REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR 1975-76

GOVERNMENT OF KERALA

(CIVIL)

ERRATA

Report of the Comptroller and Auditor General of India for the year 1975-76, Government of Kerala (Civil)

Page	*Reference to paragraph/line*	*For*	*Read*
21	Lines 8 and 12	Commerical	Commercial
21	Line 2 from bottom	seperately	separately
42	Line 3 from bottom	annua	annual
44	Para (iv) (b) —Line 3	Trivandur m	Trivandrum
69	Para (g)—Line 4	a very	very
73	Lines 19-20	sucessful	successful
88	Line 4 from bottom	enterpreneurs	entrepreneurs
98	Sub-para (ii)—Line 3	Ernakulan	Ernakulam
99	Table—Col. 4	0.250** 0.024	0.250 0.024**
100	Foot notes— Line 12 from bottom	(Rs. 0.098 lakh)	(Rs. 0.08 lakh)
100	Foot notes—Line 9 from bottom	was	were
101	Para (c) (i)—Heading	*Payment af*	*Payment of*
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112	Table—Heading—Col. 3	*Acheivement*	*Achievement*
115	Line 22	date	dates
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119	Line 7 from bottom	contractof	contractor
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123	Line 9	beiow:—	below:—
127	Table—Remarks against Chengannur	July in	in July
132	Line 9	an	and
136	Item (iii)—Remarks column—Line 2	32.65	33.2
138	Remarks column—Line 5 from bottom	pump	pumps
141	Line 2	March 1977)	(March 1977)
142	Line 4 from bottom	2.2	2.26
143	Line 6	3,01.99	3,06.65
147	Line 7 from bottom	Septembeer	September
147	Line 2 from bottom	Chie	Chief
148	Para 4.5—Heading	**habours**	**harbours**
148	Para (2)—Table—headirg	*Actual* +	*Actual*
155	Table—Heading—Col. 4	(*cubic meters*)	(*cubic metres*)
155	Para(iv) (2)—Line 2	oss	loss
159	Line 9	dock	deck
161	Line 8 from bottom	The expendirure	The extra expenditure
163	Line 6 from bottom	1968	1963
168	Line 3	was	value of this item was
168	Line 17	DEPAETMENT	DEPARTMENT
168	Para 4.14	**4.14.**	**4.13.**

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Page	*Reference to paragraph/line*	*For*	*Read*
168	Line 3 from bottom	rate of contracts,	rate contracts,
177	Para (v)—Line 8	n	in
178	TAXES DEPARTMENT-Column 2	Judical	Judicial
178	Para (b)—Line 3	calier	earlier
182	Line 10 from bottom	(December 1976)	December 1976
184	Line 8	a	at
184	Line 17	1975-76	1975-76,
187	Para (b)—Line 3	55.15 lakhs copies	55.15 lakh copies
187	Para (b)—Line 7	39.58 lakhs copies	39.58 lakh copies
189	Line 19	Officers.,	Officers,
190	Line 1	70,397,	70,397
196	Para 7.1—First para—Line 7	Auditor General	Auditor General,
196	Para 7.1—Second para—Lines 4-5	grants loans	grants/loans
197	Line 17	growtn	growth
197	Line 26	33.53 lakhs,	33.55 lakhs,
198	Second para—Line 3	Audiotr	Auditor
199	Second para—Line 1	Gonernment	Government
200	Line 8 from bottom	official	officials
201	Line 7	on	an
208	Line 8	recouped credited	recouped/credited
216	Line 13 from bottom	soceities	societies
219	Para 6 (c)—heading	societies	Societies
219	Para 6 (c)—Line 4	18.7: lakhs:	18.71 lakhs;
219	Last line	or value	of value
220	Line 7	non-technical	non-technical)
221	Line 4	1,000	1,500
222	Para (d)—Line 16	without of	without payment of
223	Line 9 from bottom	and therefore	and, therefore,
224	Line 6	Ahmadanagar	Ahmadnagar
224	Line 9 from bottom	foundary	foundry
225	Para (h)—Line 13	3 per cent	3½ per cent
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PREFATORY REMARKS

This Report has been prepared for submission to the Governor under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts for 1975-76 together with other points arising from audit of financial transactions of the Government of Kerala. It also includes:—

(i) Certain points of interest arising from the Finance Accounts for the year 1975-76;

(ii) comments on District agricultural farms, Greater Cochin water supply and sewerage scheme and Development of ports and harbours.

