collectorates at Trivandrum and Ernakulam in June-August 1978 are dealt with in the following paragraphs:—

(1) According to the Kerala Land Acquisition Manual, the cost of special staff employed on land acquisition for Local Authorities, Companies, Central Government, etc., is to be borne by the respective parties, for whom the land is acquired. As at the end of March 1978, Rs. 54.43 lakhs were due for recovery; year-wise details are awaited from the department.

(2) An area of 110 acres and 58.250 cents of land in Ernakulam village was acquired in June 1960 by the Personal Assistant (Land acquisition) to the District Collector, Ernakulam for a housing scheme. The Sub Court decreed (March 1965) enhanced compensation of Rs. 18.26 lakhs.The amount was drawn and deposited in the Court. The appeal preferred by the department (1965) before the High Court was dismissed in October 1970.

The cost of the land was to be recovered from the beneficiaries of the scheme. Even six years after the High Court's decree was available, action had not been taken by the District Collector to refix the cost of land reckoning the enhanced amount of compensation of Rs. 18.26 lakhs. It was noticed that one of the beneficiaries under the scheme (Ernakulam House Construction Society Limited No. E.161, Girinagar, Cochin) had reported (November 1976) to the District Collector that it would be difficult for them to remit the difference in cost unless the amount of difference was finalised and intimated to them for collection from the members of the society. The District Collector has not so far informed the society of the enhanced cost of land payable by it (March 1979).

(3) Test-check in Audit showed that in four cases where the compensation for land was reduced in appeal in the Courts, there was delay in initiating action to recover the excess compensation; the total amount pending recovery was Rs. 11.85 lakhs (vide details given in Appendix V).

(4) The award register maintained by the Land Acquisition Officer (Deputy Collector, Land Acquisition, Ernakulam) was incomplete as the

funds allotted or deposited by the requisitioning authorities or other non-Government institutions and the dates of payment or adjustment of compensation at the treasury had not been noted. Reconciliation of the cheques drawn by the Land Acquisition Officer with the books of the treasury had also not been done by the Deputy Collector, Land Acquisition, Ernakulam.

The matter was brought to the notice of Government in October 1978; their reply is awaited (March 1979).

GENERAL

3.12. Misappropriations, losses, etc.

Cases of misappropriations, losses, etc., of Government money reported to Audit up to the end of March 1978 and pending finalisation at the end of September 1978 were as follows:—

	Number	*Amount (in lakhs of rupees)*
Cases reported to end of March 1977 and outstanding at the end of September 1977	202	58.72
Cases reported during April 1977 to March1978	14	2.18
Cases disposed of till September 1978	37	3.71
Cases outstanding at the end of September 1978	179	57.19

Department-wise analysis of the outstanding cases is given in Appendix VI.

Year -wise analysis of the outstanding cases is given below:—

Year	*Number of cases*	*Amount (in lakhs of rupees)*
1967-68 and prior years	45	25.89
1968-69	7	0.67
1969-70	11	2.81
1970-71	7	0.69
1971-72	15	4.40
1972-73	12	6.77
1973-74	17	7.93
1974-75	12	0.93
1975-76	22	3.31
1976-77	17	1.61
1977-78	14	2.18
Total	179	57.19

The reasons for the cases remaining outstanding are as under:—

		Number	Amount (in lakhs of rupees)
(i)	Awaiting departmental and criminal investigation	136	30.06
(ii)	Departmental action started but not finalised	17	11.42
(iii)	Awaiting orders for recovery or write off	13	12.04
(iv)	Pending in Courts of law	13	3.67
	Total	179	57.19

3.13. Writes off, waivers and ex-gratia payments

According to information received in Audit, during 1977-78, losses due to theft, fire, etc., irrecoverable revenue, duties, advances, etc., totalling Rs. 15.41 lakhs were written off or waived in 910 cases and ex-gratia payments amounting to R. 2.86 lakhs were made in 105 cases. Department-wise details of these cases are indicated in Appendix VII.

CHAPTER IV

WORKS EXPENDITURE

HEALTH DEPARTMENT

4.1. Delay in completion and utilisation of a building

The construction of a building to house the Anti-Rabic, Biochemistry and Research Unit of the Public Health Laboratory, Trivandrum (estimate: Rs. 0.91 lakh) was administratively sanctioned by the Director of Health Services in November 1966 and entrusted to the Public Works Department for execution. The civil works estimated to cost Rs. 0.72 lakh were awarded to the lowest tenderer by the Executive Engineer, Buildings and Roads Division, Trivandrum in March 1967 for Rs. 0.81 lakh (12.5 per cent above estimate). The work started in July 1967 and due for completion in September 1967 was actually completed more than 8 years later in October 1975 at a cost of Rs. 0.97 lakh. The delay was attributed (January 1978) by the Chief Engineer to the slow progress of work turned out by the contractor leading to cancellation of the contract twice and subsequent revocation of the cancellation orders on the assurance given by the contractor to complete the work expeditiously. The water supply and sanitary arrangements for the building and additional items such as work benches and air lock partition found necessary during execution were got done through another contractor during December 1975 to November 1976 at a cost of Rs. 0.41 lakh.

The building was, however, not taken over by the Health Services Department. The latter requested (August 1976) the Chief Engineer to provide certain additional items such as cold storage facility for maintaining the prescribed range of temperature, electric connections to the equipment to be installed and a compound wall. These were not provided (November 1978) except the compound wall, the construction of which was completed in October 1977. The estimate for the work was revised from Rs. 0.91 lakh to Rs. 1.71 lakhs in January 1977.

The building which was taken up for construction in July 1967 and on which an expenditure of Rs. 1.49* lakhs has been incurred, remains unutilised as it has not been got ready for the intended use even after about 12 years.

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* Includes cost of compound wall (Rs. 0.10 lakh).

Government stated (December 1978) that the building has not been handed over to the Health Services Department pending completion of the electrification works.

LOCAL ADMINISTRATION AND SOCIAL WELFARE DEPARTMENT

4.2. Quilon water supply scheme

Mention was made in paragraph 38 of the Audit Report 1966 of some aspects of the implementation of the Quilon water supply scheme. The scheme was almost completed in March 1965 and the distribution system handed over to the Quilon Municipality in March 1966. The capital cost up to March 1966 inclusive of maintenance charges was Rs. 98.16 lakhs. Fifty per cent of the capital cost was to be borne by Government and the balance treated as loan to the Municipality. A test check conducted by Audit during August 1978 disclosed the following points:—

(1) The estimate for the scheme was revised by Government in January 1977 from Rs.93* lakhs to Rs. 191.03* lakhs including a provision of Rs. 31.43 lakhs for certain additional items of work like pipe line along Neendakara bridge, transmission main crossing the Chavara canal, drilling 5 tube wells, rectification of leakages and improvements to earthen bund at Sasthamcottah. The additional items of work have not been completed so far (December 1978).

(2) *Sinking tube wells*

The transmission main laid from Sasthamcottah to Quilon town used to burst frequently leading to failure in water supply to the Municipal area. The frequent bursting of the pipes was attributed (January 1971) by the Chief Engineer to the substandard quality of the R.C.C pipes used in the initial laying of the transmission main. With a view to ensuring uninterrupted supply of water during periods of such failure, the department proposed (May 1975) to sink 5 tube wells in the three distribution zones at an estimated cost of Rs. 21.97 lakhs and it was approved by Government in July 1977 as part of the revised estimate of the scheme. Meanwhile, the department drilled 7 tube wells during 1972 to 1976, three in zone I, two in zone II and two in zone III at a cost of Rs. 10.71 lakhs. Of these, four wells had to be abandoned (two in

* Inclusive of contribution of Rs. 40 lakhs from the Norwegian-India Foundation.

1972 itself, one in April 1974 and one in February 1975) due to poor yield obtained and unsatisfactory quality of water and three (one in each zone) are in working condition. The Executive Engineer stated (September 1978) that the sites for tube wells were selected on the basis of past experience of the department.

The Executive Engineer, Public Health Division, Quilon reported (July 1976) to the Chief Engineer that the supply of 70,000 gallons per hour (3,18,500 litres per hour) from the three tube wells was found to be grossly inadequate to meet the requirements in the three zones during periods of failure resulting from the frequent bursting of the pipes. The problem was examined by the Superintending Engineer who, in consultation with the Municipality, suggested (August 1977)laying of a new transmission main from Sasthamcottah to Quilon as the permanent solution and provision of 5 more tube wells (three in zone III and one each in the other two zones) and construction of an additional reservoir of 5 lakh gallons capacity in zone III at an estimated cost ranging from Rs. 18 to 20 lakhs as an interim measure. An estimate for Rs. 52.78 lakhs to implement the interim measures proposed, sent by the Superintending Engineer in April 1978 was under consideration of the Chief Engineer (December 1978).

Thus, the laying of pipes of substandard quality led to failure of the transmission system which necessitated sinking of tube wells (cost: Rs.10.71 lakhs). More tube wells, additional overhead and ground level tanks, etc., (estimated cost: Rs. 52.78 lakhs) are considered necessary as an interim solution and the replacement of the transmission main as a permanent solution. The circumstances in which the defective main transmission line had been laid are not known.

(3) *Apportionment of capital cost*

According to the pattern of assistance laid down by Government (May 1967), the cost of the scheme was to be shared equally between Government and the Municipality. The expenditure was to be initially met by Government and 50 per cent of the cost was treated as grant and the balance 50 per cent as loan to the Municipality repayable in 20 equal annual instalments. The Quilon Municipality executed a preliminary agreement with Government in May 1962 incorporating this condition. Though the distribution system was handed over to the Municipality in March 1966, final assessment of the cost of the scheme and its apportionment had not been done pending completion of certain additional works not contemplated in the original scheme and sanctioned in January 1977. The expenditure on the scheme (as reported

by the department) including the additional works up to the end of July 1978 amounted to Rs. 120 .12 lakhs. The final agreement drawn up and sent by the Executive Engineer to the Municipality in October 1977 had not yet been executed (February 1979).

In pursuance of the recommendations of the Public Accounts Committee (1967-68) relating to the Kottayam water supply scheme contained in para 6.20 of their Third Report that pending execution of final agreement the loan instalments should be recovered on a provisional basis, the Chief Engineer fixed (May 1972) the annual instalment at Rs. 2.45 lakhs, taking the cost of the scheme up to the date of transfer of the distribution system (viz. Rs. 98.16 lakhs) as the capital cost and asked the Municipality for arranging payment of annual instalments due from the date of transfer. The Municipality had not made any payment so far (February 1979) in spite of directions issued by Government in August 1977 and January 1978. The overdue instalments amounted to Rs. 29.45 lakhs as on 31st March 1978. According to the orders issued by Government in May 1967, penal interest at 8 1/4 per cent was also due to be realised on overdue loan instalments. The Chief Engineer, Public Health Engineering Department stated (December 1978) that a revised form of draft supplementary agreement to be executed by the Municipality had been forwarded to Government in March 1978 and that approval of Government thereto was awaited (December 1978).

(4) *Arrears in payment of maintenance cost*

According to the terms of the preliminary agreement executed by the Municipality in May 1962, the maintenance of this water supply scheme (excluding the distribution system) is the responsibility of the department. Expenditure initially incurred by Government on maintenance of the scheme was to be reimbursed to Government annually before July each year. Out of a total expenditure of Rs. 24.42 lakhs incurred by the department during the period from 1966-67 to 1977-78, an amount of Rs. 22.95 lakhs was outstanding collection from the Municipality (August 1978). The Chief Engineer stated (November 1978 and December 1978) that the amount due from the Municipality had been reported to Government for recovery from grants or other amounts payable to the Municipality and that Rs. 2.89 lakhs had since been adjusted from the Municipality.

Water is supplied by the department to some areas in four peripheral panchayats by tapping the transmission main from Sasthamcottah to Quilon. Arrears of water charges for period up to end of March 1977 outstanding collection from the four panchayats amounted to Rs. 3.88 lakhs for the period ending March 1977.

The matter was reported to Government in October 1978; their reply is awaited (March 1979).

PUBLIC WORKS DEPARTMENT

4.3. Construction of a multi-storeyed building in the Old Barracks Compound, Trivandrum (Vikas Bhavan)

Extra expenditure

(i) The construction of 'D' Block (approximate plinth area: 6546m^2) of a six storeyed office building in Trivandrum was awarded to contractor 'A' in August 1972 at his tendered rate of 27.5 per cent above estimate exclusive of departmental materials for Rs. 15.89 lakhs with the stipulated date of completion as February 1974. The department was to supply materials like cement and M.S. rods to the contractor at specified rates. The requirement of these materials for the work was assessed by the department only during November-December 1972 and the department could not make available the required quantities of cement to the contractor owing to shortage in stock. The design of roof slab had also not been finalised. The contractor asked (April 1974) for an increase of 65 per cent on agreed rates for all works done beyond the stipulated date of completion (February 1974) owing to increase in the cost of materials. The request for enhanced rate was rejected by the department (May 1974) on the ground that, under the contract conditions, he was not entitled to any enhancement in rates. The contractor stopped the work in May 1975 and the Superintending Engineer, Buildings and Roads, South Circle, Trivandrum terminated the contract in June 1976, at the risk and cost of the contractor. The balance works were given in July 1976 to another contractor (only tenderer) at the latter's tendered rate of 49.9 per cent above estimate rates. The extra cost involved in execution through the second contractor was assessed by the Executive Engineer (October 1976) at Rs. 2.20 lakhs but the amount could not be recovered from the first contractor 'A' as he had filed a claim before the Government Arbitrator for Engineering Contracts in January 1976 and the Arbitrator had absolved him of all liabilities under the contract and also awarded payment of Rs. 0.35 lakh towards (i) the cost of work executed after January 1974 at enhanced rate (Rs. 0.33 lakh) and (ii) difference in the cost of M. S. rods (not returned by the contractor) recovered by the department from him in excess of the agreed rate (Rs. 0.02 lakh). The award was confirmed by the Court in November 1976.

Delay on the part of the department in supplying materials to the contractor and in finalising the design of the roof slab thus became grounds for dispute with the contractor which ultimately led to termination of his contract and extra expenditure of Rs. 2.55 lakhs on the work.

(ii) Tenders invited for Block 'E' in March 1972 and again in July 1972 proved abortive and fresh tenders for Block 'E' were invited in June 1973 along with those for Block 'F'. The lowest offer in respect of both the blocks was that of contractor 'B' who quoted 28 per cent above estimate rates exclusive of departmental materials working out to Rs. 14.75 lakhs for 'E' Block and Rs. 11.28 lakhs for 'F' Block. The Chief Engineer sought sanction of Government in October 1973 for acceptance of both the tenders in relaxation of the general orders issued in May 1973 prohibiting acceptance of premium tenders during the first tender call. Government ordered (February 1974) acceptance of the tender for 'E' Block stating that no relaxation of the general orders was involved as it was a third tender call, but rejected the tender for 'F' Block and directed the Chief Engineer to invite fresh tenders for that block. But, by that time, the validity period of the tenders had expired on 20th December 1973. On the date of expiry of the validity period, the Superintending Engineer, Buildings and Roads, South Circle, Trivandrum addressed the tenderer to extend the validity period and the tenderer intimated (January 1974) the department his inability to do so. The tender for Block 'E' could not, therefore, be settled. Fresh tenders were invited for 'E' Block in October 1976 on the basis of the revised estimate and the work was awarded in December 1976 to the Kerala State Construction Corporation Limited, a State Government undertaking at its tendered rate of 16.50 per cent above estimate rates exclusive of departmental materials (accepted value of contract: Rs. 20.82 lakhs).

Reference of tenders to Government when such reference was not necessary and non-acceptance of the tender received in August 1973 within the validity period resulted in an estimated extra liability of Rs. 6.07 lakhs in respect of Block 'E'.

4.4. Improvements to Nedumkunnam-Punalur road

The work of improvements to "Nedumkunnam-Punalur road-Kilometre 0/0 to 11/266" (estimated cost: Rs. 3.80 lakhs) sanctioned in May 1973 was awarded (June 1974) by the Superintending Engineer (Buildings and Roads), South Circle, Trivandrum to a contractor (lowest tenderer) for Rs. 2.91 lakhs (11.70 per cent below the estimate rates). The work started in June 1974 was to be completed in April 1975. During the course of execution of the work, the Superintending Engineer inspected the site in February 1975 and noticed excessive earthwork and filling. He ordered the work to be stopped, and directed the Executive Engineer to prepare a revised estimate for the work. The estimate provisions for most of the items, especially earthwork, culverts and retaining walls were inadequate and to make the road trafficable, a few

more new culverts and reconstruction of weak culverts had to be arranged additionally which were not contemplated in the sanctioned estimate. In April 1975, the contractor demanded extra rates for work to be executed beyond the stipulated date of completion (April 1975) and compensation for losses and overheads on account of execution of increased quantity of earthwork, departmental delay in making available a portion of the land, non-supply of departmental materials like cement, M. S. rods, etc. The Superintending Engineer, thereupon cancelled (August 1975) the contract relieving the contractor from the liability to execute the balance work. The circumstances under which the work was awarded contrary to the orders of the Chief Engineer that the work need be commenced only after the entire land required was handed over to the department have not been stated(March 1979).

The road work stopped in February 1975 has not been resumed (February 1979) as the revised estimate for Rs. 9.74 lakhs submitted by the Superintending Engineer in January 1978 was awaiting approval of the Chief Engineer. Extra expenditure on resumption of work cannot be recovered from the original contractor as he had been absolved of responsibility for further work due to departmental delay in making available land and materials and the department's instruction to stop work pending revision of the defective original estimate. Rupees 2.49 lakhs already expended on the work remained largely unproductive.

WATER AND TRANSPORT DEPARTMENT

4.5. Pamba irrigation project

Pamba irrigation project (sanctioned in August 1965 at an estimated cost of Rs. 383.13 lakhs) comprising a pick-up barrage and a canal system and intended to utilise the tail-race waters of the Sabarigiri hydroelectric 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 completion of the work and revision of the estimates in April 1974 to Rs. 1,999.80 lakhs to irrigate 44,000 acres were mentioned in paragraph 30 of the Report of the Comptroller and Auditor General of India for the year 1972-73 (Civil). According to the Superintending Engineer (July 1978), the cost of the project is expected to go upto Rs. 3,350 lakhs owing to further increase in the cost of materials, labour and land and about 50,100 acres are expected to be benefited by the project.

While work on the barrage, Main Canal, Right Bank Canal and branch canals in the Right Bank have been completed, about 47 per cent of the Left Bank Canal (19.8 kilometres) and 67 per cent of the branch canals in the Left Bank (114 kilometres) remain to be completed (June 1978). The project was partially commissioned in January 1976. Expenditure incurred on the project to end of June 1978 was Rs. 1,967.24 lakhs.

A few points noticed in test check in July-August 1978 of the records relating to the execution of this project are mentioned below:—

(i) Under the conditions of contract entered into by the department with the contractors entrusted with construction of aqueducts, obstructions such as boulders of more than 40 dm^3 and logs of wood of more than 100 dm^3 in size were to be cut down/broken for which contractors were to be paid for the labour supplied by them. In the following cases, Rs. 0.36 lakh were paid to the contractors towards hire charges of machinery, tools and plant and cost of materials like engine oil, compressor oil and cotton waste utilised by them for cutting down/breaking boulders and other obstructions met with during execution in addition to the labour charges which alone were payable under the contract.

	Name of work	*Amount paid towards hire charges and cost of materials (in lakhs of rupees)*	*Date of last payment*
1.	Constructing an aqueduct at Thumpumpattupady between chainage 4197 and 4427 M	0.21	July 1977
2.	Constructing an aqueduct at Elanthoor between chainage 8278.50 and 8450.40 M across paddy fields at Elanthoor	0.05	April 1978
3.	Constructing an aqueduct at Nellimala Hills across Nellimala fields	0.10	March 1976

These payments, thus constituted unauthorised aid to the contractors.

(ii) Under the terms of the contracts entered into with the contractors entrusted with works involving rock blasting, they were to do controlled blasting taking proper precautions for protecting life and property and within specified time limits and any damages to adjacent structures and dwellings were to be compensated by them. In the following cases, the department paid Rs. 4.26 lakhs over and above what was admissible under the contract for controlled blasting on the contractors' plea that they were doing blasting in the areas where the canal passed through heavy built up area where dwelling houses were situated and had to do controlled blasting to prevent damage to the adjoining areas. The details of payments are indicated below:—

	Name of work	*Extra rate (over and above unit rate for rock blasting) paid*	*Quantity of work paid for (cubic metres)*	*Amount of extra payment (in lakhs of rupees)*	*Date of last payment*
		Rs.			
1.	Formation of LBC-VI Reach-chainage 4928 to 5640 M	180.16 / 10 M^3	13,900	2.50	March 1978
2.	Formation of LBC-chainage 4450 to 4928 M	135.23 / 10 M^3	3,016.879	0.41	September 1976
3.	Formation of LBC-chainage 5640 to 6959 M	183.83 / 10 M^3	6,719.07	1.24	March 1978
4.	Formation of LBC-chainage 33.40 to 1000 M	9.78 / M3	1,097.15	0.11	July 1976
	Total			4.26	

Payment of Rs. 4.26 lakhs was outside the terms of the contracts which provided for specific rates for controlled blasting including protective works.