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 those which came to notice in the course of test audit of accounts during the year 1975-76 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 1975-76 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 the Government for 1975-76 are given below with corresponding figures of the previous year:—

	1974-75	1975-76
	(*in crores of rupees*)	
(1) Revenue		
Revenue receipts	2,87.97	3,51.22
Revenue expenditure	2,87.66	3,55.04
Revenue surplus (+) / Revenue deficit (—)	(+) 0.31	(—)3.82
(2) Public Debt		
Internal Debt of the State Government (net)— Increase (+) / Decrease (—)	(—)11.56	(+)26.39
Loans and Advances from the Central Government (net)— Increase (+)	(+)28.91	(+)12.88
Total Public debt (net)— Increase (+)	(+)17.35	(+)39.27
(3) Loans and Advances by the State Government (net)— Increase (—)	(—)18.89	(—)8.20
(4) Contingency Fund (net) Increase (+) / Decrease (—)	(+) 0.61	(—)0.15

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	1974–75	1975–76
	(*in crores of rupees*)	
(5) Public Account (net)— Increase (+)	(+)31.23	(+)24.14
(6) Capital Account (net)— Increase (—)	(—)32.11	(—)47.06
Net surplus (+) / Net deficit (—)	(—) 1.50	(+) 4.18
Opening Cash Balance	(—) 2.49	(—) 3.99
Net surplus (+) / Net deficit (—)	(—) 1.50	(+) 4.18
Closing Cash Balance	(—) 3.99	(+) 0.19*

1.2. Budget and actuals

(a) *Revenue receipts:*

The actuals of revenue receipts for 1975-76 compared with (i) the budget estimates and (ii) the budget estimates plus additional taxation during the year along with the corresponding figures for 1973-74 and 1974-75 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*)			
1973-74	2,10.92	2,10.92	2,17.72	(+) 6.80	3.22
1974-75	2,53.40	2,60.15	2,87.97	(+)27.82	10.69
1975-76	2,95.29	3,00.29	3,51.22	(+)50.93	16.96

*There was a difference of Rs. 17.82 crores between the figure reflected in the accounts (Rs. 1.84 crores) and that intimated by the Reserve Bank (Rs. 19.66 crores) regarding 'Deposits with Reserve Bank' (included in the cash balance). Of this, Rs. 17.75 crores represent adjustment in respect of shortfall from the agreed minimum cash balance (Rs. 0.30 crore) and overdrafts (Rs. 17.45 crores). Of the remaining difference of Rs. 0.07 crore, difference to the extent of Rs. 0.03 crore, has since been reconciled (January 1977); the remaining difference is under reconciliation.

(b) *Expenditure on revenue account*:

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

Year	*Budget*	*Budget plus supplementary grants/ appropriation*	*Actuals*	*Variation between columns (4) and (3)*	
				Amount	*Percentage*
(1)	(2)	(3)	(4)	(5)	(6)
			(*in crores of rupees*)		
1973-74	2,45.42	2,58.85	2,37.37	(—)21.48	8.29
1974-75	2,58.97	2,92.89	2,87.66	(—) 5.23	1.78
1975-76	3,16.26	3,56.07	3,55.04	(—) 1.03	0.29

1.3. Revenue receipts

The revenue receipts during 1975-76 (Rs. 3,51.22 crores) increased by Rs. 63.25 crores over those in 1974-75 (Rs. 2,87.97 crores). The increase of Rs. 43.51 crores was due to increase in revenue raised by the State Government. The balance of Rs. 19.74 crores was due to increase in receipts from the Government of India as shown below:—

	1974-75	1975-76	*Amount of increase (+)/ decrease (—)*
	(*in crores of rupees*)		
Receipts from the Government of India—			
(a) State's share of proceeds of the divisible Union Taxes			
(i) Taxes on Income other than Corporation Tax	20.08	28.78	(+)8.70
(ii) Union Excise Duties	26.59	32.54	(+)5.95
(iii) Estate Duty	0.46	0.38	(—)0.08
(b) Grants			
(i) Grants under the Constitution (Distribution of Revenues) Order and proviso to Article 275 (1) of the Constitution	44.25	44.03	(—)0.22

	1974-75	1975-76	*Amount of increase (+)/ decrease (—)*
	(in crores of rupees)		
(ii) Other grants Grants and subventions for different purposes and schemes	17.59	22.99	(+)5.40
(c) Grants in lieu of tax on railway passenger fare	0.26	0.26	..
(d) Receipts for the administration of Central Acts and Regulations	0.05	0.04	(—)0.01
Total	1,09.28	1,29.02	(+)19.74

Increase of Rs. 43.51 crores in the revenue raised by the State Government during 1975-76 was mainly under the following heads:—

Major head of account	*Actuals*		*Increase during*	*Reasons for increase*
	1974-75	1975-76	1975-76	
	(in crores of rupees)			
040. Sales Tax	75.32	97.92	22.60	Due mainly to the impact of the additional taxation measures introduced during the course of 1974-75 and 1975-76, re-structuring the rates of sales tax on certain commodities, withdrawal of certain exemptions and reductions, increase in price of and excise duty on petroleum products, normal growth of trade, etc.
039. State Excise	15.55	21.54	5.99	Due mainly to more receipts on sale of country spirits (Rs. 3.23 crores) and foreign liquors and spirits (Rs. 1.30 crores).
113. Forest	18.17	21.92	3.75	Due to more receipts on sale of timber and other forest produce.
022. Taxes on Agricultural Income	4.02	7.23	3.21	Due mainly to the increase in the price of agricultural commodities and rise in the income of various assessees.

Major head of account	*Actuals* 1974-75	1975-76	*Increase during* 1975-76	*Reasons for increase*
	(*in crores of rupees*)			
041. Taxes on Vehicles	6.68	9.25	2.57	Due mainly to merger of taxes on goods and passengers with taxes on vehicles with effect from the 1st October 1975.
077. Education	4.91	7.00	2.09	Due mainly to increase under receipts from text books (Rs. 1.39 crores) and tuition and other fees (Rs. 0.47 crore).
030. Stamps and Registration Fees	11.93	13.31	1.38	Due mainly to more sale of non-judicial stamps.
080. Medical	1.23	2.32	1.09	Due mainly to more receipts from the Employees' State Insurance Corporation towards its share of expenditure met by the Government on the Employees' State Insurance Scheme.

1.4. Taxation measures

Government anticipated at the budget stage additional revenue of Rs. 5 crores from the following measures. The approximate yield from each of those measures is also indicated below:—

Particulars of measure	*Additional revenue anticipated*	*Approximate yield of additional revenue*	*Remarks*
	(*in crores of rupees*)		
(i) Sales tax on monopoly trade commodities	2.00	Nil	Not implemented during the year due to procedural reasons, such as non-setting up of a trading organisation.

Particulars of measure	*Additional revenue anticipated*	*Approximate yield of additional revenue*	*Remarks*
	(in crores of rupees)		
(ii) Revision of rate of sales tax on declared goods	1.00	1.00	Implemented with effect from the 30th August 1975.
(iii) Restructure of taxes on motor vehicles and taxes on goods and passengers	1.00	0.52	Implemented with effect from the 1st October 1975 after promulgating an Ordinance.
(iv) Increase in electricity duty	1.00	0.50	Implemented with effect from the 1st July 1975 and that too only in the case of Industrial consumers taking supply of energy at 11 K. V. and above.

1.5. Arrears in collection of revenue

According to information furnished by the departments, the arrears in the collection of revenue as on 31st March 1976 were Rs. 55.15* crores (15.7 per cent of the revenue receipts during 1975-76). The departments with heavy arrears are indicated below:—

Department	*Arrears on the 31st March* 1974	1975	1976
	(in crores of rupees)		
Taxes			
Sales Tax	12.71	18.41	23.36
Agricultural Income Tax	3.88	4.65	4.78
Revenue			
Land Revenue	3.66	4.13	4.07**
Agriculture			
Forest	4.00	4.61	5.73
Public Works			
Vehicle Tax	0.22	0.23	6.74
Taxes on goods and passengers	3.53	2.53	2.53

Further details are given in the separate Report of the Comptroller and Auditor General of India for the year 1975-76, Government of Kerala—Revenue Receipts.

*Does not include arrears pertaining to the departments of State Excise, Municipalities and Health Services.