(iii) The work "Formation of Njoozhoor Branch Canal—II Reach-Chainage 1000 to 2000 metres including cross drainage works" (estimated cost: Rs. 1.79 lakhs) awarded to a contractor in July 1973 at 13 per cent below estimate rates was to be completed in nine months. The work commenced in November 1973 and extension of time was granted repeatedly to the contractor and the last extension granted was for completing the work by 25th December 1975. On the ground that the contractor was not showing

the desired progress and to ensure completion of work on the canal reach by January 1976, the department decided (December 1975) to supplement the work done by the contractor by taking up departmental execution of rock blasting at the contractor's risk and cost. The department commenced work on 23rd December 1975 and completed it in March 1976. The work entrusted to the contractor was completed by him in September 1976. The cost of work executed by the department assessed for recovery from the contractor was Rs. 0.47 lakh.

In October 1976, the contractor represented to the department that as the department had commenced work even before the expiry of the extended period of time granted to him and without taking final measurement of the quantity of rock blasting executed by him, no amount was recoverable from him. On the department rejecting (February 1977) his request, he went in for arbitration. In the award passed (June 1977) by the Arbitrator, the cost of supplemental work executed by the department to be recovered from the contractor was limited to Rs. 0.06 lakh on the ground that the quantity of blasting done by supplementing the work was not specified. The award was confirmed by the Sub Court in September 1977. Due to departmental lapse in following the correct procedure for terminating the contract and executing the balance of work, the extra expenditure of Rs. 0.41 lakh could not be recovered from the defaulting contractor.

(iv) The agreed rate for the item "Driving tunnel through rock as per specification....." specified in the contract for the work "Driving 6th tunnel across Athimoodu Hills" entrusted (June 1974) to a contractor covered dewatering and no specific charges for dewatering were payable. It was noticed that Rs. 0.20 lakh were paid to the contractor as extra charges for dewatering based on the contractor's representation (September 1975) that owing to the presence of several springs throughout the tunnel he had to instal pumps of high velocity and spend a high amount on dewatering.

The extra payment of Rs. 0.20 lakh was beyond the terms of the contract.

(v) One of the items included in the agreements executed by the contractor for the 6th and 7th reaches of the Left Bank Canal was "blasting and removing hard rock including wedging, chiselling out projections at sides and bed of canal and dewatering charges wherever found necessary....." and the rates payable were Rs. 213.50 for 10 cubic metres and Rs. 197.62 for 10 cubic metres respectively. The contractor was, however, paid for

rock blasting (9438 cubic metres) at the higher rates of Rs. 598.50 for 10 cubic metres and Rs. 621.73 for 10 cubic metres on the ground that blasting was done under wet conditions. As the agreed rates for blasting and removing hard rock were inclusive of dewatering, payment for this item at higher rates was not admissible. The extra payment on this account amounted to Rs. 3.67 lakhs.

The points mentioned above were reported to Government in October 1978; their reply is awaited (March 1979).

4.6. Scheme for development of inland water transport facilities for the industrial region near Cochin

Based on a project report drawn up by the Additional Chief Engineer, Public Works Department (Irrigation), Trivandrum in October 1970, Government of India sanctioned in May 1971 the first phase of the scheme for improving inland water transport facilities for the industrial region near Cochin at a cost of Rs. 112.50 lakhs. The scheme was to be implemented in two phases—the first phase (cost: Rs. 112.50 lakhs) dealing with minimum and immediate requirements for facilitating motorised water transport in the region and the second phase (estimated cost: Rs. 38 lakhs) providing for increased navigation width to meet the increase in the volume of traffic. The scheme was to be implemented as a Centrally sponsored scheme during the Fourth Five Year Plan period. The scheme envisaged connecting Cochin Port with the industrial region at Ambalamugal by an improved waterway of about 20 kms. length. Widening and deepening the Kaithapuzha Kayal and the Champakara Canal for a length of about 14 kms. constituted the main item of work under the scheme. The other works provided for were works for protecting the sides of the canal from soil erosion and slipping of banks and construction and repairs of bridges.

Administrative sanction for the first phase of the scheme was accorded by the State Government in July 1971. All the essential items of work like earthwork excavation, construction of bridges, raising pipe line, etc., contemplated in the first phase of the scheme and necessary to make the waterway fit for heavy barge traffic were to be completed by December 1973 and the entire work in first phase by 1975. The work was not completed in

March 1979. The progress achieved (December 1978) in the execution of the various components of the work is indicated below:—

Item of work	*Work completed*	*Reasons for the delay in completion*
1. Land acquisition	100 per cent	..
2. Reconstruction of bridges	100 ,,	..
3. Protective works	65 ,,	Lack of response to tender calls.
4. Dredging		Insufficient number of serviceable dredgers, constant breakdown of dredgers and obstructions in the canal met with during dredging like embedded boulders and other materials.
Single lane	100 ,,	
Double lane	75 ,,	

Dredging of single lane was completed by December 1977 and dredging of the second lane was in progress (March 1979). The canal was not opened even for single lane traffic (November 1978) pending receipt of fitness certificate from the Chief Hydrographer, Trivandrum who had been addressed in the matter by the Executive Engineer, Champakara Canal Division in February 1978. Government stated (November 1978) that action was being taken to get the fitness certificate.

According to the revised project report submitted to Government of India in March 1977, the total anticipated outlay on the scheme was Rs. 243 lakhs as against the sanction of Rs. 112.50 lakhs. The increase in cost was attributed to (i) revision of the departmental schedule of rates (ii) increase in the quantities of work during execution (iii) additional works proposed (iv) compensation payments not originally anticipated and increased expenditure on the basis of actuals on certain items of work. Sanction of Government of India for the revised estimate was awaited (January 1979). Expenditure incurred on the scheme till the end of March 1978 amounted to Rs. 178.74* lakhs against which Central assistance (loan) of Rs. 112.50 lakhs has been received.

The following points were noticed in the course of audit conducted in February-March 1978.

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* Figures furnished by the department.

A. *Deepening of Champakara Canal*

The work of deepening the canal from Champakara to Ambalamugal boat basin was put to tender in January 1974 by the Superintending Engineer, Irrigation, Central Circle, Trichur but there was no response to the tender call. The work was, therefore, split up into three sections and separate tenders were invited (November 1974) for the sections. The only tender received was from a Bangalore firm which quoted (March 1975) a rate of Rs. 14.52 per cubic metre for dredging the three sections.

The offer of the firm was rejected (May 1975) by the Superintending Engineer, Irrigation, Central Circle. However, on the basis of negotiation conducted by the Chief Engineer (June 1975) with the firm, the work of dredging the canal was awarded (August 1975) to them at the rate of Rs. 15 per cubic metre. The firm was to commence work in November 1975 and complete it within eight months. The firm executed the agreement in September 1975, commenced work in December 1975, and completed dredging by July 1977. The firm was granted extension of time twice with the approval of Government, the first extension up to 30th June 1977 and the second up to 23rd July 1977 on grounds of difficulties in dredging, due to presence of boulders, tower line, coconut roots and fibres in the canal bed, insufficient dumping area, etc.

The Superintending Engineer intimated (May 1975) the firm that the Chief Engineer had not accepted their tender quoting a rate of Rs. 14.52 per cubic metre and he simultaneously addressed the Chief Engineer for confirming the presumption that the tender of the firm was to be rejected. The Chief Engineer had not communicated any orders to the Superintending Engineer that the rate of Rs. 14.52 per cubic metre quoted by the firm in response to the tender call of November 1974 was to be rejected.

Rejection of the lower rate of Rs. 14.52 per cubic metre quoted by the firm in May 1975 without any recorded reasons and the acceptance from the firm of the higher rate of Rs. 15 per cubic metre in July 1975 resulted in an extra expenditure of Rs. 1.69 lakhs on the earthwork excavation of 3.53 lakh cubic metres executed by the firm up to end of July 1977.

B. *Execution of protective works*

The protective works contemplated in the project report were got done through different contractors. The project report envisaged completion of protective works simultaneously with the deepening of the canal so as to

avoid erosion and slipping of the banks. However, in actual execution, though single lane dredging was completed by December 1977, only about 30 per cent of the protective works had been completed by that date.

C. *Comparison of establishment and works expenditure*

The following table compares the expenditure on works with the expenditure on establishment for the years 1972-73 to 1977-78.

Year	*Works* expenditure*	*Establishment charges*	*Percentage of establishment expenditure to works expenditure*
	(*in lakhs of rupees*)		
1972-73	Nil	0.61	..
1973-74	2.08	2.68	128
1974-75	3.86	5.10	132
1975-76	14.41	5.50	38
1976-77	35.14	5.74	16
1977-78	26.02	5.70	22

Government while conceding that the establishment expenditure was high in the initial stages compared to the works expenditure, stated (December 1978) that the staff now employed was the minimum required.

D. *Summing up*

To sum up, (i) Though the 1st phase of the project was to be completed by 1975 about 35 per cent of the protective works and about 25 per cent of dredging work in respect of double lane are yet to be got done and the canal has not been opened (November 1978) even for single lane traffic though the dredging for single lane had been completed by December 1977;

(ii) owing to delay in completion of the work, the actual cost of the first phase of the scheme has gone up to Rs. 178.74 lakhs as at the end of March 1978 against the estimated cost of Rs. 112.50 lakhs while part of the work included in the first phase still remains to be completed;

* Excludes expenditure of Rs. 53.77 lakhs on the works of construction and removal of bridges, pipe lines, etc., executed by Railways, Cochin Refineries Limited and other divisions and Rs. 19.77 lakhs on land acquisition and compensation payments.

(iii) non-acceptance of the lower rate of Rs. 14.52 per cubic metre quoted for dredging resulted in extra expenditure of Rs. 1.69 lakhs and

(iv) expenditure on establishment exceeded the works expenditure during 1973-74 and 1974-75 and continued to be high during 1977-78 when it worked out to about 22 per cent of the works expenditure.

PAZHASSI IRRIGATION PROJECT

4.7. Extra expenditure

The work of "forming main canal from LS 8249.16 metres to 8645.16 metres (new chainage) with cut and cover" (estimate: Rs. 56.42 lakhs) was awarded to a contractor (lowest tenderer) in February 1975 for Rs. 54.32 lakhs (on percentage basis at 6.1 per cent below estimate). An item included in the tender and the agreement schedules was earthwork excavation in all classes of soil (except only hard granite rock requiring blasting) at a rate of Rs. 121.52 per 10 cubic metres. For blasting hard granite rock, the rate specified in the schedules was Rs. 268.77 per 10 cubic metres. The work, started in February 1975, was scheduled to be completed in February 1977. In May 1975, the contractor represented to the Superintending Engineer that during excavation of the canal he had met with a variety of narikkal rock which could be removed only by blasting as it was not amenable to crow-bars and pickaxes and that he should be paid at the rate agreed to for blasting hard granite rock. Under instructions from the Superintending Engineer (November 1975), the Executive Engineer worked out a rate of Rs. 244.97 per 10 cubic metres (stated to be based on actual observation at site) for this particular type of rock strata. The rate was also approved by the Chief Engineer in February 1976. A supplemental agreement was accordingly executed with the contractor by the Superintending Engineer in February 1976 for an estimated quantity of 32,200 cubic metres. An amount of Rs. 7.14 lakhs has been paid for 29,136 cubic metres of excavation in narikkal rock till June 1978. Blasting of narikkal rock was not provided for in the sanctioned estimate and agreement executed by the contractor and hence payment at the rate of Rs. 244.97 per 10 cubic metres for blasting 'Narikkal' rock based on observed data was outside the terms of the contract. Excess payment on this account amounted to Rs. 3.38 lakhs till June 1978.

The matter was reported to Government in September 1978; their reply is awaited (March 1979).

KALLADA IRRIGATION PROJECT

4.8. Extra commitment in terms of arbitration award

The contract for the work 'Forming right bank canal 14 km. from chainage 13,000 to 13,190, 13,553 to 13,823 and 13,958 to 14,000 metres of the Kallada irrigation project" (estimated cost: Rs. 11.63 lakhs) awarded (September 1973) to a contractor for Rs. 8.95 lakhs (24 per cent below the estimate rate) provided mainly for earthwork excavation, blasting of rock and lining the bottom of canals. The rate for the item "Blasting and removing hard rock...." stipulated in the agreement executed by the contractor in November 1973 was Rs. 138.22 for 10 cubic metres. According to clause 20 of Canal Specifications for Kallada irrigation project which formed part of the tender and agreement, the contractor was to do controlled blasting of rock taking all protective measures.

During the course of execution of the work the department noticed that the contractor failed to take adequate protective measures and the blasting work done by him was causing damage to nearby properties. Under oral orders from the Superintending Engineer, Project Circle, Kottarakkara, the departmental officers instructed the contractor to do controlled blasting. On a petition (May 1975) from the contractor requesting for revised rates for controlled blasting the Superintending Engineer confirmed (May 1975) the issue of oral orders and directed the Executive Engineer to submit data for and details of controlled blasting done and endorsed a copy of this order to the contractor. Accordingly, the Assistant Engineer attached to the division worked out (May 1975) the rate for controlled blasting at Rs. 359.20 for 10 cubic metres based on actual observation at site of the work executed during a day. However, on another petition (August 1975) from the contractor requesting for payment for controlled blasting at extra rates, the Superintending Engineer (there was a change of incumbent in the meantime) rejected the claim for enhanced rates on the ground that the contractor was bound to do controlled blasting at the original contracted rate. It may be mentioned that in terms of the contract, the contractor was required to do controlled blasting at the rates specified in the contract. As the item was provided for in the contract, there was no need to have collected observed data in this case as was actually done. The contractor stopped work in September 1975 and the Superintending Engineer terminated the contract in November 1975 at the contractor's risk and cost. In December 1975, the contractor took the dispute to the Chief Engineer (Arbitration) claiming

payment for controlled blasting at the observed data rate worked out by the department under the directions issued by the Superintending Engineer in May 1975. The department in their counter-statement of facts filed before the Arbitrator held that the fact that the observed data were proposed to be worked out by the Superintending Engineer did not entitle the contractor to any enhanced rate for the item. In his award (April 1976), the Arbitrator ordered payment for 8100 cubic metres of controlled blasting done by the contractor at the observed data rate of Rs. 359.20 for 10 cubic metres and also relieved the contractor from the responsibility to execute the remaining work. The award was confirmed by the Court in July 1976. Rupees 2.09 lakhs were paid to the contractor in October 1976 in satisfaction of the Court decree.

The work left incomplete in September 1975 by the contractor was awarded (September 1977) to another contractor for Rs. 10.55 lakhs (15 per cent above estimate rate) and is due for completion in March 1979.

It would appear from the foregoing facts that the action of the Superintending Engineer in having directed the Executive Engineer to work out fresh data on observation, for controlled blasting when it was not necessary and in having intimated the contractor about his instructions for the preparation of such observed data as well as the failure of the department to bring to the notice of the Arbitrator the purposes for which and the circumstances in which such data was prepared ultimately resulted in:

(1) extra expenditure of Rs. 2.09 lakhs in terms of the arbitration award,

(2) extra financial commitment of Rs. 6.73 lakhs on the basis of estimated quantities owing to the award of the remaining work at higher rates to the second contractor and

(3) delay in the completion of the work started in October 1973.

Government stated (October 1978) that the observed data were prepared merely for departmental purposes for reference and that the department had no intention of making payment to the contractor based on such data. Government also stated that the actual extra cost on account of the execution of balance work by alternative agency could be worked out only after the work was completed; as already mentioned, the extra cost cannot be recovered from the defaulting contractor who has been absolved of responsibility for further work on the contract.

CHIMONI DAM PROJECT

4.9. Defective estimate

An estimate for Rs. 13 lakhs for the work of foundation excavation of left and right banks of the Masonry Dam of the Chimoni Dam Project sanctioned by the Chief Engineer in December 1975 provided mainly for "earthwork excavation in all classes of soil" (Rs. 8.57 lakhs) and "blasting hard rock" (Rs. 3.12 lakhs). The quantities of earthwork excavation and rock blasting as per the estimate were 33,000c.ms. and 6,500 c.ms. respectively for the left bank and 66,000 c.ms. and 8,500 c.ms. respectively for the right bank.

During actual execution of the work through a contractor, to whom the work on the left and the right banks was awarded (January 1976) under two separate contracts at 7.4 per cent above the estimate rates, wide variation was noticed between the quantities of earthwork and rock blasting executed and the estimated quantities. Till the end of October 1976, the quantity of earthwork excavation executed in the left bank was about 45,000 c.ms. against the estimated quantity of 33,000c.ms. Likewise, the quantity of rock blasting executed by March 1977 in the right bank was 13,739 c.ms. against 8,500 c.ms. estimated. Consequent on the increase in the quantities of earthwork excavation and rock blasting, the contractor demanded (November 1976) payment at current schedule of rates plus 25 per cent (the schedule of rates having been revised from 1st July 1976) for work in excess of the agreed quantity in respect of the left bank. Similar demand was made (March 1977) by him in respect of the work on the right bank also for enhanced rates at 10 per cent over the current schedule of rates for works already executed and at 20 per cent over the schedule of rates for work to be executed.

The contractor also disputed the payment made for blasting of hard rock in the right bank. There was ambiguity in the tender schedule regarding the stacking of blasted rubble. Item 3 of the tender schedule forming part of the agreement provided for "blasting in hard rock for foundation by controlled blasting measured in solid and depositing and stacking materials for measurement in the dumping yard....." while item 4 of the tender schedule also provided for "collecting and stacking useful rubble obtained by blasting at places pointed out by the departmental officers." As the item of work of blasting of rock as indicated in the contract included

stacking of rubble, the department made a deduction from the contractor's claims for his failure to stack rubble obtained by blasting of rock. The contractor's contention was that as item 4 of the tender schedule provided separately for stacking of useful rubble at specified rate, the rate quoted by him for blasting in hard rock was not inclusive of stacking the blasted material.

The department turned down the contractor's demand for enhanced rates on the ground that according to the contract the contractor was bound to carry out all excess over the agreed quantity at the agreed rate. As regards the dispute regarding stacking charges, the department held (March 1977) that the specifications in the tender schedule were clear and if the work was not done as per specifications, corresponding deduction was to be made. As the contractor did not resume the work on the left and right banks which he had stopped in January 1977 and June 1977 respectively, the Superintending Engineer, Irrigation, Central Circle, Trichur terminated the contract for the left bank in March 1977 and for the right bank in July 1977 at the contractor's risk and cost. Contending mainly that the variation in the quantities of earthwork excavation and rock blasting had vitiated the basis of his tender owing to his having to execute increased quantities under these two categories at agreed rates when the department had revised their schedule of rates from 1st July 1976, the contractor took up (April 1977 and August 1977) the dispute with the Chief Engineer (Arbitration) for payment of enhanced rates as indicated by him to the department and relief from the burden of the contract. The Chief Engineer, (Arbitration), in the awards passed in July 1977 and November 1977, rejected the claim for enhanced rates, but relieved the contractor of the responsibility for execution of the work. In respect of the work on the right bank, the Arbitrator further ordered refund to the contractor of Rs. 0.15 lakh recovered from him towards non-stacking charges of rubble. The contractor's claims in respect of the work on the left bank were finally settled in terms of the award in October 1977, while the award in respect of the work on the right bank was confirmed by the Court (August 1978).

A revised estimate amounting to Rs. 16.50 lakhs including the cost of incomplete work in both left and right banks, based on revised schedule of rates (1976), was sanctioned by the Chief Engineer in September 1977. Based on tenders invited in August 1977, the balance work estimated to cost Rs. 7.07 lakhs was awarded to another contractor in September 1977 for

ts. 7.39 lakhs at 4.5 per cent above the estimate. Though the work commnced in February 1978 the contract was terminated by the department at he contractor's risk and cost in July 1978 on the contractor abandoning the vork in May 1978.

Defective estimation of the quantity of work involved thus ultimately ed to termination of the contract of the original contractor without any risk to him and extra liability of Rs. 1.15 lakhs due to the award of the work to the second contractor which could not be recovered from the original contractor. The work sanctioned in December 1975 and on which Rs. 9.49 lakhs have been incurred remains suspended after May 1978. Lack of clear specifications in the tender schedule also resulted in dispute regarding stacking charges of rubble and liability to refund Rs. 0.15 lakh to the contractor on this account in terms of the Arbitrator's award. The Executive Engineer, Chimoni Dam Project Division, attributed (January 1977) the wide variation in quantities of earthwork in the left bank to wrong interpolation of rock levels which escaped notice during scrutiny of the estimate at the offices of the Superintending Engineer and the Chief Engineer and stated that it was not clear as to who was responsible for the interpolation. Reasons for the variation in quantities in respect of the work of the right bank are awaited.

The matter was reported to Government in August 1978; their reply is awaited (March 1979).