**Figure is provisional.

1.6. Expenditure on revenue account

In 1975-76 the expenditure on revenue account (Rs. 3,55.04 crores) increased by Rs. 67.38 crores over that in 1974-75 (Rs. 2,87.66 crores). The increase was mainly under:—

Major head of account	*Actuals* 1974-75	1975-76	*Increase during* 1975-76	*Reasons for increase*
	(*in crores of rupees*)			
277. Education	1,03.18	1,28.97	25.79	Due mainly to increase in administrative expenditure, increase in assistance given to non-Government institutions and due to enhanced expenditure on Plan schemes.
280. Medical	21.33	26.93	5.60	Due mainly to increase in Plan outlay and more expenditure on machinery and equipment, materials and supplies, etc.
249. Interest payments	24.68	30.07	5.39	Due mainly to payment of more interest on loans received from the Government of India (Rs. 3.60 crores), on market loans (Rs. 1.01 crores) and on Provident Funds and savings deposits (Rs. 0.93 crore).
266. Pensions and other Retirement benefits	9.48	13.74	4.26	Due mainly to finalisation of more cases of commutation of pension and payment of share of commuted value of pension in respect of Government servants absorbed in the Kerala State Electricity Board (Rs. 1.93 crores) and increased expenditure on pensions (Rs. 1.05 crores) and gratuities (Rs. 0.90 crore).
305. Agriculture	5.49	9.04	3.55	Due mainly to larger outlay under Small Farmers' Development Agency (Rs. 1.47 crores), payment of more grants to the Kerala Agricultural University (Rs. 0.62 crore) and more expenditure on commercial crops (Rs. 0.44 crore) and plant protection measures (Rs. 0.41 crore).

Major head of account	Actuals		Increase during	Reasons for increase
	1974-75	1975-76	1975-76	
	(in crores of rupees)			
288. Social Security and Welfare	9.65	12.89	3.24	Due mainly to more expenditure on pensions under social security schemes (Rs. 1.84 crores), welfare measures for scheduled castes and tribes (Rs. 0.63 crore) and welfare of poor and destitute (Rs. 0.42 crore).
304. Other General Economic Services	3.99	6.85	2.86	Due mainly to payment of more compensation for vesting of interest of landlords in tenants (Rs. 1.25 crores) and more expenditure on Land Board and Land Tribunals (Rs. 1.11 crores).
255. Police	13.91	16.40	2.49	Due mainly to more expenditure on District Police and increase in administrative expenditure.
313. Forest	4.56	6.28	1.72	Due mainly to more expenditure on extraction of timber and other forest produce (Rs. 0.98 crore) and increase in administrative expenditure.
281. Family Planning	2.70	3.93	1.23	Due mainly to organisation of mass family planning camps.
334. Power Projects	3.26	4.46	1.20	Due to more subsidy paid to the Kerala State Electricity Board for rural electrification.
321. Village and Small Industries	1.39	2.52	1.13	Due mainly to payment of more subsidy to industrial units in backward districts (Rs. 0.45 crore) and towards rebate on handloom cloth (Rs. 0.14 crore).
314. Community Development	5.96	6.97	1.01	Due mainly to enhanced expenditure on rural roads (Rs. 0.25crore), nutrition programmes (Rs. 0.20 crore) and increase in administrative expenditure.

1.7. Capital expenditure

The capital expenditure during the three years ending 1975-76 as compared with (i) the budget estimates and (ii) the budget estimates plus supplementary grants/appropriation 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*)			
1973-74	39.90	47.54	39.45	(—) 8.09	17.02
1974-75	38.47	45.24	32.11	(—) 13.13	29.02
1975-76	44.54	53.74	47.39	(—) 6.35	11.82

The progressive capital expenditure to the end of March 1976 was Rs. 3,98.25 crores. Further details are given in Statement numbers 2 and 13 of the Finance Accounts 1975-76.

An analysis of the capital expenditure is given below:—

	During 1975-76	*Progressive total to end of* 1975-76.*
	(*in crores of rupees*)	
(i) Capital expenditure on Water and Power development	16.83	1,24.41
(ii) Capital expenditure on Social and Community Services including public health, sanitation and water supply, housing, etc.	12.54	1,08.74

*The progressive totals to end of 1974-75 mentioned in paragraph '7. Capital expenditure' of the Report for the year 1974-75 (Civil) have been revised *pro forma* (vide details given in Appendix 3 to Finance Accounts 1975-76) and the progressive total to end of 1975-76 now indicated is with reference to the revised progressive expenditure as on 1st April 1975 adopted in Finance Accounts 1975-76.