PERIYAR VALLEY IRRIGATION PROJECT

4.10. Non-enforcement of the terms of contract

An estimate for Rs. 7.58 lakhs for lining the Alwaye Branch Canal (4th kilometre to 7.65 kilometre) of the Periyar Valley Irrigation Project (which had been commissioned in June 1966) was sanctioned by the Superintending Engineer in February 1977 and the work awarded to the lowest tenderer in February 1977 at 7.51 per cent below estimate rate (amount of contract: Rs. 7.40 lakhs). The time of completion of the work specified in the tender and in the selection notice issued to the contractor was 18 months. On receipt of the notice of award of the work, the tenderer represented (March 1977) that as he had since come to know that working season available was only 2 months in a year excluding the period (June to March) when water was being let through the canal, his earnest money should be refunded or he should be allowed the period of 18 months in full to enable

him to complete the work of lining the canal. Holding that the contractor's contention was baseless, the Superintending Engineer intimated (March 1977) him that the time for completion was fixed by the department taking all aspects into account including effective working time available and warned him that unless he executed the agreement on or before 31st March 1977 his earnest money would be forfeited to Government and the work rearranged by alternative agency at his risk and cost. The contractor reiterated (April 1977) his earlier stand that, as the full period of 18 months was not available for execution of work, he was not liable to execute the agreement and that there was no concluded contract between him and the department so long as the agreement was not executed. The Superintending Engineer invoking the relevant clause in the accepted tender, ordered (April 1977) forfeiture of the earnest money deposit of Rs. 0.10 lakh and rearrangement of the work through the second lowest tenderer (whose rate was 2.9 per cent above the estimate rate), at the risk and cost of the lowest tenderer. The work was awarded to the second lowest tenderer in May 1977 and it is in progress. The additional cost involved, computed by the department with reference to the rates of the lowest tenderer, amounted to Rs. 0.51 lakh.

On a petition submitted (April 1977) by the contractor to Government the Joint Secretary, Law Department and Law Officer, Public Works Department held (May 1977) that when a selection notice was issued to the contractor by the officer authorised by Government to enter into agreement with the contractor, there was a concluded contract even though no agreement was executed with him, and that in the instant case, as selection notice had already been issued, a contract had come into existence and any loss caused to Government as a result of the default of the contractor to execute necessary agreement was recoverable from him as arrears of land revenue. Thereupon, the Superintending Engineer addressed (October 1977) the District Collector, Ernakulam to recover Rs. 0.41 lakh from the contractor invoking the provisions of the Revenue Recovery Act. The contractor, in the meantime, represented again to Government in July 1977 against the proposed action for recovery. Government observed in May 1978 that, there was misunderstanding of the implications of the terms of the tender notification and, in the special circumstances of the case, it was not correct to penalise the contractor by making him liable for the entire additional expenditure. Government ordered that the action taken for the recovery of Rs. 0.41 lakh (extra cost minus the forfeited earnest money deposit) should be dropped as a special case. It may be mentioned that the tender specifications were clear and there was no scope for misunderstanding. According

to the report (July 1977) of the Chief Engineer sent to Government, the time for completion was fixed taking into account the fact that while the lining of the canal bed could be done only during off-season, the precast slab casting could be attended to on all days of the year. The second contractor to whom the work was awarded (April 1977) was also allowed a period of 18 months inclusive of the period of 10 months for letting out the water through the canal. Also, the contractor was required to tender only after studying the site conditions.

4.11. Extra expenditure due to defective tender notice

Mention was made in paragraph 5.3 of the Report of the Comptroller and Auditor General of India for the year 1975-76 (Civil) of an extra expenditure of Rs. 0.22 lakh resulting from the issue of notice inviting tenders otherwise than in the name of the Governor of Kerala.

Another instance where Government had to incur extra expenditure of Rs. 0.63 lakh owing to the same defect in the tender notice is dealt with below:—

The work of constructing groynes at Parampuzha in Meenachil river (estimate cost: Rs. 0.84 lakh) was awarded (March 1974) by the Executive Engineer, Irrigation Division, Alleppey to the lowest tenderer at half per cent below the estimate rate. As the tenderer did not turn up to execute the agreement, the award of work was cancelled (July 1974) by the Executive Engineer and the earnest money deposit forfeited. The work (estimate revised to Rs. 1.53 lakhs in October 1975 based on schedule of rates current from July 1974) was awarded (April 1976) to another contractor on fresh tender at 15 per cent above estimate rates and completed in July 1977 at a cost of Rs. 1.44 lakhs.

The extra expenditure on account of the execution of the work under fresh contract amounted to Rs. 0.63 lakh which was recoverable from the original tenderer in terms of clause 13 of the notice inviting tenders. No amount could, however, be recovered from the tenderer as the notice inviting tenders had not been issued in the name of the Governor of Kerala. On that account, the District Government Pleader, Alleppey (May 1976) held that the contract was not in conformity with Article 299 (i) of the Constitution of India and was void from its inception.

The modified form of 'Notice inviting tenders' providing for issue of tender notices in the name of 'Governor of Kerala' had been prescribed by Government in September 1970. The Executive Engineer, Irrigation Division, Alleppey stated (July 1978) that the importance of calling for tenders 'for and on behalf of the Governor' was brought to the notice of the division only in January 1975.

Government stated (February 1979) that the orders of Government issued in September 1970 which were received by the Chief Engineer, Buildings and Roads Wing, had been endorsed by him to the Superintending Engineers of the Buildings and Roads Wing only and that according to the Chief Engineer, Irrigation, the Government order in question had not been received by the Irrigation Wing.

GENERAL EDUCATION DEPARTMENT

4.12. Construction of buildings for Government High School, Vellathooval

For the construction of four buildings for Government High School Vellathooval, sanctioned (January 1972) by Government at an estimated cost of Rs. 2.45 lakhs, the Executive Engineer, Buildings and Roads Division, Muvattupuzha selected a site which had a slopy terrain with heavy surcharge of water during the rainy season and awarded (April 1972) the work to a contractor. A detailed investigation into the nature of the soil and subsoil to determine the suitability of the site, prescribed in the Kerala Public Works Department Manual was not conducted before the work was awarded. When the contractor had completed (August 1973) construction of two buildings and the foundation and basement for the third building and the foundation for the fourth building, the retaining wall constructed in dry rubble to a height ranging from 4.8 metres to 6 metres behind the third building and between the third and fourth buildings collapsed for a length of about 12 metres. Further work on the construction of the third and fourth buildings had, therefore, to be stopped. The walls were reconstructed with rubble in cement mortar but collapsed again in February 1974. The department, thereupon, had the soil tested at the Kerala Engineering Research Institute, Peechi (April 1974). The result of the soil test showed that the soil was silty and cohesionless, that the height of the retaining wall was not to have exceeded 3 metres from the bottom and that the construction of the third building in the upper terrace

would have to be abandoned so as to provide for flattening and stabilising the slopes. Accordingly, the department abandoned further work on the third building (expenditure incurred: Rs. 0.06 lakh). Construction of the fourth building has not so far (February 1979) been resumed for want of sanction from the Superintending Engineer, Central Circle for a revised estimate of Rs. 3.03 lakhs forwarded to him in March 1976 by the Executive Engineer.

In the meantime, the contractor claimed (December 1974) payment for the cost of the collapsed retaining walls and relief from the responsibility for the execution of the remaining works and for final settlement of his claims. In November 1976, he took up his claim with the Chief Engineer(Arbitration) who awarded (April 1977)payment of Rs. 0.19 lakh to the contractor towards the cost of the collapsed retaining walls and relieved him from the obligation to do the balance works. Againt Rs. 0.64 lakh recoverable from the contractor towards the cost of unreturned materials as assessed by the department the Arbitrator fixed the amount at Rs. 0.29 lakh only. The award was challenged by the department but was confirmed by the Court (July 1977) and the award amount paid in October 1978.

Selection of site without investigation has resulted in a liability of Rs. 0.19 lakh to the department towards the cost of collapsed retaining wall and infructuous expenditure of Rs. 0.06 lakh on the abandoned third building; the fourth building is yet to be taken up for construction and the department has forfeited the right to recover the extra cost, if any, on this building from the original contractor who has been absolved of the responsibility to do this work due to the defective site selected by the department.

GENERAL

4.13. Miscellaneous Works Advances

The head 'Miscellaneous Works Advances' is intended to record transactions arising in Public Works and Public Health Divisions on account of

(i) Sale of stores of any kind on credit pending realisation of cost, (ii) expenditure incurred on deposit works in excess of deposits received pending recovery of such expenditure, (iii) losses and deficiencies in cash or stock, retrenchments and errors in accounts awaiting recovery, regularisation or adjustment and (iv) other items of debits the allocation of which is not known or which are to be recovered or regularised.

As at the end of March 1978, Rs. 260.19* lakhs were outstanding under this head as shown below:—

	Amount (in lakhs of rupees)
Sales on credit	8.14
Expenditure on deposit works in excess of deposits received	21.01
Losses, retrenchments, errors, etc.	17.02
Other items	214.02**

Transactions relating to the period from 1950 onwards are still outstanding clearance. Year-wise details of Rs. 238.72 lakhs outstanding under this head in 83 Divisions, according to the details received from them, are given below:—

Period	*Amount (in lakhs of rupees)*
Items up to 1960-61	27.04
1961-62 to 1967-68	10.08
1968-69 to 1973-74	27.22
1974-75 to 1977-78	174.38
Total	238.72

The balances outstanding exceeded Rs. 1 lakh in 18 Divisions in Buildings and Roads Wing, one Division in the National Highways Wing, 5 Divisions

* Excludes balances of two divisions.

** Includes Rs. 106.74 lakhs cleared subsequently on finalisation of the accounting procedure for repayment of loans received from L. I. C. for water supply schemes.

in Irrigation and Projects Wing and 18 Divisions in Public Health Wing. Details of some Divisions with heavy balances are given below:—

	Name of Division	*Amount*	*Amount outstanding upto* 1960-61
		(*in lakhs of rupees*)	
1.	Public Works District Stores, Trivandrum	8.72	5.59
2.	Buildings Division, Trivandrum	3.12	0.01
3.	Buildings and Roads Division, Alleppey	3.49	0.93
4.	Buildings and Roads Division, Manjeri	3.37	0.83
5.	Buildings and Roads Division, Kozhikode	5.79	1.35
6.	Irrigation Division, Trichur	4.20	0.02
7.	Public Health Division, Alleppey	20.77	..
8.	Public Health Division, Ernakulam	12.65	0.03
9.	Public Health Central Stores Division, Cochin	4.57	..

The balance under "Sales on Credit" includes amounts due from the Kerala State Electricity Board, the Corporation of Cochin, Kottayam Municipality and 94 other institutions and private parties. Details of a few important cases are given in Appendix-VIII.

The excess expenditure incurred on deposit works is pending recovery from several local bodies and private institutions. Appendix-IX gives details of some of these cases.

Dues from local bodies, contractors, the staff of divisions and from Railways pending recovery, value of shortage/losses in stock pending regularisation, expenditure incurred in connection with the visit of high dignitaries and on maintenance of Government buildings which remains to be regularised are some of the items which are outstanding clearance under the heads "Losses, retrenchments and errors, etc.," and 'other items'. Details of some of the important cases are in Appendix-X.

Retention of heavy balance under "Miscellaneous Works Advances" carries with it the risk of amounts due to Government not being realised besides providing a cover for irregularities like incurring of expenditure without sanction, provision of funds, etc.

The matter was reported to Government in October 1978; reply is awaited from the Local Administration and Social Welfare Department and Water and Transport Department of Government (March 1979).

CHAPTER V

STORES AND STOCK

5.1. (a) A synopsis of the stores and stock accounts of the principal departments (other than those of Government Commercial and *Quasi*-commercial departments/undertakings) for 1977-78 to the extent received is given in Appendix XI.

(b) Details of the stores and stock accounts for 1977-78 and earlier years which had not been furnished to Audit till December 1978 and of those which, though furnished, could not be certified as they were found defective in certain respects are indicated in Appendix XII.

(c) Certain points noticed in the audit of the stores and stock accounts of Public Works divisions* are mentioned in the following paragraphs:—

(i) in twenty-six of the fifty-~~seven~~ eight divisions which held stock in 1977-78, the value of stores as on 31st March 1978 exceeded the reserve limit of stock fixed by Government. Relevant details are given below:—

Sl. No.	*Department*	*Total No. of divisions in which stock was held*	*Divisions in which the value of stock held exceeded the the reserve limit*		*Divisions in which the value of stock held exceeded the reserve limit by more than* 100 *per cent*	
			No. of divisions	*Value of excess stock* (in lakhs of rupees)	*No. of divisions*	*Value of excess stock* (in lakhs of rupees)
1	Irrigation and Projects	20	11	90.16	3	33.53
2	Public Health Engineering	16	9	73.21	2	26.79
3	Buildings and Roads	22	6	59.70	2	38.65

The Buildings and Roads Division, Quilon held stock valued at Rs. 31.13 lakhs against the reserve limit of Rs. 4.00 lakhs and the Kallada Irrigation Project Division II, Kottarakkara held stock of Rs. 11.80 lakhs against the reserve limit of Rs. 1.00 lakh.

*Details in respect of three Irrigation and Projects divisions awaited.

The main reasons adduced by the divisions for the retention of stock over the reserve limit were, (1) increase in the cost of materials and non-revision of the reserve stock limit, (2) receipt of stock during the last quarter of the year, (3) procurement and stocking of stores required for various water supply schemes and (4) procurement and stocking of stores to cope with the increase in volume of work.

(ii) The half-yearly register of stock constitute the basic record of stock receipts, issues and balances pertaining to the Division, maintained subdivision-wise. The balances as per division books are to be reconciled half-yearly with sub division records. The half yearly registers are also to be reviewed by the Division to see that the materials are priced in accordance with rules and that the stock items comprise only necessary articles required for use in the division. The preparation of half-yearly registers of stock was in arrears in twelve Public Health Engineering divisions, ten Irrigation and Projects divisions and nine Buildings and Roads divisions, as indicated below:—

Sl. no.	*Department*	*No. of divisions in which arrears existed*	*Period from which the work is in arrears*		*No. of division (s)*
1	Public Health Engineering	12	October	1970	1
			April	1976	2
			October	1976	2
			April	1977	6
			October	1977	1
2	Irrigation and Projects	10	October	1964	1
			April	1976	3
			October	1976	2
			April	1977	1
			October	1977	3
3	Buildings and Roads	9	April	1975	2*
			April	1976	3
			October	1976	2
			April	1977	2

*In one of these divisions (P.W.D. District Stores, Quilon) the preparation of the half-yearly Register of stock was in arrears from April 1975 to March 1976.

(iii) For 1977-78, annual physical verification of stock was not conducted in eleven Public Health Engineering divisions, in four Buildings and Roads divisions and in three Irrigation and Projects divisions. Of these, physical verification was last conducted in July 1971 and August 1973 in two Irrigation divisions, in 1974 in four Public Health Engineering divisions and May 1976 and September 1976 in two Buildings and Roads divisions. In one Public Health Engineering division, no physical verification of stores has been conducted since its formation in July 1974.

(iv) Minus balances were noticed in three Public Health Engineering divisions (Rs. 45.65 lakhs) and one Buildings and Roads division (Rs. 6.69 lakhs). The minus balance in the Buildings and Roads division was attributed to non-adjustment of difference between stock value and issue rate, non-adjustment of cost of supplies and non-adjustment of materials transferred from work to stock and that in the Public Health Engineering divisions to non-adjustment of debit advices.

(v) Stores valued at Rs. 6.26 lakhs rendered surplus were awaiting disposal for over two years in five Public Health Engineering divisions (265 items; value: Rs. 4.12 lakhs), four Buildings and Roads divisions (110 items; value: Rs. 1.53 lakhs) and four Irrigation and Projects divisions (262 items and spares of different categories; value: Rs. 0.61 lakh). In six District Stores, 9.26 lakh kilograms of various kinds of steel materials like tor steel, rods, bars, etc., and 450 square metres of M.S. plates (value: Rs. 19.47 lakhs) were kept either without issue or with only nominal issues. Most of these items were lying idle from 1973-74.

(vi) Valuation of stores at the end of the financial year with reference to market rates and adjustment of profit/loss as required under the rules was not done in ten divisions under each of the Public Health Engineering, Irrigation and Projects, and Buildings and Roads Wings.

AGRICULTURE DEPARTMENT

(FOREST)

5.2. Stock accounts of timber sales divisions

Test check of the stores and stock accounts maintained in four timber sales divisions (Kozhikode, Perumbavoor, Punalur, and Trivandrum) conducted in February-March 1978 disclosed the following points:—

(1) *Physical verification of stock of timber*

The prescribed physical verification of stock of timber in the sales depots was not conducted by the Divisional Forest Officers during their half-yearly inspection of the following nine depots:—

Name of depot	*Month of half-yearly inspection*
Bavali	March 1977
Chaliyam	December 1976
Mysore	February 1975 and February 1977
Nedumkayam	February 1977
Walàyar	September 1976
Kulathupuzha	July 1977
Thenmala	August 1976
Maravanchira	October 1975
Konni	May 1977

Government stated (November 1978) that instructions were being issued by the Chief Conservator of Forests to the Divisional Forest Officers of the sales divisions to conduct half-yearly verification of stock as provided in the rules.

(2) *Non-delivery of felled timber at the depots*

According to the standard form of agreement to be executed by the contractors entrusted with the collection and supply of timber, timber felled in the forest coupes was to be delivered at the depots within 15 days of felling in the case of softwood, and within 3 and 2 months respectively of registration of logs in the case of hardwood and firewood. A quantity of 357 cubic metres of timber and 58 tons of firewood (value: Rs. 1.33 lakhs) felled by contractors during 1975 to 1977 had not been delivered at the depots till the end of March 1978 (when test check in audit was conducted). Likewise, 2680 cubic metres of timber (value: Rs. 12.19 lakhs) felled departmentally during March 1976 to December 1977 from the salvage felling coupes of Kottayam Division had also not been brought to the depots till the end of March 1978 and taken to stock. Government stated (November 1978) that remarks of the Divisional Forest Officer, Kottayam on the non-delivery of logs at the depots together with the reasons for the failure to bring to the depots the timber felled departmentally from the salvage felling coupes had been called for and that his report was awaited.

HEALTH DEPARTMENT

5.3. Purchase of Sodium Chloride Analar

The Director of Health Services placed an order with a firm in Alleppey in September 1975 for the supply within 3 months of 4,930 bottles of 500 grammes each of 'Sodium Chloride Analar' at Rs. 7.25 per bottle to 10 consignees. The chemical was supplied to the institutions between March 1976 and January 1977.

In June 1977, the Superintendent, Medical College Hospital, Calicut (one of the consignees), reported to the Director of Health Services, Trivandrum that the chemical supplied by the firm was labelled "Not for medicinal use" and was, therefore, not being used by the hospital for preparation of intravenous fluids, for which it was intended. Two other institutions also reported (July 1977 and December 1977 respectively) to the Director of Health Services that the chemical was labelled "Not for medicinal use" and could not, therefore, be used for preparing intravenous solution. The supplier firm when addressed by the Director of Health Services in July 1977 for replacement of the chemical with *I.P./B.P quality, regretted their inability to do so on the ground that the supply was made by them only after the samples were tested by the department for quality control and on the basis of orders received after such laboratory test. The firm also stated that since the chemical was an analytical reagent and not of I.P./B.P. quality, it was not a drug and hence labelled "Not for medicinal use".

According to the information furnished to Audit, only 842 (out of 4,930) bottles of the chemical supplied to them had been utilised (December 1978) and the remaining 4,088 bottles costing Rs. 0.30 lakh were kept unused. The chemicals were used for non-medical purposes in 3 of these institutions while in three other institutions (S.A.T. Hospital, Trivandrum and Medical College Hospital, Chevayoor, Calicut and institutions under the District Medical Stores, Quilon), 561 bottles were used for preparation of intravenous fluids before the restriction on medical use was noticed. Government stated (November 1978) that the mistake took place because the indenting authorities did not indicate properly whether they required Sodium Chloride Analar or Sodium Chloride IP/BP and that instructions had been issued to avoid such wrong indents in future.

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*Indian Pharmacop~~ea~~/British Pharmacop~~ea~~

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Chemical purchased for Rs. 0.30 lakh during March 1976 to January 1977 against defective indents received from the hospitals remained unused (December 1978).