	During 1975-76	Progressive total to end of 1975-76
	(in crores of rupees)	
(iii) Capital expenditure on Transport and Communications including ports, roads and bridges, water transport services, etc.	5.15	63.77
(iv) Capital expenditure on general services including public works	1.01	9.56
(v) Capital expenditure on industry and minerals including investments in industrial financial institutions	6.93	45.96
(vi) Capital expenditure on agriculture and allied services including minor irrigation, soil conservation, animal husbandry, dairy development, fisheries and forests	2.97	28.81
(vii) Capital expenditure on general economic services including co-operation	1.96	17.00
Total	47.39	3,98.25

1.8. Loans and advances by Government

(a) The actuals of disbursement of loans and advances by the Government for 1975-76 as compared with (i) budget estimates and (ii) the budget estimates plus supplementary grants along with the corresponding figures for 1973-74 and 1974-75 are 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*)			
1973-74	15.60	17.00	12.16	(—) 4.84	28.47
1974-75	15.85	35.75	30.69	(—) 5.06	14.15
1975-76	15.93	26.62	24.54	(—) 2.08	7.81

(b) The budget and actuals of recoveries of loans and advances for the three years ending 1975-76 are given below:—

Year	*Budget*	*Actuals*	*Variation*	
			Amount	*Percentage*
	(*in crores of rupees*)			
1973-74	8.40	7.38	(—) 1.02	12
1974-75	14.58	11.80	(—) 2.78	19
1975-76	20.15	16.34	(—) 3.81	19

(c) The balance of loans and advances by the Government outstanding on the 31st March 1976 was Rs. 2,41.04 crores as shown below:—

Classes of loans and advances	*Balance outstanding on the 31st March 1976*
	(*in crores of rupees*)
(1) Loans for Social and Community Services including education, housing, urban development, etc.	13.92
(2) Loans for Economic Services—	
(i) Loans for General Economic Services including those to co-operative societies and general financial and trading institutions	15.12*
(ii) Loans for Agricultural and Allied Services	14.79
(iii) Loans for Industry and Minerals	17.67*
(iv) Loans for Water and Power Development	1,76.11
(v) Loans for Transport and Communications	0.12
(3) Loans to Government Servants, etc.	3.03
(4) Loans for miscellaneous purposes	0.28
Total	2,41.04

Further details are given in Statement numbers 5 and 18 of the Finance Accounts 1975-76.

*These balances are with reference to the balances as on 1st April 1975 as revised *pro forma* in the Finance Accounts 1975-76.

(d) The departmental officers who maintain the detailed accounts of loans are required to intimate to Audit by the 15th July each year the arrears (as on the 31st March) in recovery of principal and interest on loans. The information about arrears in recovery of loans and advances on the 31st March 1976 has not been intimated (March 1977) in the following cases:—

Name of department	*Category of loans*
Agriculture	Agricultural loans
	Loans under soil conservation schemes
	Loans for poultry development
Development	Loans for fishery schemes
Industries	Loans for handloom schemes
	Loans for powerloom schemes
	Loans under small scale industries schemes
	Loans under State Aid to Industries Act
Labour	Loans under plantation labour housing schemes
Local Administration and Social Welfare	Loans for social welfare schemes

The details of arrears in recovery of loans as on the 31st March 1976, the detailed accounts of which are maintained by the departmental officers, to the extent information has been received, are given below:—

	Amount overdue		
	Principal	*Interest (including penal interest)*	*Earliest year from which outstanding*
	(in lakhs of rupees)		
Agriculture Department			
Loans to co-operative societies	18.62	8.88	Prior to 1970-71
Loans for dairy development	9.40	18.11	1964-65

	Amount overdue		
	Principal	*Interest (including penal interest)*	*Earliest year from which outstanding*
	(in lakhs of rupees)		
Development Department			
Loans under community development programme	37.74	13.58	1955-56
Loans to scheduled castes/tribes	0.41	0.02	*
Loans for port development	0.12	0.03	*
Education Department			
Loans under national loan scholarship scheme	14.46	..	1971-72
Miscellaneous loans	2.49	0.47	1966-67
Industries Department			
Loans for coir development	46.82	14.80	Prior to 1958-59
Labour Department			
Loans to repatriates from Burma/Sri Lanka	6.40	4.53	1965-66
Local Administration and Social Welfare Department			
Loans for housing schemes	11.71	13.36	1965-66
Revenue Department			
Loans to cultivators affected by floods	5.45	1.46	1966-67
Colonisation schemes	4.97	0.96	1969-70
Other loans	2.01	0.94	1968-69

Rupees 14.43 lakhs were due from the Central Banking Corporation (Travancore) Limited (Rs. 9.39 lakhs-including interest) and Kerala Water Transport Corporation Limited (Rs. 5.04 lakhs) which are under liquidation. The amounts are outstanding from 1962-63.