5.4. Purchase of sub-standard cotton wool absorbent

The Director of Health Services invited tenders in August 1974 for supply of dressings and ligatures required for the Government Medical institutions in the State. For one of the items, viz., cotton wool absorbent, fourteen tenders were received. The lowest rate quoted by a firm was not recommended as the weight of the sample packet did not conform to the specification. The second lowest rate (@ Rs. 6.75 per packet of 500 grammes net plus Sales Tax) was recommended by the Director of Health Services on 16th November 1974. Before sending his recommendations to Government, the Director of Health Services had, on 1st November 1974, placed an order with the firm for the supply of 50,000 packets of cotton wool absorbent to the Government Medical Stores, Trivandrum and eight District Medical Stores. After scrutiny of the samples by the Technical Committee of the department and consideration of the proposal by the Departmental Purchase Committee, Government approved the proposal in January 1975. Thereafter, the Director of Health Services placed a further purchase order with the firm in January 1975 for supplying 1,02,030 more packets of the item to 24 consignees. An agreement was executed with the company in April 1975. The company supplied 1,15,318 packets of the item during the period from January 1975 to October 1975 and received payment of Rs. 7.02 lakhs (full payment in one case and 90 per cent in other cases). The Superintendent, Medical College Hospital, Kottayam reported to the Director of Health Services in August 1975 that the cotton wool absorbent supplied by the company was of "very poor quality" especially for use in the theatres and for surgical purposes. The Director of Health Services requested (August 1975) the supplier firm to replace the cotton supplied. He also instructed the firm by telegram (24th September 1975) to stop further despatch as the cotton supplied was not as per sample produced. Simultaneously, he directed the consignees not to use or dispose of the material. On testing of samples of the material supplied, the Government Analyst, Trivandrum declared on 11th October 1975 that the samples were not of "standard quality". In June 1977, on a request from the firm in May 1977, the Director of Health Services granted time till 30th June 1977 for complete replacement of the supply. However, out of 1,15,318 packets of sub-standard cotton wool absorbent supplied, only 26,182 packets had been replaced by

the firm (November 1978). The consignees had already utilised a total quantity of 40,037 packets of the inferior quality cotton wool leaving a balance quantity of 49,099 packets (value: Rs. 3.49 lakhs) to be replaced by the firm. The agreement executed with the firm provided for recovery of damages for failure to replace the material rejected by the department. Though the material was supplied in 1975, action has not been taken so far for assessing the amount recoverable from the firm on this account. Government stated (November 1978) that action was being taken by the Director of Health Services to assess and recover the loss. Further developments are awaited (January 1979).

Thus, supplies were accepted by the consignees without checking whether these conformed to accepted samples and the department is yet to assess the damages recoverable from the firm for the defective supplies (cost: Rs. 3.49 lakhs).

5.5. Delay in the commissioning of Dental X-ray units

In March 1974, the Director of Health Services, Trivandrum placed orders with a firm in Lucknow for the supply of 16 dental X-ray units (cost: Rs. 1.12 lakhs), one unit each to the different hospitals in the State. According to the supply order, 95 per cent of the cost of the equipment was to be paid in advance and supply was to be completed within 8 weeks. The date by which the firm was to instal the equipment and demonstrate its satisfactory functioning was not indicated in the supply order.

The firm supplied the units to 16 hospitals between April 1974 and January 1975. Mention was made in paragraph 58 of the Report of the Comptroller and Auditor General of India for the year 1974-75 (Civil) that the equipment supplied to three hospitals (Alleppey, Alwaye and Kodungallur) had not been installed/commissioned. Government intimated (January 1978) the Public Accounts Committee that the X-ray equipment supplied to one hospital (Alwaye) had been commissioned in August 1976 and that the other two units could not be brought into use as some parts had to be imported to run the unit supplied to the hospital (Kodungallur) and the unit supplied to the District Hospital, Alleppey was proposed to be transferred to another hospital in the same town.

According to information furnished by the hospitals (August 1978 to October 1978), out of the 16 units received, the equipment had not so far been installed in three hospitals (Alleppey, Cannanore and Vythiri). The units installed in 8 hospitals between March 1975 and December 1975 (Kodungallur, Chithirapuram, Perumbavoor, Kothamangalam, Parur, Mannarcaud, Palluruthy

and Chengannur) had not so far been put to use for reasons such as defective working of the equipment, want of X-ray films or dark room facilities or electric connection or staff for manning the unit. The unit installed in one hospital (Tirur) in December 1975 functioned till July 1977 and was not put to use thereafter for want of X-ray film. In another hospital (Trivandrum), the unit installed in January 1976 went out of order in March 1976 and had not been repaired. Only in 3 hospitals (Alwaye, Adoor, and Karunagappally) the equipment supplied were put to use.

Out of the 13 units not put to use, Rs. 0.78 lakh had been paid for the supply and installation of 10 units; Rs. 0.20 lakh had been paid by way of 95 per cent of the cost of the 3 units supplied but not installed. Information regarding the action taken against the firm in having supplied the defective equipment and/ or not installing the equipment supplied as well as the progress made in providing the infrastructure facilities for the satisfactory working of the equipment is awaited from the Director of Health Services (January 1979).

Government stated (January 1979) that the firm has been directed to complete the installation before 31st January 1979 in cases where the equipment have not been installed and that action would be initiated to recover the loss from the firm if the installation was not completed by that date.

5.6. Delay in commissioning X-ray plants

Two units of 100 MA X-ray Plants (out of four ordered by the Director of Health Services in September 1976), each costing Rs. 0.89 lakh, were received * from the supplier firm at Government Hospitals Pattambi and Thirurangadi in September and October 1976 respectively but have not yet (November 1978) been installed/ commissioned. The plant at Thirurangadi could not be commissioned for want of dark room facilities and electric connection. For commissioning the plant at Pattambi, power allocation from the Kerala State Electricity Board was awaited. Government stated (December 1978) that the Director of Health Services had been instructed to see that the units start functioning immediately. Due to non-provision of necessary infrastructure facilities in time, the two X-ray machines are lying unused for more than 2 years and are no longer covered by guarantee as the guarantee period of one year from the date of supply expired in September/October 1977.

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*The supplier firm was paid Rs. 1.70 lakhs in January 1977 towards 95 per cent of the cost of these plants and the balance 5 per cent is yet to be paid.

CHAPTER VI

COMMERCIAL ACTIVITIES

6.1. General

This chapter deals with the results of audit of departmentally managed Government commercial and quasi-commercial undertakings.

On 31st March 1978, there were three departmental commercial undertakings in the State as indicated below:—

(i) Text Books Office, Trivandrum.

(ii) Public Works Department Engineering Workshops, Chackai, Trivandrum.

(iii) State Water Transport Department, Alleppey.

Proforma accounts for 1977-78 have not been received (March 1979) from any of these undertakings. *Proforma* accounts for 1975-76 and 1976-77 are also due from the Text Books Office, Trivandrum· According to the Superintendent of the Workshops (December 1978), there has been delay in finalising the *proforma* accounts for 1977-78 "as commercially qualified staff are very few". The State Water Transport Department, Alleppey attributed (March 1979) the delay in the preparation of the accounts to insufficiency of staff. As regards the Text Books Office, Trivandrum, Government stated (March 1979) that special attempt was being made to finalise the *proforma* accounts for the years from 1975-76. A synoptic statement showing the summarised financial results of the Public Works Department Engineering Workshops, Chackai, Trivandrum and the State Water Transport Department, Alleppey for 1976-77 is given in Appendix XIII.

The *proforma* accounts of the undermentioned schemes have also not been received (March 1979) from the departmental officers for the year shown against each.

Name of scheme/ department	*Period for which due*	*Remarks*
Agriculture Department		
Scheme for processing paddy seeds (implemented till 1973-74)	1965-66 to 1973-74	The Director of Agriculture stated (July 1978)
Manure Supply Scheme	1977-78	that the delay in preparation of *proforma* accounts was due to

cheme for purchase and sale of plant rotection chemicals	1973-74 to 1977-78	inadequacy of staff and delay in collection of data from the National Extension Service Blocks and State Seed Farms.
cheme for purchase and sale of banana uckers	1973-74 to 1977-78	
cheme for purchase and sale of pulses	1974-75 to 1977-78	
cheme for purchase and sale of paddy eeds	1974-75 to 1977-78	
Finance Department		
tate Insurance Scheme	1967-68 to 1977-78	The State Insurance Officer stated (November 1978) that the delay in the preparation of *proforma* accounts was due to lack of specially qualified staff competent to prepare the accounts as required under the provisions of the Insurance Act, 1938.

FINANCE DEPARTMENT

6.2. State Insurance Department

The State Insurance Department was established in 1896 by the erstwhile Government of Travancore. From 1968 onwards the department transacted different types of general insurance business, besides life insurance of State Government servants. The department had reinsurance arrangement with the Life Insurance Corporation of India till December 1972 and with the United India Fire and General Insurance Company Limited from January 1973 to March 1974. From April 1974, the department has entered into reinsurance arrangement with the four subsidiaries of the General Insurance Corporation of India. Under the reinsurance arrangement, bulk of the business secured by the department is transferred to the reinsurer whereby the risk as well as the proportionate premia are transferred to the reinsurer. A portion of the business is, however, retained by the department with corresponding portion of the risk and premium.

Mention was made in paragraph 6.1 of the Report of the Comptroller and Auditor General of India for the year 1976-77 (Civil) about the non-maintenance of *proforma* accounts of the scheme by the department although Government had ordered in February 1968 that the accounts of the State Insurance Scheme should be maintained on commercial basis. The *proforma* accounts have not so far been maintained (November 1978). The State Insurance Officer stated (November 1978) that there were no specially qualified hands to prepare the *proforma* accounts as required under the provisions of the Insurance Act, 1938 and that the preparation of the accounts would be taken up when qualified hands are posted.

Certain points noticed during the audit of the accounts and records of the Insurance Department conducted during August-September 1978 are mentioned below:

(a) The limits up to which the department was to retain business in respect of various branches of insurance sanctioned by Government from time to time, are indicated in the following table:

Name of Branch	*1st March* 1968 *to* 31*st December* 1972	1*st January* 1973 *to* 31*st March* 1974	*From* 1*st April* 1974
(1)	(2)	(3)	(4)
Fire	50 per cent subject to a maximum of Rs. 5 lakhs per policy	Same as in column (2)	Same as in column (2) for sums insured up to Rs. 1 crore-5 per cent of the sum insured exceeding Rs. 1 crore.
Marine hull	20 per cent subject to a maximum of Rs. 1 lakh on any one vessel	A. 50 per cent subject to a maximum of Rs. 1 lakh on any one vessel B. Country craft 50 per cent	Same as in column (3)

Name of Branch	*1st March* 1968 *to* 31*st December* 1972	*1st January* 1973 *to 31st March* 1974	*From 1st April* 1974
(1)	(2)	(3)	(4)
Marine cargo	For ocean voyage and coast/inland traffic: 20 per cent subject to a maxium of Rs. 50,000 to Rs. 2,00,000 per vessel according to G.R.T. of the vessel. For rail and or road transit: 50 per cent subject to a maximum of Rs.15 lakhs.	50 per cent subject to maximum limits as in column (2)	Same as in column (3)
Miscellaneous risk	Generally 50 per cent subject to maximum limits for the respective type of business.	Same as in column (2) subject to marginal enhancement in respect of a few types.	Same as in column (3)

These limits were not fixed on any detailed study to determine profitable limits of business to be retained by the department. It was stated (October 1978) by the department that the limits were fixed based on past experience. Records leading to the fixation of such limits or indicating the basis on which the department arrived at those limits were not made available to Audit (November 1978).

(b) For the period from April 1974, the United India Fire and General Insurance Company offered (February 1974) in respect of business relating to Fire Insurance, reinsurance commission of 45 per cent (as against 40 per cent in the earlier agreement) and profit commission of "20 per cent on the profit up to first 10 per cent of the premium ceded plus 50 per cent of the balance profits exceeding 10 per cent of the premium." The State Insurance Department recommended (March 1974) to Government that the reinsurance commission might be increased to 50 per cent without any profit commission. Based on the recommendation, Government issued orders (March 1974) fixing the reinsurance commission at 50 per cent without profit commission. No grounds were adduced by the department for making such a recommendation and the basis on which the department came to the conclusion that 50 per cent reinsurance commission forgoing profit commission would be advantageous was also not indicated.

(c) In the absence of *proforma* accounts, it was not possible for Audit to verify to what extent the limits fixed for retaining business by the department and the terms of reinsurance entered into with the reinsurers had resulted in advantage to the department.

The matter was reported to Government (October 1978); their reply is awaited (March 1979).

CHAPTER VII

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

7.1. Introductory

According to the provisions of Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the accounts of bodies and authorities which receive grants or loans of not less than Rs. 5 lakhs in a financial year from the Consolidated Fund, the amount of such grants or loans being not less than seventy-five per cent of the total expenditure of that body or authority, are to be audited by the Comptroller and Auditor General of India. Government and the Heads of departments were requested in April 1978 to furnish information about grants and loans given to various bodies and authorities and the expenditure incurred by them during the year 1977-78. Five departments of the Government and seven heads of departments had not furnished information regarding grants/loans sanctioned during 1977-78 and the information furnished by one department of the Government was incomplete (March 1979). Similar information for the year 1976-77 was also awaited from one department of Government (General Education) (March 1979). Details, to the extent received, of the number of bodies/authorities which received grants/loans of not less than Rs. 5 lakhs per year during the period 1974-75 to 1977-78 and the extent of arrears (March 1979) in receipt of the accounts from them are given below:—

	1974-75	1975-76	1976-77	1977-78
(i) No. of bodies/authorities which received grants/loans of not less than Rs. 5 lakhs in the year	97	115	125	121
(ii) No. of bodies/authorities from which accounts have been received	95	109	110	87
(iii) No. of bodies/authorities the accounts of which have not been received	2	6	15	34

In addition, Section 15 of the Act prescribes that where a grant or loan is given from the Consolidated Fund for any specific purpose, the Comptroller and Auditor General of India shall scrutinise the procedure by which the sanctioning authority satisfies itself as to the fulfilment of the conditions subject to which such grants and loans were given.

Important points noticed during audit under Section 14 and scrutiny conducted in accordance with the provisions of Section 15 are mentioned in the succeeding paragraphs.

AGRICULTURE DEPARTMENT
(Co-operation)

7.2. Financial Assistance to Co-operative Institutions

(a) Government have been rendering financial assistance to co-operative institutions in the shape of investment in share capital, loans and grants. The total investment of Government in the share capital/debentures of co-operative institutions at the end of the year 1976-77 stood at Rs. 20,29.10 lakhs. The balance of loans paid to such institutions outstanding on 31st March 1977 was Rs. 16,16.68 lakhs. The details of investment made and loans given during each of the three years 1974-75, 1975-76 and 1976-77 were as under:—

Year	*Investment in share capital/ debenture*	*Amount of loan advanced*
	(in lakhs of rupees)	
1974-75	1,37.48	3,59.90
1975-76	1,93.89	5,46.26
1976-77	3,64.19	5,00.01

Information regarding the number of societies which had declared dividends, the amount due to Government and the amount credited was not available with the Registrar of Co-operative Societies.

(b) According to the information furnished by the Registrar of Co-operative Societies (November 1978), the amount of loan overdue for recovery as on 30th September 1978 was Rs. 27.22 lakhs (principal: Rs. 19.43 lakhs; interest: Rs. 7.79 lakhs). Yearwise details were as given below:—

Period	*No. of societies*	*Principal*	*Interest*	*Total*
		(in lakhs of rupees)		
Up to 1972-73	238	3.35	1.23	4.58
1973-74	101	1.36	0.58	1.94
1974-75	118	2.74	0.74	3.48
1975-76	261	4.24	1.23	5.47
1976-77	293	7.74	4.01	11.75
Total		19.43	7.79	27.22

(c) Government have also stood guarantee for loans raised or debentures issued by various co-operative banks and societies. The maximum amount guaranteed and the amount outstanding on 31st March 1977 were Rs. 98,01.30 lakhs and Rs. 45,65.11 lakhs (principal: Rs. 44,86.42 lakhs; interest: Rs. 78.69 lakhs) respectively.

(d) Audit of the accounts of the co-operative institutions is the statutory function of the Registrar of Co-operative Societies under section 63(1) of the Kerala Co-operative Societies Act, 1969. Audit of the accounts for each year is to be completed by him during the succeeding co-operative year (year ended 30th June). As on 30th June 1978, 3,938 audits were yet to be taken up. Government stated (May 1979) that the main reason for the arrears in audit was inadequacy of staff.

In addition, 4,155 audits in respect of 670 societies were also in arrears for the reasons indicated below:—

Reasons	*No. of audits pending*	*No. of units*
1. Records with courts or police	760	157
2. Non-production of records (societies which have been ordered to be wound up)	3,173	469
3. Other reasons	222	44
Total	4,155	670

Government stated (May 1979) that audit of these societies would be done on receipt of intimation either from the societies or from the administrative departments regarding availability of records.

(e) A test-check in audit (July - August 1978) of the audited accounts for the three years 1974-75, 1975-76 and 1976-77 of 195 societies, in each of which Government had invested Rs. 0.50 lakh or more by way of share capital and/or loan, disclosed the following:—

(i) 119 societies in which Government had invested Rs. 2,42.20 lakhs sustained losses aggregating Rs. 57.77 lakhs during the co-operative year ending June 1977.

(ii) 62 societies in which Government investment at the end of 1976-77 stood at Rs. 1,22.12 lakhs were continuously working at loss during all the three years ending June 1977, the total loss during the three years being Rs. 1,16.65 lakhs (1974-75: Rs. 39.15 lakhs, 1975-76: Rs. 39.13 lakhs and 1976-77: Rs. 38.37 lakhs). According to the Registrar of Co-operative Societies, analysis of the reasons for the continuous loss sustained by the societies has not been conducted so far (January 1979).

(iii) defalcations of money or stores worth Rs. 1.35 lakhs were reported in the case of ten societies.

(iv) deficits in stock worth Rs. 22.87 lakhs were reported in 256 cases.

(v) Rs. 12.76 lakhs were pending remittance (November 1978) by the various societies towards audit fees payable to Government up to 31st March 1977. Of this, Rs. 0.10 lakh related to periods over ten years, Rs. 2.11 lakhs to periods over five years.

Government stated (May 1979) that the Deputy Registrars have instructions to realise the arrears in audit fees at the earliest and initiate action under Revenue Recovery Act in difficult cases.

HIGHER EDUCATION DEPARTMENT

7.3. National Loan Scholarship Scheme

The National Loan Scholarship Scheme was sanctioned by Government of India in 1963-64 with the main object of providing financial assistance to needy and meritorious students to enable them to complete their education. The scheme was introduced in the State in 1963-64 and the Director of Collegiate Education was entrusted with the responsibility for its implementation. Under the scheme, interest-free loans by way of scholarships ranging from Rs. 720 to Rs. 1,750 per year (for different stages of education) were to be paid to the students to enable them to complete their post-matri culation studies.

The loan was to be repaid one year after the scholar started earning an income or three years after termination of scholarship whichever was earlier. Repayment was to be made in monthly instalments at rates to be worked out in proportion to the income earned. In the case of scholars who did not earn income during any period after the repayment has fallen due, recovery at the rate of Rs. 25 per month was to be made for such period. Scholars who joined the teaching profession in a recognised institution or as combatants in the Defence Services were not to repay the loan as long as they continued to be employed as such; in their case the amount of loan was to be reduced by one-tenth of their original loan for every year of service put in as teacher or combatant.

The loan to each scholar was to be disbursed monthly by the heads of institutions in which the scholar prosecuted his studies. For this purpose, the heads of institutions were to be provided with funds in advance by the

Director of Collegiate Education; funds were to be released by him in two instalments, the first instalment covering disbursements to be made to scholars during the first 9 months and the second instalment covering the requirements for the remaining three months being payable on receipt of accounts of actual disbursements made to the scholars out of the first instalment. A personal Deposit Account was to be opened at the local treasury in the name of the head of the institution into which the funds released by the Director of Collegiate Education were to be credited and from which the requirements for each month were to be drawn for disbursement to the scholars. Each head of institution was to send to the Director of Collegiate Education before the end of March of each year an account of payments made by him duly supported by payees' receipts and disbursement certificates. The Director of Collegiate Education was to arrange for test-check of the accounts of the institutions, whenever necessary.

Funds for paying the loans were to be provided by Government of India in the form of interest-free advances to the State Government which administered the scheme and provided the necessary staff. All amounts recovered from the loanees towards principal and interest (in the case of default) were to be paid to Government of India.

Out of Rs. 3,35.01 lakhs received by the State Government as loan from Government of India during the period 1963-64 to 1977-78, Rs. 3,29.51 lakhs were utilised for payment of scholarships during the same period. Scrutiny by Audit (June 1978) of the records maintained in the Directorate of Collegiate Education under Section 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 disclosed the following points:—

(i) No procedure had been evolved by the Directorate to watch the prompt receipt of the accounts of disbursements supported by payees' receipts from the heads of institutions with the result that the extent of arrears in this regard was not ascertainable. Payees' receipts in support of payment of scholarship of Rs. 1,11.68 lakhs made from 1973-74 had not been produced to Audit. Government stated (December 1978) that the disbursing officers have been instructed to forward the payees' receipts promptly.

(ii) The Directorate of Collegiate Education had no information whether all the heads of institutions under private management had actually opened personal deposit accounts with the treasuries as required under the

scheme or whether they had merged the scholarship amounts with their own funds. The department has not conducted a test check of the accounts maintained by the institutions to ascertain whether or not the scholarship amounts sent to them had been disbursed. Government stated (December 1978) that most of the institutions have opened personal deposit accounts and that urgent steps are being taken to open the accounts wherever they do not exist.

(iii) The individual ledger accounts of the loans maintained in the Directorate were incomplete as (i) details of scholarships paid and recoveries made from individual scholars were not recorded therein from 1969-70 onwards and only the total amount to be recovered and actually recovered are shown in the register (ii) the entries were not up-to-date and (iii) details regarding the date on which the recovery was to commence, monthly income of the loanee, exemption granted if any, etc., were wanting with the result the outstanding loan balance in respect of each loanee was not ascertainable. The balance had not been got accepted by the loanees at any stage. The Directorate stated (June 1978) that systematic maintenance of accounts was not possible for want of adequate staff. Government stated (December 1978) that urgent action was being taken to bring the registers up-to-date. Test check in audit of the loan ledgers relating to scholarships sanctioned to the 1963-64 and 1964-65 batches of scholars showed that—

(a) 948 scholars who were to have commenced repayment of loan had not started repaying the loan so far (June 1978), the extent of delay in these cases ranging from two to eleven years (amount defaulted: Rs. 31.05 lakhs under 'principal' and Rs. 12.84 lakhs under 'interest').

(b) 360 scholars, who had initially commenced repayment of loan, discontinued remittance of further instalments, the extent of delay in repayment ranging from six months to ten and a half years (amount defaulted: Rs. 9.62 lakhs under 'principal' and Rs. 3.18 lakhs under 'interest') and

(c) In the case of 75 scholars who had adopted teaching profession and in whose cases the Directorate had started reducing their loan balance by one-tenth of their original loan, no action had been taken to verify whether or not the scholars continued to be in the teaching profession and certificates of continued employment in the teaching profession had not been obtained.

INDUSTRIES DEPARTMENT

7.4. Financial Assistance to Thondu Vyavasaya Co-operative Societies

In September 1975 and March 1976, Government sanctioned financial assistance to two Thondu Vyavasaya Co-operative Societies—one in Trivandrum district and the other in Kottayam district—in the form of share capital contribution of Rs. 1 lakh to each of these societies and working capital loan of Rs. 9 lakhs to the Trivandrum Society and Rs. 7 lakhs to the Kottayam Society. The assistance was sanctioned to enable the societies to procure raw coconut husks for distribution to the primary co-operative societies at fair prices. The working capital loan was to be utilised for the procurement of husks, payment of wages to workers and for meeting other incidental and contingent expenditure necessary for the procurement, transport and sale of husks. The loan was repayable in nine equated instalments, the first instalment falling due on the expiry of two years from the date of disbursement of the loan and was to bear interest at $10\frac{3}{4}$ per cent (later reduced to $7\frac{3}{4}$ per cent). Penal interest was leviable at $2\frac{1}{2}$ per cent in the case of default of remittance of instalments as well as in the case of non-utilisation or mis-utilisation of the loan. The societies were to utilise the loan within a period of one year from the date of drawal of the amount from the treasury, any unutilised amount being refunded by them within one month of the expiry of the period of utilisation unless the period was extended by Government. The share capital loan of Rs. 1 lakh and the working capital loan of Rs. 9 lakhs were paid to the Trivandrum society in September 1975 and November 1975 respectively while the entire loan of Rs. 8 lakhs was paid to the Kottayam society in March 1976.

Audit of the accounts of the two societies for 1975-76 under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 conducted in March 1977 and August 1977 disclosed the following points:—

(i) *Procurement of husks*

The Trivandrum society was to procure annually about 1759 lakh husks and the Kottayam society 500 lakh husks. Against these targets*, the former procured 71.62 lakh husks during 1975-76 (37.39 lakh husks during 1976-77).

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* The procurement by Trivandrum and Kottayam societies actually commenced in December 1975 and May 1976 and hence the proportionate targets for the year 1975-76 were 1026.48 lakhs and 83.33 lakhs respectively.

)uring the same period, the Kottayam society procured 4.97 lakh husks nd 143.17 lakh husks respectively. During 1977-78, the Trivandrum so-ıety and the Kottayam society procured 96 lakh husks and 189 lakh husks espectively against the revised target of 450 lakh husks for the former nd 400 lakh husks for the latter.

The shortfall in procurement was attributed by the societies to:—

(a) keen competition from private dealers,

(b) lack of experienced hands for collection work,

(c) inadequacy of transporting facilities,

(d) inexperience of the societies in the field and

(e) heavy flow of unhusked coconuts to neighbouring districts on account of the price differential from place to place.

Government stated (December 1977) that the target fixed for procure-ıent of husk by the Trivandrum society while formulating the scheme was rroneous.

ii) *Working results of the societies*

The scheme approved by Government for procurement and sale of husks y the two societies envisaged a net annual profit of Rs. 6.77 lakhs in the ase of Trivandrum society and Rs. 0.26 lakh in the case of Kottayam society. oth the societies were, however, functioning at loss till the end of June 1977. 'he accumulated loss amounted to Rs. 2.43 lakhs in the case of Trivandrum ociety and Rs. 0.02 lakh in the case of Kottayam society. Government ttributed (December 1977 and February 1978) the loss in the case of 'rivandrum society to the inability/failure of the society to control the cost purchase and transport of husks and heavy establishment charges, and the ss in the case of the Kottayam society to its entry in the business during the ack season for husks.

ii) *Security for the outstanding loan amount*

One of the conditions for the grant of the working capital loan was that ıe society should maintain necessary cover by way of stock-in-trade and/or ısh of value equal to the loan outstanding at any time and in the event of ıe stock-in-trade and/or cash being less than the amount of the loan out-anding, the society was to refund to Government a portion of the loan amount bring the loan outstanding to the level of the stock-in-trade and cash.

As at the end of June 1976 and June 1977 the stock-in-trade and ca with the Trivandrum society amounted to Rs. 6.54 lakhs and Rs. 6.1 lakhs respectively against the outstanding loan of Rs. 9 lakhs. The positic as at the end of July 1978 was that against the outstanding loan of Rs. lakhs, the stock -in-trade and cash with the society amounted to Rs. 6.69 lakh Government stated (December 1977) that the society had agreed to refur part of the loan to bring it to the level of stock-in-trade/cash. According the Director of Coir Development (December 1978) the society has n refunded the amount.

7.5. Loans to Kerala State Handloom Weavers' Co-operative Socie Limited for procurement of accumulated stock of handloo cloth with the primary societies

Scrutiny conducted in April-June 1978 under Section 15 of the Con ptroller and Auditor General's (Duties, Powers and Conditions of Servic Act 1971, of the records of the sanctioning authority and those maintaine in the Directorate of Industries and Commerce and four District Industri Offices (Alleppey, Cannanore, Trichur and Trivandrum) in regard to loa granted to the Kerala State Handloom Weavers' Co-operative Socie Limited for procurement of handloom cloth disclosed the following points:-

Government of India sanctioned (June 1975) a loan of Rs. 30 lakhs the State Government for clearing handloom cloth accumulated in the Stat The State Government, in turn, disbursed (August 1975) the loan to th Kerala State Handloom Weavers' Co-operative Society Limited (Ape Society) to enable the society to procure the accumulated cloth from th primary societies. Another loan of Rs. 40 lakhs was also sanctioned (Marc 1977) by Government of India to the State Government to enable them assist the Apex Society in procuring accumulated cloth. This loan was di bursed by the State Government to the society in March 1977.

Certificates of utilisation of the loans by the society for the intend purpose due in January 1976 and April 1978 had not been furnished Audit (January 1979) by the Directorate of Industries and Commerce.

The society had to utilise the loan of Rs.30 lakhs within two months fro date of drawal of the amount. The loan was drawn by the society in Augu 1975 and, according to the details furnished (February 1979) by the socie to the Director of Industries and Commerce, the entire loan was utilised it for purchase of accumulated handloom cloth during August-Septemb

)75. Verification of the fact of utilisation of the entire amount by the ›ciety for the intended purpose called for from the Director of Industries nd Commerce is awaited (April 1979).

The loan was repayable by the society to the State Government in two ıual annual instalments, the first instalment becoming due one year after ıe date of drawal. The society had repaid only Rs. 3 lakhs in April 1978. he balance amount together with interest (principal: Rs. 27 lakhs; interest ›to 30th April 1978: Rs. 4.47 lakhs) was overdue as at the end of July 1978. ›r defaulted payments, penal interest at the rate of 8 per cent per annum as leviable. The amount of penal interest due from the society as at the ıd of April 1978 was Rs. 0.91 lakh. According to the society (June 1978), ıajor portion of the stock procured was remaining undisposed and the pro- ›ects of their disposal were remote under ordinary market conditions.

The loan of Rs. 40 lakhs was to be utilised within the period of one year ›m the date of drawal and was to be repaid by the society to the State Govern- ent in lump on the first anniversary of the drawal of the amount with terest at 5 1/2 per cent. It had not repaid the loan so far (March 1979). ıterest of Rs. 4.22 lakhs up to end of February 1979 was also to be paid the Society.

The matter was reported to Government in September 1978; their reply awaited (March 1979).

LOCAL ADMINISTRATION AND SOCIAL WELFARE DEPARTMENT

6. Grants-in-aid to orphanages and boarding homes for destitute children

Under the rules issued by Government in August 1964, grants are pay- ›le to orphanages and boarding homes for destitute children for care, main- nance and education of unprotected children. Under these rules, children longing to age group of 5 to 18 and residing in the orphanages and board- g homes and the annual income of whose parents fell below Rs. 500 (raised Rs. 900 in August 1967) were eligible for the grant. The grant was to computed at the rate of Rs. 10 per child per month (raised to Rs. 30 per onth from June 1978). Institutions which were in receipt of boarding

grants from other Governments or quasi-Government sources were not el gible for the grant. The grants were payable in arrears to the institutio on application from the recipient institutions with an audited statement accounts of the previous year duly certified by a Chartered Accountant a registered body of auditors. The accounts of the grantee institutions we to be audited by the Examiner of Local Fund Accounts and utilisation cert ficates of grants were to be furnished to Audit by the Director of Social Welfar The accounts of the institutions which received a grant of Rs. 30,000 an above a year were to be audited in detail by the sanctioning authority.

Grants were also payable by Government of India to selected voluntar organisations for maintenance and vocational guidance of the children i need of care and protection under their scheme for welfare of destitute childre sanctioned in 1974-75. Grant from Government of India was 90 per cer of the estimated cost of providing services to the children calculated at th rate of Rs. 76.50 per child per month limited to the actual expenditur incurred. In addition, grant for construction of cottages not exceeding 90 pe cent of the cost of the construction was also admissible.

Details of grants paid by the State Government and Government o India to orphanages and boarding homes for destitute children for the thre years 1975-76, 1976-77 and 1977-78 are given below:—

Year	*State Grant*		*Central Grant*	
	No. of institutions	*Amount of grant (in lakhs of of rupees)*	*No. of institutions*	*Amount of grant (in lakhs of rupees*
1975-76	186	44.08	17	14.59
1976-77	215	57.36	18	16.37
1977-78	215	58.27	22	18.57

Scrutiny conducted in June-July 1978 of the records of the sanctionin authority (Director of Social Welfare) under Section 15 of the Comptrolle and Auditor General's (Duties , Powers and Conditions of Service) Act, 197 disclosed the following points:—

(i) Institutions which received a boarding grant of Rs. 32.33 lakl from Government of India during the period from 1974-75 to 1977-78 we

paid State grants totalling Rs. 38.25 lakhs for the same period which was not admissible, vide details below:—

Year	*No. of institutions*	*Amount of grant (in lakhs of rupees)*
1974-75	11	5.03
1975-76	17	9.22
1976-77	18	11.13
1977-78	22	12.87

Government stated (December 1978) that the question of regularising the irregular payment was under consideration.

(ii) Grant of Rs. 0.13 lakh was paid to 13 institutions during 1977-78 in respect of children who were either beyond the age of 18 or the income of whose parents exceeded Rs. 900 per annum. Government stated (December 1978) that action was being taken to recover the excess payment made to the 13 institutions.

(iii) The accounts of 45 institutions in 1976-77 and 44 institutions in 1977-78, each of which had received grant exceeding Rs. 30,000, had not been audited by the sanctioning authority. The Director of Social Welfare stated (June 1978) that audit was not conducted for want of adequate staff. Government stated (December 1978) that the Director of Social Welfare was being instructed to audit the accounts of the institutions with the existing staff.

(iv) According to the inspection report of the Examiner of Local Fund Accounts on the accounts of orphanages and boarding homes in respect of grants paid during 1976-77, grant of Rs. 1 lakh was paid in excess to 43 institutions. Government stated (December 1978) that the excess grant paid to the institutions was being recovered from the grant for the year 1978-79.

7.7. Cochin Town Planning Trust/Greater Cochin Development Authority

The Cochin Town Planning Trust was constituted by Government in September 1968 with the object of implementing town planning schemes within the framework of the Town Planning Acts of 1920 and 1932. The Trust was vested with powers to raise loans under the Local Authorities Loan

Act for execution of its schemes. The schemes drawn up by the Trust required approval of Government before implementation. The Trust was to acquire land, develop it into plots of convenient size, dispose of the plots by sale, construct buildings and allot them to applicants. In January 1976, Government constituted the Greater Cochin Development Authority and the functions vested with the Cochin Town Planning Trust were transferred to that Authority, which took over in February 1976 the assets and liabilities of its predecessor Trust.

2. The details of loans and grants received by the Trust/Authority from its formation to the end of 1977-78 from different sources are indicated below:—

		Amount (in lakhs of rupees)
(i)	Loans from Government of India	2,00.00
(ii)	Loans from Government of Kerala	1,05.75
(iii)	Loans from financial institutions	2,93.50
(iv)	Grant from Government of Kerala	22.62
	Total	6,21.87

3. The expenditure incurred by the Trust/Authority from 1971-72 to 1977-78 is given below:—

Year	*Expenditure*	*Unutilised Grant/Loan*
	(in lakhs of rupees)	
1971-72	41.26	0.24
1972-73	79.97	42.00
1973-74	99.41	21.97
1974-75	52.01	17.20
1975-76	93.53	13.87
1976-77	2,28.87	70.00
1977-78	2,42.38	44.01
Total	8,37.43	2,09.29

4. Under Rule 68 of the Greater Cochin Development Authority Rules, 1977, the accounts of the Authority are subject to audit by the Examiner of Local Fund Accounts. The audit of the accounts of the Cochin Town Planning Trust for the period from 1972-73 to 23rd January 1976 (the date of formation of the Authority) was conducted by the Examiner of Local Fund Accounts. Pending finalisation of the rate of audit fees, the accounts of the Authority from the date of its constitution on 23rd January 1976 have not been audited by the Examiner of Local Fund Accounts (March 1979).

The Authority stated (November 1978) that the reduction in the audit fee was engaging the attention of Government and that final orders in the matter were awaited.

5. Audit of the accounts of the Trust/Authority for 1971-72, 1973-74 and 1975-76 under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 and scrutiny of the records of the sanctioning authority under Section 15 of the Act, conducted during April—July 1978, disclosed the following points:—

(i) *Loss in the sale of land/plots*

Government acquired and transferred (November 1969) 25 acres of land at Elamkulam to the Trust for the establishment of a Warehousing Centre under the Elamkulam North Town Planning Scheme. The value of land (Rs. 37.50 lakhs) at Rs. 1,500 per cent was treated as a loan to the Trust repayable in 10 annual instalments with 6 per cent interest. The Trust took possession of the land in May 1971 and developed it into 41 plots ready for sale by August 1972; 26 plots had been sold till the end of June 1978. The sale price fixed was Rs. 2,680 per cent taking into account the price of Rs. 1,500 per cent payable to Government, the development charges, interest charges and overheads. In May 1978, Government revised the sale price of the entire 25 acres of land from Rs. 1,500 per cent to Rs. 2,500 per cent and the rate of interest from 6 per cent to 10.75 per cent on the ground that all the relevant considerations had not been taken into account in November 1969 at the time of transfer of land and directed the District Collector, Ernakulam to realise the arrears of instalments, interest and penal interest (4 per cent) due from the Authority up to 31st March 1978. Computed with reference to the revised sale price of Rs. 2,500 per cent and the revised rate of interest of 10.75 per cent and the development and other miscellaneous charges, the cost of land to the Authority worked out to Rs. 6,000 per cent.

The difference in cost could not be recovered from 24 allottees (sale to two allottees was at the rate of Rs. 6,000 per cent) to whom the plots had been sold at rates varying from Rs. 2,680 to Rs. 3,200 per cent as there was no enabling provision in the sale deeds executed with them for the recovery of the actual cost of land on final settlement of claims. An amount of Rs. 22.10 lakhs had thus become irrecoverable from the allottees. The Authority stated (November 1978) that the fixation of enhanced prices arbitrarily by Government has not been agreed to by it and that Government had been requested in August 1978 to reduce the cost of land and the rate of interest to Rs. 1,500 per cent and 6 per cent respectively, as originally fixed. Further developments are awaited (March 1979).

In view of the non-inclusion in the sale deeds of a provision enabling recovery of increased cost of land on final settlement of claims, the Authority cannot pass on any part of the liability of Rs. 22.10 lakhs to the allottees.

(ii) *Non-disposal of developed plots*

The Trust acquired, in October 1971, 275 cents of land in Alwaye Town from the Alwaye Municipal Council at a cost of Rs. 1.27 lakhs for a housing scheme and spent Rs. 3.65 lakhs during 1971-72 to 1973-74 on developing it. After providing for roads and open spaces, the area available for sale was 179 cents for which the Trust fixed sale price of Rs. 3,120 per cent. Out of these, 30.51 cents were sold (March 1973) to the Municipal Council (sale price: Rs. 0.95 lakh) for construction of quarters. In September 1973, 2 plots of land measuring 12.207 cents (4.956+7.251) were sold to two parties but the sale of one of the two plots measuring 7.251 cents was cancelled in June 1978 as the allottee did not remit the instalments due from February 1975 onwards. As at the end of November 1978, 143.531 cents of developed land (value: Rs. 4.48 lakhs) remained unutilised.

The Authority considered (January 1978) the slow progress in the disposal of the plots and requested the Chairman, Alwaye Municipal Council, a member of the Board of the Authority, to put forward concrete ideas for the utilisation of the land. There was, however, no progress in this regard till the end of November 1978. The Authority stated (November 1978) that the response from the public for the purchase of the plots was very poor and that it was pursuing the matter with the Alwaye Municipal Council to explore the possibility of putting the plots to economic utilisation.

The Muncipality had paid till the end of March 1975 only Rs. 0.15 lakh out of the total sale price of Rs. 0.95 lakh and stopped making further payments thereafter. Rupees 1.21 lakhs were due from the Municipality towards principal and interest as at the end of March 1978. The Authority stated (November 1978) that it had approached Government apprising them of the delay on the part of the Municipality in remitting the balance and requesting them to recover the amount due from the grant payable to the Municipality and that the matter was being pursued vigorously.

Thus, out of two hundred and seventy-five cents of land acquired and developed (by 1973-74) by the Authority without making a proper assessment of the likely demand for houses in the area, about 143 cents of developed land (cost about Rs. 4.48 lakhs) have remained unutilised.

(iii) *Waiver of penal interest*

On the basis of tenders invited in March 1975, the Trust allotted (November 1975) 70 cents of land in the Kaloor Town Planning scheme to a party at a price of Rs. 6,500 per cent for construction of a drama theatre (total cost of land: Rs. 4.55 lakhs). The party remitted (December 1975) the initial deposit of Rs. 1.13 lakhs representing 25 per cent of the total cost and the balance 75 per cent was to be paid in 36 monthly instalments with interest after the expiry of 6 months from the date of initial deposit. Till the end of May 1977, the party remitted only Rs. 0.50 lakh in two instalments of Rs. 0.25 lakh each and defaulted further payments. In January 1978 the Board resolved that the entire amount paid by him as initial deposit and subsequent instalments including his earnest money deposit (total: Rs. 1.64 lakhs) be refunded to him and that he be released of all liabilities in the transaction. Accordingly Rs. 1.64 lakhs were refunded to the party in January 1978. According to the terms and conditions accepted by the allottee, on cancellation of the allotment, interest at 12 per cent on the full cost of the plot allotted from the date fixed for the payment of the intial deposit till the date of cancellation of the allotment was to be deducted from the amounts remitted by the allottee and the balance only refunded. The refund of the entire amount to the party resulted in non-recovery of Rs. 1.10 lakhs towards penal interest. The Authority stated (November 1978) that as the initial deposit and the two instalments remitted by the party were retained by it till 31st January 1978, the Authority had earned Rs. 0.12 lakh approximately by way of simple interest on current account and that the net loss by way of non-recovery of penal interest was Rs. 0.98 lakh. The Authority also stated that the refund

was made relaxing the conditions of the allotment and that the land in question still vests with the Authority, the value of which has gone up due to efflux of time. This reply does not explain non-recovery of penal interest according to the terms and conditions of allotment of the plot.

(iv) *Extra expenditure due to retender*

Tenders were invited (June 1977) by the Authority for filling and raising the level of lands acquired in Blocks A and B of Elamkulam North Town Planning Scheme and in Thevara-Perandoor Canal Scheme (estimated cost: Rs. 11.65 lakhs). The lowest offer received from three tenderers was 9.8 per cent below estimate for Block A, 7.9 per cent below estimate for Block B and 5.4 per cent below estimate for the Thevara-Perandoor Canal Scheme respectively. Though acceptance of the lowest offer was recommended by the Technical Committee of the Authority, the Board of Directors of the Authority resolved (July 1977) to retender all the three works on the ground that the lowest rate was far above their expectation. Accordingly, the three works were retendered in August 1977 and the lowest rates quoted were 5 per cent, 12 per cent and 33 per cent respectively above the estimate rates. None of them was accepted and fresh tenders were again invited in September 1977. The lowest offers of 5.7 per cent below the estimate for Block A, 2.5 per cent below the estimate for Block B and 9.7 per cent above the estimate for the Thevara-Perandoor Canal Scheme were accepted by the Board in October 1977. The works awarded in November 1977 were commenced in December 1977 and completed by February-March 1978 (total expenditure: Rs. 8.73 lakhs). Computed with reference to the lowest rates of the first tender call, the Authority had to incur an extra expenditure of Rs. 0.68 lakh by awarding the works at higher rates in the third call (September 1977). There was nothing on record to indicate the basis on which the Authority held that the lowest rates quoted during the first tender call were far above expectation specially when these were below the estimate rates.