Out of the loan of Rs. 1.47 lakhs paid to the Travancore Enamel Industries Limited in 1949, Rs. 0.83 lakh are outstanding for recovery. The company went into liquidation in 1964 and after completion of the liquidation proceedings, the order of dissolution of the company was passed by the court. Government stated in January 1975 that as there was no possibility of realisation, it was proposed to write off the balance dues. Further developments are awaited (March 1977).

*Information awaited

In the case of loans given to bodies like municipalities, panchayats, etc., the detailed accounts of which are maintained by Audit, the amount overdue for recovery at the end of March 1976 was Rs. 0.65 lakh [(Principal: Rs. 0.35 lakh (29 cases); interest : Rs. 0.24 lakh (29 cases); penal interest: Rs. 0.06 lakh (315 cases)].

Government in the Finance Department had issued (September 1976) instructions that all loan sanctioning authorities should take speedy action on all pending cases and amount of loans recoverable from various parties should be speedily realised and prompt follow up action taken in cases referred for recovery as revenue. All heads of departments had also been directed to verify whether loan records were maintained properly by their subordinate officers and also to review the progress of recovery and issue appropriate instructions for the speedy recovery of arrears.

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

The amount of interest due as on the 31st March 1976 from the Kerala State Electricity Board on loans paid by the Government was Rs. 32.89 crores after effecting the adjustments in the accounts for 1975-76 for Rs. 5.23 crores against subsidies sanctioned to it (Rs. 4.40 crores as subsidy for loss on rural electrification for 1973-74 and Rs. 0.06 crore as subsidy towards power tariff concession given to the Cochin Division—Fertilisers and Chemicals, Travancore Limited) and the contribution payable to it towards commuted value of pension (Rs. 0.77 crore).

(f) The 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 297 cases the certificates of acceptance of balances have not been received from the departmental officers (March 1977) as shown below:—

Department	*Number*	*Balance of loans on the 31st March 1976 (in crores of rupees)*
Agriculture	111	13.30
Industries	104	23.54
Development	28	6.47
Revenue/Local Administration and Social Welfare	26	7.96
Labour	8	0.39
Education	5	2.67
Health	2	0.42
Others	13	1.48
Total	297	56.23

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

Year from which certificate is due	*Number of cases*
1965-66 and prior periods	81
1966-67 to 1970-71	84
1971-72	24
1972-73	24
1973-74	29
1974-75	35
1975-76	20
Total	297

(g) In respect of loans the detailed accounts of which are maintained by the Accountant General, the arrears in respect of certificates of balances at the end of March 1977 were as follows:—

	Number of certificates	*Balance of loans on the 31st March 1976 Amount* (*in lakhs of rupees*)	*Earliest year to which the outstanding certificates pertain*
Municipalities	10	10.15	1973-74
Corporations/Boards, etc.	3	11.41	1973-74
Kerala State Electricity Board	6	1,76,07.41	1974-75
Panchayats	190	17.32	1973-74
Total	209	1,76,46.29	

1.9. Sources of funds for capital expenditure and for net outgo under Loans and Advances

The sources from which capital expenditure (Rs. 47.39 crores) and the net expenditure under 'Loans and Advances by the State Government' (Rs. 8.20 crores) during 1975-76 were met are shown below:—

	(*in crores of rupees*)
I. Net additions to—	
(i) Internal Debt of the State Government	26.39
(ii) Loans from the Central Government	12.88
(iii) Small Savings, Provident Funds, etc.	11.51
II. Miscellaneous (mainly deposits, etc., received by Government less the amounts refunded)	12.53
III. Investments and drawing down of cash balances	(—)4.23
IV. Miscellaneous capital receipts	0.33
V. Revenue deficit	(—)3.82
Net amount available for expenditure	55.59

1.10. Debt position of Government

At the end of 1975-76 the outstanding public debt and other obligations of the Government were Rs. 6,86.23 crores. An analysis of the same compared with the corresponding figures at the end of each of the three preceding years is given below:—