(v) *Other points of interest*

(a) *Delay in the adjustment of advances paid to the officers of the Authority*

The Authority paid advances to the officers in the various departments viz. Engineering, Planning, Land Acquisition and Administration for purchase of cement and steel, civil works, freight charges, payment of vehicle tax, etc. As on 31st March 1978, an amount of Rs. 20.18 lakhs was pending adjustment in respect of 121 advances paid to the Engineering, Planning,

Land Acquisition and Administration Departments. The advances dated back to the period 1973-74. The Secretary of the Authority requested (April 1978) all Heads of Departments to see that the advances were adjusted by them without further delay pointing out that any delay in adjusting the advances beyond 30th April 1978 would result in recovery of all the amount from the officials responsible without further reference.

The Authority stated (April 1979) that as at the end of March 1979, only 62 items of advances amounting to Rs. 6.81 lakhs remained to be adjusted.

(b) *Imperfect maintenance of initial account records*

(i) *Cash Book*

Monthly closing of the Cash Book maintained in the office of the Authority was not done from January 1976 onwards and the cash balance as per the cash book had not been reconciled with the bank balance as per the bank pass books. The balances in the bank pass books were being taken as the correct balance without effecting reconciliation.

(ii) The Authority executed various civil works such as reclamation and development of land, construction of buildings, etc., through contractors. The primary records of works accounts viz. Works Abstract and Contractor's Ledger were not maintained. The Authority stated (June 1978) that steps were being taken to maintain the records.

The points mentioned above were reported to Government in September 1978 and November 1978; their reply is awaited (March 1979).

CHAPTER VIII

OUTSTANDING AUDIT OBSERVATIONS AND INSPECTION REPORTS

8.1. Outstanding audit observations

(a) Audit observations on financial transactions of Government are reported to the departmental authorities concerned so that appropriate action is taken to rectify the defects and omissions. Half yearly reports of such observations outstanding for more than six months are also forwarded to Government to expedite their settlement.

The following table shows the number of audit observations issued up to the end of March 1978 and outstanding at the end of September 1978, as compared with the corresponding position indicated in two preceding reports:—

	As at the end of September 1976	*As at the end of September* 1977	*As at the end of September* 1978
Number of observations	35,600	29,884	31,706
Amount (in crores of rupees)	29.78	33.85	48.82

Year-wise break-up of the items is as follows:—

Year		*Items*	*Amount (in lakhs of rupees)*
Prior to	1-4-1969	192	11.69
	1969-70	174	9.70
	1970-71	323	11.78
	1971-72	709	21.20
	1972-73	694	63.49
	1973-74	1,119	1,52.77
	1974-75	1,734	1,78.80
	1975-76	3,571	4,30.98
	1976-77	6,681	13,52.51
	1977-78	16,509	26,49.45
	Total	31,706	48,82.37

(b) The following departments have comparatively heavy outstanding audit observations:—

Sl. no.	*Department*	*Number of observations*	*Amount (in lakhs of rupees)*
1.	Revenue	2,131	10,04.69
2.	Health	6,870	9,66.71
3.	Agriculture	5,695	6,45.40
4.	Water and Transport	1,724	5,19.79
5.	Industries	1,486	5,03.41
6.	Local Administration and Social Welfare	2,295	3,43.99
7.	Higher Education	1,427	2,05.17
8.	Public Works and Electricity	934	1,82.83
9.	Development	2,559	1,78.24

(c) The following are some of the major reasons for which audit observations have remained outstanding:—

Sl. no.	*Nature of observations*	*Number*	*Amount (in lakhs of rupees)*
1.	Payees' receipts not received	16,839	22,59.32
2.	Detailed contingent bills for lumpsum drawals not received	7,947	13,88.82
3.	Agreements with contractors/suppliers not received	300	1,82.56
4.	Vouchers not received	1,874	1,08.41
5.	Sanctions not received for contingent and miscellaneous expenditure	799	84.83

(d) Forty-six per cent of the total outstandings are due to non-submission of payees' receipts. The departments with comparatively heavy outstandings on this account were:—

Sl. no.	*Department*	*Number*	*Amount (in lakhs of rupees)*
1.	Health	3,415	7,67.25
2.	Agriculture	3,509	4,65.59
3.	Industries	913	3,81.07
4.	Local Administration and Social Welfare	1,394	1,30.98
5.	Water and Transport	902	84.29
6.	Revenue	985	73.57
7.	General Education	460	57.55
8.	Development	741	54.41
9.	Public Works and Electricity	477	49.92
10.	Home	772	48.61

(e) The facility of drawing amounts as advances on abstract contingent bills by disbursing officers is intended to expedite payments in certain cases, but these are to be followed by detailed contingent bills (containing full particulars of expenditure with supporting sub-vouchers and payees' receipts) which should be sent to the Audit Officer by the 20th of the month succeeding the month to which the abstract contingent bills relate. Rupees 13,88.82 lakhs are held under observation due to non-receipt of detailed contingent bills in the Audit Office. The departments with comparatively heavy outstandings are mentioned below:—

Sl. no.	*Department*	*Number*	*Amount (in lakhs of rupees)*
1.	Revenue	958	9,02.09
2.	Health	2,883	1,46.23
3.	Development	1,416	1,02.54
4.	Industries	358	74.94
5.	Agriculture	603	47.99
6.	Higher Education	527	41.53
7.	Food	96	24.60

In the absence of detailed contingent bills it is difficult for Audit to know whether the amount has been spent for the purpose or purposes for which the advances were drawn.

(f) As at the end of September 1978, Rs. 1,82.56 lakhs were held under observation due to non-receipt of agreements entered into with contractors/suppliers. The departments with comparatively heavy outstandings are indicated below:—

Sl. no.	*Department*	*Number*	*Amount (in lakhs of rupees)*
1.	Water and Transport	132	76.49
2.	Public Works and Electricity	84	64.11
3.	Local Administration and Social Welfare	48	33.75

(g) As at the end of September 1978, Rs. 1,08.41 lakhs were held under observation due to non-receipt of vouchers in the Audit Office. The departments with comparatively heavy outstandings are mentioned below:—

Sl. no.	*Department*	*Number*	*Amount (in lakhs of rupees)*
1.	Local Administration and Social Welfare	356	37.77
2.	Water and Transport	290	31.18
3.	Public Works and Electricity	174	18.49
4.	Finance	989	17.25

(h) The financial rules of Government require that a copy of every order sanctioning expenditure should be sent to the Audit Officer by the authority which accords sanction to the expenditure. In the absence of sanctions, it cannot be verified in audit whether the amounts drawn were duly authorised by competent authority. As at the end of September 1978, Rs. 84.83 lakhs were held under observation due to non-receipt of sanctions to contingent and miscellaneous expenditure.

The departments with comparatively heavy outstandings are mentioned below:—

Sl. no.	*Department*	*Number*	*Amount (in lakhs of rupees)*
1.	Health	252	33.64
2.	Agriculture	117	20.09
3.	Development	132	9.55
4.	Higher Education	71	9.25

8.2. Clearance of audit observations by Joint Inspection Team

With a view to clearing outstanding audit observations by on-the-spot verification of the required documents kept with the departmental offices, the State Government constituted (November 1973) a Joint Inspection Team consisting of representatives from the Finance Department of Government and from the office of the Accountant General. The Joint Inspection Team

was to visit the various departmental offices, verify the original records and settle the observations on the spot. The Team commenced functioning from January 1974. By the end of October 1978, the Team cleared 20,895 items (money value: Rs. 12,99.41 lakhs) as per details given below:

Period to which the observations relate	*No. of items cleared*	*Money value of items cleared (in lakhs of rupees)*
Upto March 1972	8,449	3,21.43
April 1972 to March 1975	9,834	5,68.59
April 1975 to March 1977	2,612	4,09.39
Total	20,895	12,99.41

Scrutiny by the Team of the records of the departmental offices disclosed a few interesting points:

(i) In respect of the following cases where advances were drawn by departmental officers for meeting expenditure on various purposes, the accounts of the expenditure met out of the advances have not been rendered to Audit (January 1979):—

(a) An advance of Rs. 0.40 lakh drawn by the Director of Public Relations in August 1970 was made over to a Film company for production of a documentary film highlighting the salient features of the Kerala Land Reforms Act, 1963. According to the terms of the agreement executed by the company in August 1970, they were to deliver the rough cut copy of the film with written commentary within 60 days from the date of receipt of the approved script from the department. The script approved by Government was handed over to the company in September 1970. Despite extension of the period of agreement by 60 days, the company failed to deliver the film. A security of Rs. 500 deposited by the company was forfeited and revenue recovery steps initiated by Government in October 1971 for recovery of the advance together with 4 per cent interest thereon in accordance wih the terms of the agreement. Attempts made by the Revenue Department to realise the advance from the two sureties of the agreement did not yield result as they turned out to be the paid employees of the company with very low income. Rupees 0.15 lakh were realised in October 1977 by auctioning 98 cents of land belonging to the General Manager of the company and a further sum of Rs. 0.10 lakh was remitted by the company in April 1978. Balance pending

recovery with interest worked out to Rs. 0.27 lakh, as at the end of July 1978. In May 1978, Government instructed the Government Pleader to file a civil suit against the General Manager of the company for failure to pay the dues under the terms of the agreement. Further developments of the case are awaited (February 1979).

(b) Advances totalling Rs. 0.58 lakh were drawn by the Tahsildar, Ambalapuzha between August 1967 and July 1968 for payment of thatching grant to the beneficiaries under famine relief measures and for distribution of tapioca. It was explained (August 1978) to the Joint Inspection Team by the Tahsildar that the relevant records were not forthcoming for rendering detailed accounts.

In another case, advances totalling Rs. 0.16 lakh were drawn by the Taluk Welfare Inspector, Nedumangad between March 1974 and November 1975 for purchase of handloom cloth and aluminium plates for distribution among the various tribal schools under his control. The local verification of the records by the Joint Inspection Team showed that proof of payment of the amount to the suppliers of handloom cloth and aluminium plates was not available.

The Board of Revenue, Trivandrum stated (November 1978) that in respect of advances totalling Rs. 0.58 lakh drawn by the Tahsildar, Ambalapuzha, detailed reports had been called for from the District Collector concerned.

In regard to advances totalling Rs. 0.16 lakh drawn by the Taluk Welfare Inspector, Nedumangad, Government in the Development Department stated (December 1978) that the matter had been referred to the Director of Vigilance Investigation for conducting an enquiry into the irregularities involving penal offences.

(c) Advances totalling Rs. 1.60 lakhs were drawn between June 1972 and January 1975 by the Lay Secretary and Treasurer, Medical College Hospital, Trivandrum for purchase of ration articles and meeting expenditure on freight charges. Vouchers and other details in support of the expenditure incurred out of the advances could not be verified as these were reported to be not forthcoming. The matter was reported to Government in the Finance Department in March 1978; further developments are awaited (February 1979).

(d) In the following cases, details of adjustment of the advances drawn by the Director of Harijan Welfare for payment of lump sum grant, stipends, etc., to students belonging to scheduled castes and scheduled tribes

and made over to heads of various institutions in which these students prosecuted their studies were not made available:—

Year of payment of advances	*Total number of items*	*Balance of unadjusted advances (in lakhs of rupees)*
1971-72	34	0.59
1972-73	55	1.29
1973-74	25	1.30
1974-75	80	2.19

Government in the Development Department stated (December 1978) that advances to the extent of Rs. 0.19 lakh had been adjusted and that the adjustment particulars of the balance amount were being collected. Government also stated that the undisbursed and unadjusted advances would be adjusted against the special fees due to the colleges.

Cases where the heads of institutions had not refunded the undisbursed amount of lumpsum grant, stipends etc., so far (August 1978), as seen from the records of the Director of Harijan Welfare, are indicated below:—

	Name of Institution	*Year of payment of advance*	*Amount of advance*	*Total amount disbursed*	*Balance remaining unrefunded*
			(in lakhs of rupees)		
1.	Government Law College, Kozhikode	1974-75	0.18	0.09	0.09
2.	Government Law College, Kozhikode	1975-76	0.16	0.08	0.08
3.	Government Law College, Kozhikode	1976-77	0.12	0.06	0.06
4.	Sree Sankara College, Kalady	1974-75	0.49	0.43	0.06
5.	Sree Sankara College, Kalady	1975-76	0.38	0.32	0.06
6.	Sree Kerala Varma College, Trichur	1974-75 to 1976-77	6.72	6.51	0.21
7.	M. G. College, Trivandrum	1968-69 to 1975-76	6.79*	5.90*	0.89

* Does not include Rs. 0.05 lakh being the undisbursed amount of advance paid in 1967-68.

Government in the Development Department stated (December 1978) that (i) the Director of Harijan Welfare had already addressed (July 1978) the Principal of the Government Law College, Kozhikode to refund the unadjusted balance and that the refund had not been made till November 1978; (ii) Rupees 0.18 lakh were due from the Sree Sankara College, Kalady, being the undisbursed amount of advances paid to it during 1972-73 to 1977-78 besides an examination fee of Rs. 0.03 lakh and that the Principal had already been addressed in August 1978 and reminded in September 1978 and November 1978 to refund the amount and (iii) the Principals of the Sree Kerala Varma College, Trichur and M. G. College, Trivandrum had not so far refunded the undisbursed amounts inspite of reminders.

(e) Twenty-eight cases of advances totalling Rs. 0.59 lakh drawn prior to April 1975 relating to the Government Hospital, Kunnamkulam and T. B. Hospital, Pulayanarkotta, could not be settled locally as the advances drawn were reported to have been misappropriated. The Director of Health Services, reported (October 1978) that the investigation of the case of misappropriation relating to the Government Hospital, Kunnamkulam by the Vigilance Department was over and that the report would be forwarded to Government shortly. In January 1978, Government issued orders that the concerned officials in T. B. Hospital, Pulayanarkotta be prosecuted in a Court of competent jurisdiction, under the Prevention of Corruption Act of 1947. Further developments are awaited (February 1979).

(f) Between September 1968 and August 1974, advances totalling Rs. 0.29 lakh were drawn by the Director of State Lotteries, Director of Harijan Welfare and Director of Tourism. Statement of the expenditure and supporting vouchers relating to the expenditure met out of the advance drawn (September 1968 and December 1968) by the Director of State Lotteries for conducting an exhibition at Kottayam and meeting expenses connected with drawal of lottery tickets were reported by him as not forthcoming. Government in the Taxes Department stated (November 1978) that the Director of State Lotteries had been instructed to settle the case immediately by recovery, if necessary, from the officers responsible. Advances drawn (February 1971, March 1971 and August 1972) by the Director of Harijan Welfare were for meeting expenditure connected with the All India Exhibitions at Trivandrum in 1971 and 1972. These have not been adjusted pending finalisation of charges levelled against the Chief Publicity Officer for certain alleged irregularities in the maintenance of accounts connected with the expenditure met out of these advances. Government in the Development

Department stated (December 1978) that the vouchers produced by the Chief Publicity Officer in support of the payments made by him had not been accepted and that the advances could be adjusted only after the disciplinary proceedings initiated against him are finalised. The advance drawn by the Director of Tourism in August 1974 was paid to the Kerala Fisheries Corporation in the same month for carrying out repairs to the boat, "sagar" attached to the Guest House, Ernakulam. Before the Corporation could take up the repair work, the Boat Building Yard and Workshop Unit under its control were wound up and taken over (June 1975) by the Fisheries Department which expressed its inability to repair the boat for want of spare parts. A fresh assessment (June 1977) of the extent of repairs to the boat by the Assistant Engineer of the Mechanical Sub-Division, Alleppey showed that the cost of repairs would be about Rs. 0.65 lakh. Government in the General Administration Department stated (December 1978) that the question of disposal of the boat was under consideration. Government also stated that the refund of the advance by the Fisheries Department was tied up with the valuation of assets and liabilities of Kerala Fisheries Corporation taken over by the Fisheries Department and that a Committee was currently engaged on this work.

(ii) Scrutiny of the records of the departmental offices to find out the reasons for the non-payment of the balance 10 per cent of the cost of supplies, equipment, materials, etc., in cases where 90 per cent of the cost had already been paid, disclosed the following points:—

(a) In March 1968, Government sanctioned the purchase of a double pulse square wave generator and a double beam Oscilloscope together with an amplifier and frequency meter (cost: Rs. 0.25 lakh) for use in the Telecommunication Department of the Engineering College, Trivandrum. Government also ordered that the purchase be made without inviting tenders on the basis of an offer from a Calcutta-based firm who were authorised agents for the equipment and who had imported the equipment under their own import license, subject to the condition that the rates quoted by the firm were got confirmed by the State Trading Corporation. In compliance with the order placed by the Principal of the College in April 1968, the firm supplied the generator and oscilloscope in May 1968 and Rs. 0.19 lakh representing 90 per cent of the cost of the equipment were paid (May 1968) to them after the rates were got confirmed by the State Trading Corporation. In the same month, the Principal of the College reported to the firm that the equipment was defective and was not working properly. As the service engineer of the firm who inspected the equipment (August 1968) could not rectify the defects,

the Principal addressed the firm again in August 1968 for replacing the equipment. The firm was reminded by the Principal repeatedly but with no result. The matter was not pursued after April 1972 and the equipment has yet to be repaired. In response to a request (February 1977) by the Principal of the college for arranging repair of the equipment, the supplier firm expressed their inability to undertake the work on the ground that the equipment had been supplied by them long back and that they could not keep the guarantee open for such a long period and demanded payment of the balance 10 per cent of the cost of the equipment. The Principal addressed (May 1977) a Bombay firm to undertake the repairs but the firm did not respond. Further developments are awaited (August 1978).

Expenditure of Rs. 0.19 lakh incurred on the equipment remains unproductive. No part of the cost of the equipment could be recovered from the supplier firm as the department did not obtain any security from them nor did they get an agreement executed by the firm for the satisfactory fulfilment of the contract and providing for a penal clause for any breach of the conditions of the contract as required under the financial rules of Government.

(b) Rupees 0.87 lakh were drawn and paid in November 1971 by the Principal, Medical College, Kozhikode as 90 per cent of the cost of the equipment "Preparative Ultra Centrifuge" supplied by a New Delhi firm in November 1971. According to the terms of the supply order placed with the firm, the balance 10 per cent of the cost was payable after the equipment was installed and tested for satisfactory functioning. Equipment was installed in January 1972, but was found to be defective. The matter was taken up by the Principal with the firm in August 1972. The firm had so far not set right the defects. The matter has been under correspondence by the Principal with the firm (January 1979).

(c) Another case in which balance 10 per cent had not been paid related to certain equipment including refrigeration equipment purchased from a Bombay firm in November 1974 by the Director of Training for use in five Industrial Training Institutes. Ninety per cent of the cost of the items (Rs. 0.26 lakh) was paid in March 1975 by remittance into bank for release of the despatch documents sent by the firm. On taking delivery of the consignment, the institutions noticed that the firm had not despatched the refrigeration equipment for which they had been paid Rs. 0.16 lakh towards 90 per cent cost thereof. As the firm did not supply the equipment, even after

the matter was brought to its notice in March 1975, the Director reported the matter to Government in June 1975 and Governm circular instructions in July directing all heads of departments payments, if any, due to the firm. Rupees 0.15 lakh were still due 1979) from the firm towards the equipment not supplied after adju amounts payable to the firm.

(iii) 894 items of audit observations (money value: Rs. 7 could not be settled locally by the Joint Inspection Team owing to duction of relevant records by 13 institutions to which the audit ob pertained. In July 1978, Government issued circular instructio heads of departments pointing out that prompt and expeditious acti be taken by them for the settlement of the observations and suitab taken against the officers who fail to show satisfactory progress in the of audit observations. Response from the departmental offices watched.

(iv) Test check of the register of audit observations (re be maintained in the departmental offices) in 40 offices showed register was not up-to-date, it had not been reviewed periodically by of office or any other responsible officer and the register had not be monthly and the monthly abstract of outstanding observations pre

8.3. Outstanding inspection reports

Audit observations on financial irregularities and defects in initial noticed during local audit and not settled on the spot, are comm to Heads of Offices and to the next higher departmental authorities audit inspection reports. The more important irregularities are to the Heads of Departments and Government. Government have pr that first replies to inspection reports should be sent within four weeks

As at the end of September 1978, 6,640 inspection reports issued March 1978 were not settled fully as shown below with corresponding for the earlier two years:—

	As at the end of September 1976	*As at the end of September* 1977	*As at the end of Sept.* 19
Number of inspection reports	5,154	6,141	6
Number of paragraphs	17,864	21,814	23,

Some of the departments with heavy outstanding inspection reports are the following:—

Sl. no.	*Departments dealing with inspection reports*	*Total Number outstanding*		*Number outstanding for over three years*	
		*Inspection reports**	*Paragraphs*	*Inspection reports*	*Paragraphs*
1.	Taxes (Sales Tax, Agricultural Income Tax, Excise, Lotteries and Stamps and Registration)	2,468	11,691	907	3,760
2.	Local Administration and Social Welfare	1,045	1,935	496	834
3.	Revenue	618	1,772	125	252
4.	Agriculture	556	1,489	234	528
5.	Health	487	1,383	192	437
6.	Development	367	970	129	239
7.	General Education	366	755	131	212
8.	Water and Transport	209	1,117	83	225
9.	Public Works and Electricity	161	645	69	162
10.	Food	132	406	28	35

Of the reports outstanding at the end of September 1978, 3,821 reports (number of paragraphs: 15,815) related to revenue receipts and 2,819 reports (number of paragraphs: 7,351) to civil departments. These included 431 reports (316 relating to civil departments and 115 to revenue receipts), first replies in respect of which had not been received till the end of September 1978

The Finance Department (Inspection Works Wing) of Government on a review of the progress in clearance of outstanding inspection reports issued up to end of September 1976, observed (August 1978) that the performance of the departments was not at all satisfactory and expressed serious concern that the Heads of Departments did not attach due importance to the clearance of inspection reports. Government also directed that in accordance with the earlier instructions issued in March 1973, the Heads of Departments should

*Includes inspection reports relating to revenue receipts.

on receipt of the half-yearly statements of outstanding inspection reports from the Accountant General communicate the details of outstanding inspection reports to the concerned officers for immediate clearance and entrust an officer with the responsibility of watching the progress of clearance by contacting the heads of offices and giving them necessary assistance.

Trivandrum,
The 17 July 1979

(S. SETHURAMAN)
Accountant General, Kerala.

Countersigned

New Delhi,
The 20th July 1979

(GIAN PRAKASH)
Comptroller and Auditor General of India.

APPENDICES

APPENDIX I

Utilisation certificates

(*Reference*: *paragraph* 1.12—*Pages* 24-25)

Department	*Due*		*Received*		*Outstanding*		*Oldest period to which the certificates due relate*
	Number	*Amount (in lakhs of rupees)*	*Number*	*Amount (in lakhs of rupees)*	*Number*	*Amount (in lakhs of rupees)*	
Agriculture Department							
Agriculture	32	2,92.81	19	2,59.53	13	33.28	1976-77
Animal Husbandry	25	22.44	12	22.04	13	0.40	1969-70
Co-operation	852	94.14	414	33.77	438	60.37	1969-70
Forest	3	0.18	1	0.07	2	0.11	1972-73
Development Department							
Fisheries	28	1.22	27	1.17	1	0.05	1974-75
Harijan Welfare	7,337	1,71.58	358	14.61	6,979	1,56.97	1963-64
Education Department							
Higher Education	46	99.58	24	28.62	22	70.96	1972-73
Art and Culture	248	80.69	38	28.56	210	52.13	1968-69
Health Department							
Medical	12	1.76	9	1.57	3	0.19	1975-76
Public Health	8	1.01	3	0.16	5	0.85	1970-71
Home Department	37	1.09	..	..	37	1.09	1963-64
Industries Department							
Industries	25	1.95	12	0.25	13	1.70	1971-72
Small Scale Industries	325	2,69.89	72	9.07	253	2,60.82	1972-73
Local Administration and Social Welfare Department							
Urban Development	68	67.67	41	42.08	27	25.59	1974-75
Housing	665	1,19.70	24	1,10.00	641	9.70	1974-75
Panchayats	37	1,37.57	3	28.18	34	1,09.39	1974-75
Public Department	5	0.30	2	0.03	3	0.27	1975-76
Revenue Department	1	0.02	..	..	1	0.02	1975-76
Total	9,754	13,63.60	1,059	5,79.71	8,695	7,83.89	

APPENDIX II

Grants and charged appropriations where the savings (more than Rs. 10 lakhs in each case) were more than 10 per cent of the total provision

(*Reference*: *paragraph* 2.4 (*iii*), *pages* 36-37)

Sl. no.	*Number and name of grant/appropriation*		*Charged/ Voted*	*Total grant/ appropriation*	*Saving*	*Percentage of saving to the total provision*
				(*in lakhs of rupees*)		
			REVENUE SECTION			
1.	X	Treasury and Accounts	Voted	2,21.67	27.96	12.6
2.	XIII	Jails	Voted	1,45.30	15.21	10.5
3.	XIV	Stationery and Printing and other Administrative Services	Voted	3,33.51	36.14	10.8
4.	XVI	Pensions and Miscellaneous	Voted	19,80.98	2,06.23	10.4
5.		Do.	*Charged*	*55.99*	*10.36*	*18.5*
6.	XIX	Family Planning	Voted	6,04.68	1,74.52	28.9
7.	XX	Public Health	Voted	4,33.99	52.12	12
8.	XXI	Public Health Engineering	Voted	7,89.33	3,55.09	45
9.	XXII	Housing	Voted	3,02.43	87.43	28.9
10.	XXIX	Miscellaneous Economic Services	Voted	14,45.16	3,33.50	23.1
11.	XXX	Agriculture	Voted	20,37.46	2,29.00	11.2
12.	XXXI	Food	Voted	1,27.88	33.06	25.8
13.	XXXII	Animal Husbandry	Voted	5,23.68	58.48	11.2
14.	XXXV	Forest	Voted	8,19.69	1,53.42	18.7
15.	XL	Ports	Voted	63.30	10.93	17.3
			CAPITAL SECTION			
1.	XXVIII	Co-operation	Voted	10,73.80	1,59.21	14.8
2.	XXIX	Miscellaneous Economic Services	Voted	1,20.00	37.61	31.3
3.	XXX	Agriculture	Voted	9,28.96	2,73.79	29.5
4.	XXXI	Food	Voted	5,49.56	3,32.26	60.5
5.	XXXIV	Fisheries	Voted	1,13.25	24.03	21.2
6.	XXXIX	Power	Voted	2,35.49	72.47	30.8
7.	XL	Ports	Voted	1,19.06	62.69	52.6

APPENDIX III

Major schemes where provision remained substantially or wholly unutilised

(*Reference*: *paragraph* 2.4 (*iv*), *pages* 36-37)

Department/grant number and head/scheme	*Provision*	*Saving and its percentage*	*Reasons for saving and remarks*
	(*in lakhs of rupees*)		
Public Works—XV—[illegible](1). 7. Roads benefiting scheduled castes and scheduled tribes	24.71	18.59 (75%)	Transfer of funds to works under other heads based on actual requirements.
Education—XVII—[illegible] F(g). 6. Starting of C.S.I.R. Laboratory	15.00	15.00 (100%)	Non-finalisation of land acquisition proceedings.
Agriculture—XXX— (i) 305(g). 42. Kerala Agricultural Development Project—Extension Service	30.00	17.53 (58%)	Late appointment of staff for the scheme, non-finalisation of the Special Agricultural Development Unit and non-delivery of vehicles ordered through the Director General of Supplies and Disposals.
(ii) 505 (b).2. The Kerala Land Development Corporation—Investments	39.00	19.00 (49%)	Lesser investment in the equity capital of the Corporation in view of the larger subsidy released by Government against the revenue deficit of the company.
(iii) 307 (d). 3. Soil conservation in the catchments of River Valley Projects (Centrally Sponsored Scheme)	20.00	17.18 (86%)	Reasons have not been intimated (February 1979).
Food—XXXI— 309 (a). 1. Grain Supply Scheme	5,49.54	3,42.24 (62%)	Grant of exemption from levy up to 2 acres of land and reduction in the case of levy for all classes of cultivators and less expenditure on payment of differential cost to Government of India and on payment to Food Corporation of India on account of revision of price of boiled rice.

[illegible]10|MC.

APPENDIX III—*Concld.*

Sl. no.	*Department/grant number and head/scheme*	*Provision*	*Saving and its percentage*	*Reasons for saving and remarks*
		(*in lakhs of rupees*)		
5.	Industries—XXXVII—	70.00	50.00 (71%)	
	(i) 522 (a). 1. Steel Industries, Kerala Limited-Investments			Limiting of share capital contribution to the company to Rs. 20 lakhs as expenditure on the steel industries project was envisaged only in 1978-79.
	(ii) 722 (b). 3. Loans to Steel Industries	30.00	30.00 (100%)	do.
	(iii) 530 (a). 1. Kerala State Industrial Development Corporation—Investments	30.00	30.00 (100%)	Non-investment in the company during the year as the internal resources of the company were found sufficient to meet its requirements.
	(iv) 722 (b) 5. Scooter Project	25.00	25.00 (100%)	Non-sanctioning of loan assistance to the company during the year owing to its belated registration.
6.	Ports—XL—	57.50	47.18 (82%)	
	(i) 535 A(a). 4. Development of Beypore Port (Centrally Sponsored Scheme)			Late commencement of the dredging work and non-settlement of claims due to the Shipping Corporation of India pending decision on the disputes referred to Government.
	(ii) 535 (a). 1. Works	43.00	31.03 (72%)	Non-finalisation of the designs for the additional equipment for ports and dredger units, non-construction of transit sheds at Neendakara and non-execution of dredging and other capital works.

APPENDIX IV

Details of Cases of wh

Reference:

Sl. no.	*Drawing/Disbursing Officer*	*Amount drawn / month of drawal* (*in lakhs of rupees*)	*Nature of drawal*
	AGRICULTURE DEPARTMENT		
1.	Technical Assistant I, Office of the Joint Director of Agriculture, Alleppey	13.55 (March 1978)	Contingent charges
2.	Deputy Director of Agriculture, Malappuram	0.31 (March 1978) (Bank draft)	Cost of motor with starter for on 22nd March 1978
	Do.	2.50 (March 1978)	Purchase of quality coconuts
3.	The District Agricultural Officer, Idukki	0.03 (March 1978)	Hire charges of lorry to the Public Works Dep
4.	Production Manager, Central Hatchery and Chick Sexing School, Chengannur	0.24 (March 1978) (Demand drafts)	Cost of exhaust fans, spares, lamps and heater
	HEALTH DEPARTMENT		
5.	Director of Health Services, Trivandrum	4.75 (March 1978)	Cost of 10 vans

(A) Details of disbursement not intimated.

-IV

f funds in advance of requirements

.8, pages 38-39)

Amount disbursed	*Amount refunded* — *month of refund* (*in lakhs of rupees*)	*Amount remaining undisbursed*	*Remarks*
12.68 (April to June 1978)	..	0.87 (January 1979)	Payment has not been made as the articles supplied were found to be defective in certain respects.
..	0.31 (August 1978)	..	The party failed to supply the motor and hence the amount was refunded on 22nd August 1978.
2.50 (6th to 29th April 1978)	..	..	The amount was deposited in current account in the name of Assistant Director and it was disbursed as and when seed nuts were supplied.
..	0.03 (June 1978)	..	The amount was drawn for payment to the Executive Engineer, Muvattupuzha Valley Irrigation Project and it was remitted into the treasury on 6th June 1978 on receipt of information from the Executive Engineer that the hire charges had been adjusted by book transfer in the accounts for April 1977 and September 1977.
0.24 (May, August and September 1978)	..	..	Supplies were received in May to September 1978.
4.65 (October 1978)	..	0.10 (A)	Reasons for the belated payment are awaited from the Director of Health Services (February 1979).

APPENDIX

Sl. no.	*Drawing/Disbursing Officer*	*Amount drawn* / *month of drawal* (*in lakhs of rupees*)	*Nature of drawal*
	EDUCATION DEPARTMENT		
6.	District Educational Officer, Palghat	0.03 (March 1978)	Payment of scholarships
7.	District Educational Officer, Trichur	0.07 (March 1978)	Payment of scholarships and contingent payments
8.	District Educational Officer, Pathanamthitta	0.11 (March 1978)	Payment of scholarships, honorarium, etc.
9.	District Educational Officer, Irinjalakuda	0.03 (March 1978)	Scholarships to Scheduled castes/tribes pupils
	HIGHER EDUCATION DEPARTMENT		
10.	Principal, Government College, Quilandy	0.01 (March 1978) (Bank draft)	Cost of books (Orders placed in January 1978)
	TECHNICAL EDUCATION DEPARTMENT		
11.	Principal, Government Polytechnic, Kalamassery	0.02 (March 1978)	Cost of an air circulator ordered for on 25th March 1978

-IV—*Contd*

Amount disbursed	*Amount refunded* / *month of refund*	*Amount remaining undisbursed*	*Remarks*
	(*in lakhs of rupees*)		
0.03 (April 1978 to February 1979)	..	..	The correct addresses of the beneficiary pupils were not available and the amount was drawn to avoid lapse of funds.
0.06 (April to October 1978)	0.01 (June and November 1978)	..	Disbursement was delayed for want of details of the pupils from heads of schools.
0.11 (April to July 1978 and October 1978)	..	..	..
0.03 (April 1978 to February 1979)	..	..	The amount was drawn and retained pending receipt of the details of meritorious scheduled castes/scheduled tribes pupils to whom the scholarship was payable and the disbursement started in July 1978 on receipt of the lists from the Assistant Educational Officers and High Schools.
..	..	0.01 (March 1979)	Payment was withheld on instructions from the Director of Collegiate Education as there was breach of contract owing to the failure of the supplier to supply all the books ordered for within the prescribed period.
..	0.02 (February 1979)	..	The amount was refunded as the firm expressed (January 1979) inability to supply the item.

Sl. no.	*Drawing/ Disbursing Officer*	*Amount drawn* / *month of drawal* (*in lakhs of rupees*)	*Nature of drawal*
12.	Senior Superintendent, I. T. I., Palghat	0.12 (March 1978)	Payment for supplies ordered for in March 1978
DEVELOPMENT DEPARTMENT			
13.	District Welfare Officer, Trivandrum	0.75 (March 1978)	Intercaste marriage grant, cost of sewing machines, etc.
14.	District Welfare Officer, Kottayam	0.03 (March 1978)	Cost of raw materials and tools ordered for in February 1978
15.	District Welfare Officer, Quilon	0.03 (March 1978)	Cost of articles
16.	District Welfare Officer, Trichur	0.41 (March 1978)	Various items such as industrial loans, intercaste marriage grant contingencies, etc.
17.	Taluk Welfare Inspector, Tirur	0.16 (March 1978)	Subsidy to technically trained hands, thatching grant, grant for E. S. P. type latrine, etc.
18.	Taluk Welfare Inspector, Perinthalmanna	0.08 (March 1978)	Subsidy and thatching grant
19.	Taluk Welfare Inspector, Devicolam	0.25 (March 1978)	Thatching grant, subsidy to trained hands, contingent charges, etc.
20.	Taluk Welfare Inspector, Karunagappally	0.18 (March 1978)	Do.

—IV—*Contd*

Amount disbursed	*Amount refunded* / *month of refund*	*Amount remaining undisbursed*	*Remarks*
	(in lakhs of rupees)		
..	0.12 (June 1978)	..	The supplier firm delayed supply and the amount was refunded.
0.73 (April to September 1978)	0.02 (July 1978)	..	Sanction for the drawal of the grant was received only on 31st March 1978 and notices were sent to the parties for receiving the amount, but they did not turn up or turned up late.
0.03 (January 1979)	..	..	Payment was delayed as the firm supplied the materials only in August 1978.
0.03 (August and October 1978)	..	..	The articles were received only in August 1978 and the party also delayed execution of agreement.
0.41 (April to July 1978)	..	..	Amount reported (November 1978) to be drawn and kept in the office for disbursement.
0.16 (April to July 1978)	..	..	The delay in disbursement was due to the fact that quotations were pending acceptance by the District Welfare Officer and the parties also did not turn up in time to receive the amount.
0.08 (April to July 1978)	..	..	do.
0.25 (April to July 1978)	..	..	do.
0.18 (April to July 1978)	..	..	do.

APPENDIX

Sl. no.	*Drawing/Disbursing Officer*	*Amount drawn* / *month of drawal*	*Nature of drawal*
		(in lakhs of rupees)	
21.	Taluk Welfare Inspector, Ottappalam	0.31 (January to March 1978)	Disbursement to beneficiaries under various schemes of the department
22.	Taluk Welfare Inspector, Trichur	0.03 (March 1978)	Subsidy to trained persons
23.	Taluk Welfare Inspector, Quilon	0.20 (March 1978)	Various grants to persons belonging to scheduled castes and subsidy to technically trained hands
24.	Taluk Welfare Inspector, Tellicherry	0.03 (March 1978)	Do.
25.	Block Development Officer, Muvattupuzha	1.52 (March 1978) (Bank draft)	Subsidy to farmers and advance for link roads, etc.
26.	Block Development Officer, Neeleshwar	0.32 (November 1977 to March 1978)	Sitting fees of B. D. C. members
27.	Director of Fisheries, Trivandrum	1.38 (March 1978)	Working capital loan to a co-operative society for repair of boats

—IV *Contd*

Amount disbursed	*Amount refunded* / *month of refund*	*Amount remaining undisbursed*	*Remarks*
(*in lakhs of rupees*)			
0.30 (April to June 1978)	0.01 (May 1978)	..	Delay in execution of bonds/ agreements.
0.03 (April to September 1978)	..	..	Failure of the grantees to turn up in time to receive the grant.
0.20 (April to July 1978)	..	..	Delayed execution of necessary agreements by the beneficiaries of the grant and delay in the acceptance of lowest quotations.
0.03 (April, June and July 1978)	..	..	Delayed execution of bonds and acceptance of quotations and failure of the parties to turn up in time.
0.85 (April to November 1978)	..	0.67 (January 1979)	Delay in payment was due to the fact that claims from the recipients were awaited.
0.32 (April to September 1978)	..	..	Delay in disbursement was due to delay on the part of B.D.C. members to turn up and receive the sitting fees.
..	..	1.38 (January 1979)	The amount was drawn for payment of loan assistance to a society for repair of boats but was deposited in the Treasury Savings Bank in the name of the Project Officer pending receipt of orders from Government on a proposal from the department whether the boats might not be repaired departmentally.

APPENDIX

Sl. no.	*Drawing/Disbursing Officer*	*Amount drawn*	*Nature of drawal*
		month of drawal (in lakhs of rupees)	
BOARD OF REVENUE			
28.	Assistant Director of Survey and Land Records, Thodupuzha	0.03 (March 1978)	Cost of furniture ordered on 2nd March 1978
29.	Tahsildar, Pathanapuram	0.12 (March 1978)	Contingencies and miscellaneous
30.	The Special Tahsildar (LR) I, Kuthuparamba, Cannanore	0.65 (February and March 1978)	Compensation amount payable to land lords under the Kerala Land Reforms Act
31.	Tahsildar, Kanjirappally	0.04 (February to March 1978)	Financial assistance to assignees of surplus lands
32.	District Collector, Malappuram	0.16 (March 1978)	do.
INDUSTRIES DEPARTMENT			
33.	Deputy Commissioner of Small Industries, Malappuram	6.03 (March 1978)	Purchase of machinery for loanees to be given on hire purchase under Rural Industries Project
REGISTRATION DEPARTMENT			
34.	Inspector General of Registration, Trivandrum	0.10 (March 1978)	Cost of furniture and transportation charges of departmental car
	Total	34.58	

—IV *Concld.*

Amount disbursed	*Amount refunded* — *month of refund* (*in lakhs of rupees*)	*Amount remaining undisbursed*	*Remarks*
0.03 (August 1978)	..	..	The delay in payment was due to delay in the receipt of furniture.
0.11 (April 1978 to March 1979)	0.01 (January and March 1979)	..	The parties did not turn up to receive payment in time.
..	..	0.65 (Credited to Personal Deposit account in February and March 1978)	The Amount was drawn and credited to Personal Deposit account but not disbursed as there was already sufficient balance in the Personal Deposit Account.
0.03 (April to July 1978)	0.01 (May 1978 and September 1978)	..	Failure of the parties to appear in time to receive the amounts sanctioned to them.
0.16 (Entrusted to Tahsildars for disbursement in July 1978; details of disbursement awaited)	..	..	Delay in finalising applications of the assignees for financial assistance.
6.03 (April to December 1978)	..	..	Machinery and equipment ordered for between February and March 1978 were received on various dates between April 1978 and October 1978.
0.10 (May 1978 and March 1979)	..	..	Delay in transportation of the car and production of tax clearance certificate.
30.36	0.54	3.68	

APPENDIX V

Details of cases where the compensation for land was reduced and delay in initiating action to recover the excess compensation

(*Reference*: *paragraph 3.11—pages 77-78*)

Sl. No.	*Name of the body for whom the land was acquired*	*Year of acquisition*	*Amount of compensation/additional compensation paid/ date of payment* (*in lakhs of rupees*)	*Reasons for delay in recovery*
1.	The Integrated Development Scheme ,Kovalam	1967	1.31 Deposited in the Sub Court in August 1971 and April 1972 and paid to the plaintiff.	The High Court on appeal reduced (November 1974) the compensation payable to the plaintiff to Rs. 0.49 lakh after adjustment of interest and proportionate court cost. It was only in March 1976 that the District Collector addressed the Government Pleader for initiating execution proceedings for the realisation of the amount due. The summons sent to the party were reported by the Government Pleader (May 1978) to have been received back unserved. Further developments are awaited (March 1979). The amount due for realisation inclusive of interest to end of August 1978 was Rs. 0.92 lakh.