	1972-73	1973-74	1974-75	1975-76
		(in crores of rupees)		
Public Debt	4,17.79	4,70.33	4,87.69	5,26.96
Small Savings, Provident Funds, etc.	41.90	55.28	76.53	88.04
Other obligations	47.63	57.21	60.20	71.23
Total	5,07.32	5,82.82	6,24.42	6,86.23

The increase in the last three years was Rs. 1,78.91 crores; Rs. 1,09.17 crores under public debt Rs. 46.14 crores under small savings, provident funds, etc., and Rs. 23.60 crores under other obligations.

A. *Public Debt :*

The public debt comprises loans from the 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. The public debt increased during 1975-76 by Rs. 39.27 crores; the details are given below:—

	Raised during 1975-76	*Discharged during* 1975-76	*Increase(+)/Decrease(—) during* 1975-76	*Balance on the 31st March* 1976
		(in crores of rupees)		
Internal debt of the State Government	1,77.74	1,51.35	(+)26.39	1,18.39
Loans and Advances from the Central Government	48.52	35.64	(+)12.88	4,08.57
Total	2,26.26	1,86.99	(+)39.27	5,26.96

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 upto 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 were 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 has 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.

(*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. 9.14 crores carrying 6 per cent interest was raised during 1975-76 at 1 per cent discount. It is repayable in 1985.

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 are also included under this head. The Government has constituted a depreciation fund for purchasing securities of the loans for cancellation during their currency and a general sinking fund for amortisation of loans. Upto 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 loans. On a suggestion from the Government of India, 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 are to be repaid). In 1975-76, Rs. 1,01.12 lakhs were contributed to the Loan Depreciation Fund and Rs. 3,22.15 lakhs to the General Sinking Fund. The balance in these two funds at the end of 1975-76 was Rs. 5,40.48 lakhs and Rs. 16,85.92 lakhs respectively. Out of the total balance of Rs. 22,26.40 lakhs in these funds, Rs. 87.34 lakhs were invested in the securities of the Government of India and Rs. 13 lakhs in the Industrial Finance Corporation Bonds. The balance of Rs. 21,26.06 lakhs was not invested and was utilised to augment the general cash balance of the State. Rupees 5.28 lakhs were received during the year as interest on the investments.

(*b*) *Ways and Means advances and overdraft accommodation from the Reserve Bank of India :*

Under an agreement with the Reserve Bank of India, the Government has to maintain a minimum cash balance of Rs. 30 lakhs on all days. If the balance falls below the agreed minimum on any day, the deficiency is made good either by taking a ways and means advance from the Reserve Bank, limited to a maximum of Rs. 3.60 crores, or by rediscounting of the treasury bills. Besides this, special accommodation not exceeding Rs. 3.75 crores is also made available against the securities held by the State Government. On days when the cash balance falls short of the stipulated minimum balance even after availing these facilities upto the maximum limit, the Government takes overdrafts from the bank. Whenever the Government is running a debit balance with the bank continuously for a period of more than seven days, the bank is at liberty to suspend, without any prior notice, payments pertaining to the Government at its offices and agencies and stop withdrawals from the currency chests at the non-banking treasuries for purpose of meeting payments on behalf of Government (except payments to be made outside India).

Details of extent to which the Government was able to maintain the minimum balance with the bank in 1975-76 as compared to the position in 1974-75 are given below:—

	1974-75	1975-76
Number of days on which the minimum balance was maintained without obtaining any advance	59	63
Number of days on which the minimum balance was maintained by taking ordinary ways and means advance	115	36
Number of days on which the minimum balance was maintained by taking also special ways and means advance	102	118

	1974-75	1975-76
Number of days on which there was shortfall from the agreed minimum balance, even after availing the ordinary and special ways and means advance to the full extent but no overdraft was taken	Nil	4
Number of days on which overdrafts were taken	89	145

There were overdrafts continuously for more than seven days during the period from the 15th December 1975 to the 31st December 1975 and from the 2nd January 1976 to the 31st March 1976. The maximum amount of overdraft during 1975-76 was on the 19th March 1976 (Rs. 32.22 crores).