APPENDIX V—(*Contd*)

Sl. No.	*Name of the body for whom the land was acquired*	*Year of acquisition*	*Amount of compensation/additional compensation paid/ date of payment* (*in lakhs of rupees*)	*Reason for delay in recovery*
2.	The Travancore Titanium Products Limited, Trivandrum	1968	0.50 Deposited in Sub Court, Trivandrum in January 1972 and April 1974 and released to the party.	The Sub Court reduced (November 1975) the compensation and as a result, Rs. 0.19 lakh exclusive of interest at 4 per cent paid in excess to the party was recoverable. Action for recovering the amount was initiated in December 1976 and in May 1978 the Court ordered attachment of properties of the party. Further developments are awaited (March 1979).
3.	The Rocket Launching Station, Thumba	1970	2.28 Deposited in Sub-Court between July and November 1971 of which Rs. 2.17 lakhs were released by the Court to the party in 1971 and 1973.	In October 1975, the Sub Court on appeal reduced the compensation and as a result, Rs. 1.22 lakhs paid to the party in excess was recoverable. Action for recovering the amount was taken only towards the end of 1976-77. No amount could be recovered from the party who filed a pauper petition before the High Court. Further developments are awaited (February 1979).

APPENDIX V—(*Concld.*)

Sl. No.	*Name of the body for whom the land was acquired*	*year of acquisition*	*Amount of compensation/additional compensation paid/ date of payment* (*in lakhs of rupees*)	*Reasons for delay in recovery*
4.	Phyto Chemical Project, Neriyamangalam	1961	7.00 * Deposited in the Sub Court (September and October 1970). The entire amount was released to the party by the Court in October and November 1970.	The High Court set aside (January 1973) the decree of the Sub Court on the ground that the Land Acquisition Officer had awarded compensation on wrong principles of valuation and that the Sub Court allowed further enhancement as the Government Pleader did not raise any objection. As a result, the excess compenstion paid to the party was assessed (November 1977) by the District Collector as Rs. 9.52 lakhs inclusive of interest for 6 years from 1970. The amount had not so far been realised (March 1979). It was noticed that the execution petition filed by the department in December 1976 was stayed by the Supreme Court in January 1977. Further developments are awaited (March 1979).

* Includes enhanced compensation paid for land acquired in 1962 for Periyar Valley Irrigation Project.

APPENDIX VI

Department-wise details of cases of misappropriations, losses, etc.

(*Reference*: *Paragraph 3.12—Pages 78-79*)

Sl. No.	*Department*	*Number*	*Amount (in lakhs of rupees)*
1.	Revenue	35	5.81
2.	Agriculture	23	4.71
3.	Development	23	2.31
4.	Public Works	21	18.67
5.	Health	15	6.43
6.	General Education	14	5.46
7.	Higher Education	11	1.52
8.	Local Aministration and Social Welfare	9	8.13
9.	Taxes	9	0.46
10.	Finance	8	1.93
11.	Industries	4	0.31
12.	Home	3	0.30
13.	Food	2	0.71
14.	Public	1	0.12
15.	Labour	1	0.32
	Total	179	57.19

102|9210|MC.

APPENDIX VII

Writes off, waivers and ex-gratia payments

(*Reference: paragraph* 3.13—*Page* 79)

Sl. No.	*Name of Department*	*Writes off*		*Waiver*		*Ex-gratia payments*	
		Items	*Amount Rs.*	*Items*	*Amount Rs.*	*Items*	*Amount Rs.*
1.	Agriculture	689	2,04,934	7	3,60,568 (D)	2	10,170
2.	Revenue	21	88,105	..	..	3	16,800
3.	General Education	5	3,887	3	15,465 (E)		..
4.	Higher Education	4	18,184	..	..	..	..
5.	Development	18	70,311 (A)	5	62,236	1	1,850
6.	Industries	2	103	..	..	1	1,985
7.	Health	7	5,149	2	16,298	4	26,735 (G)
8.	Law	..	..	1	71	..	..
9.	Home	3	3,506	3	2,361	33	1,24,500
10.	Election	3	5,620	..	..	..	..
11.	Public Works and Electricity	27	4,45,654 (B)	1	10,350	..	..
12.	Finance	2	5,577	..	..	60	1,00,700
13.	Water and Transport	66	54,510 (C)	1	10	..	..
14.	Taxes	4	12,985	2	23,023 (F)	..	..
15.	Local Adinistration and Social Welfare	13	61,044	1	745	..	..
16.	Labour and Housing	4	2,633	1	28	..	..
17.	General Administration	13	60,566	1	6,454	1	3,000
18.	Planning and Economic Affairs	..	..	1	552	..	..
	Total	881	10,42,768	29	4,98,161	105	2,85,740

(A) Includes (i) Rs. 35,500 (out of Rs. 52,500) paid by the Fisheries Department (1964-65) to a firm for construction of 2 numbers of 36 feet boats.
(ii) Rs. 18,592 being part cost of materials issued (1957) to a society from a National Extension Service Block treated as irrecoverable as responsibility could not be successfully fixed on the official concerned.

(B) Includes (i) Rs. 55,511 being the value of rods and steel items found short in the consignments received during September 1973 and October 1976 in 5 District Stores.
(ii) Rs. 2,48,816 being centage charges payable to the Public Works Department by the Kerala University on account of works executed for the erstwhile Travancore University prior to 1951.

(C) Includes Rs. 15,955 being the value of rods of steel found short in the consignment received in July 1974 in one District Store.

(D) Includes Rs. 3,31,555 being the penal interest due to the State Government from the Kerala State Co-operative Marketing Federation on loans paid to them under the rubber procurement scheme.

(E) Includes Rs. 11,930 being the excess amount drawn and disbursed to the aided school teachers due to wrong fixation of pay.

(F) Includes Rs. 17,083 being the sales tax leviable for the period from April 1970 to April 1977 on purchase of herbs, firewood, etc., for manufacture of Ayurvedic medicines by an assessee but not levied owing to the grant of irregular exemption.

(G) Includes Rs. 21,120 paid as ex-gratia ranging from Rs. 20 to Rs. 5,000 in 70 cases of fatality/complications resulting from tubectomy/vasectomy operations and I.U.D. insertions.

APPENDIX VIII

Details of a few important cases of balances outstanding under 'Sales on credit'

(*Reference*: *Paragraph* 4.13, *Page* 105)

	Name of Division	*Amount (in lakhs of rupees)*	*Remarks*
1.	Public Works District Stores, Trivandrum	4.27	Represents credit sale of materials during the period 1950-67. The amount is due for recovery from 94 institutions. According to the Assistant Engineer in charge of the Stores, clearance of the outstanding balances depends upon the cooperation of these institutions.
2.	Buildings and Roads Division, Muvattupuzha	0.31	Represents cost of materials supplied to the Kerala State Electricity Board in 1956-57. The Executive Engineer stated (July 1978) that the reason for pendency was non-acceptance of invoice by the Board.
3.	Public Health Division, Kottayam	0.75	Represents cost of materials issued to Kottayam Municipality, Industrial Training Institute, Ettumannur, a private company of Quilon, etc., during the period 1972-73 to 1977-78. The Executive Engineer stated (July 1978) that the matter was under correspondence.
4.	Buildings and Roads Division, Ernakulam	0.26	Represents cost of bitumen issued to the Corporation of Cochin in June 1975 pending adjustment.

APPENDIX IX

Details of some important cases of excess expenditure incurred on deposit works pending recovery

(*Reference*: *paragraph* 4.13, *page* 105)

	Name of Division	*Year*	*Amount (in lakhs of rupees)*	*Nature of item*	*Remarks*
1.	Public Health Division, Alleppey	March 1972	2.18	Construction of a building for T.D. Medical College, Alleppey	The Executive Engineer reported (August 1978) that the matter was under correspondence with higher authorities.
2.	Public Health Division, Trivandrum	Prior to March 1955 to October 1956	1.37	Water supply arrangements to Municipalities and Panchayats now in Tamil Nadu	The Executive Engineer stated (August 1978) that the item was outstanding for want of directions from Government.
3.	Public Health Division, Ernakulam	1970-71 to 1974-75	12.83	Water supply (maintenance and construction) works executed on behalf of the Corporation of Cochin (Rs. 10.35 lakhs), Perumbavoor Municipality (Rs. 1.68 lakhs) and Kalamassery Panchayat (Rs. 0.80 lakh)	The Executive Engineer stated (August 1978) that the parties were requested to remit the amount, but they have not remitted any amount so far.

APPENDIX X

Details of s ome of the important cases under the head "losses, retrench ments and errors, etc." and "other items"

(*Reference*: *paragraph* 4.13, *page* 105)

(i) *Losses, retrenchments, errors, etc.*

	Name of Division	*Amount outstanding (in lakhs of rupees)*	*Remarks*
1.	Public Works District Stores, Kozhikode	0.40	The amount is due for recovery from the Junior Engineers attached to the Public Works District Stores towards cost of cement and M. S. rods found short during the physical verification conducted in August 1970, November 1971 and August 1972. The Executive Engneer stated (August 1978) that orders for recovery of the amount from their pay had been issued.
2.	Buildings and Roads Division, Muvattupuzha	0.38	The amount is pending recovery from contractors in three cases towards cost of unreturned materials and loss on the re-arrangement of works and relates to the period 1964 to 1969. As revenue recovery steps did not yield results, Government directed (January 1976) that action should be taken against departmental officers for delay in assessing the loss. Details of action are awaited (October 1978).

(ii) *Other items*

	No. of Divisions involved	*Nature of items*	*Amount (in lakhs of rupees)*	*Remarks*
1.	7 divisions	Advance payment made for cost of materials pending adjustment	1.50	The items relate to the period February 1957 to September 1972 and have been pending for want of final bills and details of expenditure.
2.	3 divisions	Dues from Local Bodies	2.21	The amount is due from the Trichur and Shertallai Municipalities and the Corporation of Cochin towards cost of works executed on their behalf during the period December 1971 to July 1977.
3.	3 divisions	Expenditure in connection with the visit of high dignitaries	1.62	Sanction for funds awaited from Government for Rs. 0.47 lakh and sanction to memo of cost for Rs.1.15 lakhs awaited from the Chief Engineer.

APPENDIX X—*Concld.*

No. of Divisions involved	*Nature of items*	*Amount (in lakhs of rupees)*	*Remarks*
4. 3 divisions	Dues from Malabar District Board	1.13	The amount is pending adjustment towards works executed (August 1957 to December 1968) for the erstwhile Malabar District Board.
5. 6 divisions	Losses, shortages, etc., pending adjustment	1.81	The items relate to the period from August 1971 to April 1977 being shortages in transit, loss to be adjusted at the time of closing Half-yearly Register of Stock, etc. The items are pending recovery/write off.
6. 3 divisions	Electricity and water charges pending adjustment	1.09	The amount represents water charges relating to the period August 1965 to September 1970 pending recovery from occupants of N.G.O. quarters, Calicut (Rs. 0.19 lakh) and electricity and water charges from Civil Lines, Trichur (Rs. 0.90 lakh) relating to the period March 1974 onwards.

APPENDIX XI

Synopsis of stores and stock accounts (1977-78)

(*Reference: Paragraph* 5.1, *page* 106)

Sl. no.	*Department or other particulars*	*Nature of stores*	*Opening balance as on 1st April 1977*	*Receipts*	*Issues*	*Closing balance as on 31st March 1978*
				(*in lakhs of rupees*)		
A.	PUBLIC WORKS AND ELECTRICITY DEPARTMENT					
1.	Buildings and Roads and District Stores	Building materials	(—)39.11	5,17.13	6,15.05	(a) (c) (—)1,37.03
B.	WATER AND TRANSPORT DEPARTMENT					
2.	Irrigation and Projects	Building materials	(—)1.89	5,53.60	5,89.61	(b) (c) (—)37.90
C.	CIVIL DEPARTMENTS					
	EDUCATION DEPARTMENT					
3.	Government Presses	Consumable stores, types and type metal, binding materials, Publications, forms, etc.	1,11.62	86.77	(d) 1,06.37	92.02
4.	Stationery Stores, Trivandrum, Kottayam, Ernakulam, Shoranur, Kozhikode and Cannanore	Paper, boards, books, envelopes, binding materials, ink, ribbons, machine spares, etc.	1,09.13	(e) 1,02.81	(f) 1,03.18	1,08.76

(a) Minus balance of Rs. 52.79 lakhs accumulated over the years in District Stores, Trivandrum was removed from the stock balance and credited to deposit in October 1969. The minus balance had not been investigated and adjusted (December 1977).

(b) Shortage of 75 kilograms of copper sheets and excess of 450 bags of cement noticed during physical verification of stock (conducted in April-May 1977) of Kallada Irrigation Project Division I, Thenmala had not been regularised.

(c) Short delivery of materials (value: Rs. 0.20 lakh) in District Stores, Alleppey relating to the period July 1971 to July 1974 had not been regularised. Shortage in transit of cement and M.S. rods (value: Rs. 0.54 lakh) relating to the period 1970 to 1977 in two Irrigation and Projects divisions (Pamba Irrigation Project Divisions No. I and II at Kayamkulam and Chengannur) had also not been regularised.

(d) Includes Rs. 0.79 lakh on account of depreciation, shortages ,losses, etc.

(e) Includes Rs. 8.95 lakhs being appreciation due to revaluation of stock and Rs. 1.40 lakhs being the value of stores found in excess.

(f) Includes Rs. 1.93 lakhs on account of depreciation due to revaluation and shortage.

APPENDIX XI—*Contd*

Sl. no.	*Department or other particulars*	*Nature of stores*	*Opening balance as on 1st April* 1977	*Receipts*	*Issues*	*Closing balance as on 31st* March 1978
				(*in lakhs of rupees*)		
HEALTH DEPARTMENT						
5.	Department of Homoeopathy	Medicine, sundries, dietary articles and fuel	2.38	2.75	2.43	2.70
HOME DEPARTMENT						
6.	Jails					
	(i) Maintenance Section	Dietary articles, garden produce, clothing and bedding, medicines and surgical instruments, arms and ammunition, livestock, etc.	7.51	(g) 66.26	(h) 62.87	10.90
	(ii) Manufactory Section	Raw materials, finished goods, tools and plant, etc.	14.27	(j) 25.53	(k) 25.54	14.26
LOCAL ADMINISTRATION AND SOCIAL WELFARE DEPARTMENT						
7.	Public Health Engineering Stores	Pipes and other sanitary fittings, building materials, etc.	4,23.62	3,08.73	5,32.45	1,99.90
TAXES DEPARTMENT						
8.	Central Stamp Depot, Trivandrum	Stamps	15,34.21	(l) 34,42.11	(m) 13,41.46	(n) 36,34.86
9.	Non-postal stamps (held in treasuries)	Judicial and non-judicial stamps	1,64,98.97	2,34,09.07	42,98.93	3,56,09.11

(g) Includes Rs. 0.06 lakh being appreciation in value of stores.
(h) Includes Rs. 0.05 lakh being depreciation, shortages, losses, etc., written off.
(j) Includes Rs. 0.03 lakh being the value of stores found in excess during stock verification.
(k) Includes Rs. 0.10 lakh being depreciation, shortages, losses, etc., written off.
(l) Includes Rs. 0.01 lakh being the value of stamps found in excess on stock verification.
(m) Acknowledgements for stamps valued at Rs. 6.50 lakhs issued to two sub-treasuries during February and March 1978 had not been obtained (November 1978).
(n) Includes Refugee Relief Special adhesive stamps worth Rs. 0.39 lakh (stamps for Rs. 0.02 lakh were received during 1977-78 from three treasuries) which are obsolete.

APPENDIX XI—*Concld.*

AGRICULTURE DEPARTMENT

10.	Agriculture	Plant protection materials and equipment, agricultural implements and appliances, fertilisers, manures, seeds, seedlings, grafts and other farm produce	3,72.35	2,49.49	2,48.94	(o) 3,72.90
11.	Forest	Felled timber and other forest produce, livestock and other stores	19,32.16	(p) 40,66.03	(q) 40,94.47	19,03.72

(o) The figures are provisional pending certification by Audit.
(p) Includes Rs. 2,19.74 lakhs being the appreciation due to revaluation of stock.
(q) Includes Rs. 0.56 lakh being depreciation, shortage, losses, etc., written off.

102|9210|MC.

APPENDIX XII

Stores and stock accounts not received/not certified being defective

(*Reference: Paragraph* 5.1, *Page* 106)

Sl. no.	*Department*	*Officer from whom the stock accounts and/or revised stock accounts are due*	*Nature of stores*	*Period for which stock accounts have not been received*	*Period for which stock accounts have not been certified*
1	Agriculture	Director of Agriculture	Plant protection materials and equipment, agricultural implements and appliances, fertilisers, manures, seeds, grafts and other farm produce	..	1976-77
2	Agriculture	Director of Animal Husbandry	Livestock, eggs, feeds, equipment and instruments, medicines and chemicals	1977-78	1976-77
3	Development	Director of Ports	Paints, iron materials, fuel oil and lubricants, wire, nylon and coir ropes, spare parts of departmental crafts and other items	1975-76 1976-77 and 1977-78	1973-74 and 1974-75
4	Development	Director of Fisheries	Apparatus, chemicals, nylon yarns, spare parts of marine diesel engines and diesel engines	1975-76 1976-77 and 1977-78	..
5	Development	Director of Harijan Welfare	Tools and plant, equipment raw materials, manufactured articles and furniture	1976-77 and 1977-78	1975-76
6	General Administration	Director of Public Relations	Roll films, colour films, photographic paper, chemicals and bulbs, retouching pencils, retouching medium, poster colour, etc.	1977-78	..
	Health				
7	Government Medical Stores, Trivandrum and the District Medical Stores	Director of Health Services	Medicines and dressings, equipment, instruments and appliances, uniform, bedding and clothing, laboratory requisites, etc.	..	1977-78
8	Transport Wing of the Directorate of Health Services	Director of Health Services	Tyres, tubes, batteries, vehicles spare parts, consumable and general stores, tools and plant	1976-77 and 1977-78	1973-74 1974-75 and 1975-76

APPENDIX XII—*Concld.*

Sl. no.	*Department*	*Officer from whom the stock accounts and/or revised stock accounts are due*	*Name of stores*	*Period for which stock accounts have not been received*	*Period for which stock accounts hove not been certified*
9	Department of Indigenous Medicines	Director of Indigenous Medicines	Medicines, dietary articles, fuel, raw materials, prepared medicines, pharmacognosy publications, printing papers, chemicals and laboratory materials, glass-ware and other perishable articles, garden implements, hospital appliances, linen and bedding, uniform and artists' materials	1977-78	1975-76 and 1976-77
	Home				
10	Police	Inspector General of Police	Clothing items, miscellaneous items like timepiece, ground sheets, Ashoka Emblem, whistle, number plates, etc., arms, ammunitions and wireless goods	1977-78	1976-77
11	Fire Force	Director of Fire Force	Fire appliances, fire fighting equipment and miscellaneous items	..	1977-78
12	Industries	Director of Industries and Commerce	Raw materials, equipment, machinery, etc.	1977-78	..
13	Industries	Industries Development Commissioner	Hand kerchieves, clothing, pillow covers, cushion covers, tools, raw materials and machinery	1977-78	1976-77
	Labour and Housing				
14	Employees' State Insurance Scheme	Administrative Medical Officer, Employees' State Insurance Scheme	Medicines, tincture opium, instruments, linen articles, chemicals and dressings	..	1974-75 1975-76 1976-77 and 1977-78
15	Taxes	Additional Secretary, Board of Revenue (Excise)	Opium and ganja	1976-77 and 1977-78	..
16	Taxes	Additional Secretary, Board of Revenue (Excise)	Clothing items, uniforms and miscellaneous items	1975-76 1976-77 and 1977-78	..

APPENDIX

Summarised Financial Results of

(*Reference:*

(*Figures in Column* 3 *to* 10

Name of concern	*Year of commencement*	*Government Capital* 1*st April*	31*st March*	*Mean Capital*
(1)	(2)	(3)	(4)	(5)
1. Public Works Department Engineering Workshops, Chackai, Trivandrum (1976-77)	1969	31.86	28.27	30.07
2. State Water Transport Department, Alleppey (1976-77)	1968	54.29	60.06	57.17

XIII

Government Commercial Undertakings

Paragraph 6.1, *Page* 114)

are in lakhs of rupees)

Block assets	*Depreciation*	*Net Loss*(—) *Profit*(+)	*Interest charged added back*	*Total return (Columns* 8+9)	*Percentage of return on mean capital*
(6)	(7)	(8)	(9)	(10)	(11)
28.27	15.60	(+)1.73	3.14	4.87	16.20
61.80	4.62	(—)18.40	5.54	(—)12.86	..

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