The balance of overdraft outstanding on 1st April 1975 was Rs. 0.65 crore. The Government took a total overdraft of Rs. 1,01.11 crores from the Bank during 1975-76. Rupees 84.31 crores were repaid during the year, leaving a balance of Rs. 17.45 crores on the 31st March 1976. Rupees 0.24 crore were also paid to the Bank as interest on the overdrafts during the year. Further details are given in Statement no. 7 of the Finance Accounts 1975-76.

(*c*) *Other loans :*

The balance of loans taken from other sources outstanding at the end of March 1976 was Rs. 15.44 crores. Its break-up is given below:—

Source of loan	*Balance outstanding on 31st March 1976 (in lakhs of rupees)*	*Details of loans obtained during* 1975-76
The National Agricultural Credit Fund of the Reserve Bank of India	4,44.67	Rupees 44.10 lakhs for subscribing to the share capital of 5 Central Co-operative Banks, 123 Primary Agricultural Credit Societies, 2 Primary Land Mortgage Banks and Alwaye Urban Co-operative Bank Ltd.
The Life Insurance Corporation of India	9,21.20	Rupees 77.00 lakhs mainly for the approved loan schemes viz., Middle Income Group Housing Scheme, Rental Housing Scheme for State Government Employees, Land Acquisition and Development Scheme and the Village Housing Projects.
The National Co-operative Development Corporation	1,76.73	Rupees 18.45 lakhs mainly for various co-operative ventures sponsored by the Corporation.
The Central Warehousing Corporation	0.91	..
Total	15,43.51	

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

The loans and advances received from the Government of India and outstanding at the end of 1975-76 (Rs. 4,08.57 crores) formed 78 per cent of the total public debt.

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

Out of Rs. 5.44 crores received from the Government of India as ways and means advances during 1975-76 for 'Plan' schemes, Rs. 2.43 crores were adjusted as loans and Rs. 3.01 crores as grants.

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 also constitute the liability of State Government. Such liability on 31st March 1976 was Rs. 1,59.27 crores comprising un-invested balances of (i) interest-bearing obligations such as depreciation reserve funds of Government commercial undertakings, etc., (Rs. 0.63 crore), (ii) non-interest bearing obligations such as deposits of local funds, civil deposits, other earmarked funds, etc., (Rs. 70.60 crores) and (iii) provident fund balances and deposits under small savings, etc., (Rs. 88.04 crores).

Interest on debt and other obligations :

The gross interest paid by the Government during the year was Rs. 30.03 crores on public debt (including expenditure on management), small savings, provident funds, etc., and Rs. 0.03 crore on other obligations. Against this, the Government received Rs. 7.52 crores towards interest on loans and advances and capital contribution given by it and Rs. 0.25 crore on investment of cash balances. The net burden of interest charges on debt and other obligations during the year was Rs. 22.29 crores (6.35 per cent of the total revenue receipts) as compared to Rs. 12.81 crores (4.45 per cent of the total revenue receipts) in 1974-75 and Rs. 22.58 crores (10.46 per cent of the total revenue receipts) in 1973-74.

The increase of Rs. 9.48 crores in the net amount of interest charges during 1975-76 as compared to 1974-75 was the result of increase in the amount of interest paid by Government (Rs. 5.38 crores) and decrease in the amount of interest received by Government (Rs.4.10 crores). The increase in interest charges was due mainly to payment of more interest on loans received from the Government of India (Rs. 3.60 crores), on market loans (Rs. 1.01 crores) and on provident funds and savings deposits (Rs. 0.93 crore). The decrease in interest receipts was mainly due to adjustment of Rs. 5.23 crores as interest received from the Kerala State Electricity Board against subsidies and other contributions payable to it.

There were, in addition, certain other receipts and adjustments (Rs. 1.79 crores) such as interest received from Departmental Commercial Undertakings, etc. If these are also taken into account, the net burden of interest during 1975-76 would be Rs. 20.50 crores (5.84 per cent of the revenue).

The Government also received during the year Rs. 51.17 lakhs as dividend on investments in commercial undertakings, etc.

1.11. 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 the 31st March 1976*	
		Principal	*Interest*
	(*in lakhs of rupees*)		
(a) Working capital raised by the Kerala Financial Corporation and dividends thereon	1,70.00	1,70.00	..
(b) Loans, debentures, bonds, etc., raised by			
(1) Statutory Corporations and Boards	97,79.93	92,54.76	..
(2) Government Companies	39,83.44	23,80.55	24.55
(3) Co-operative Banks and Societies	60,47.80	33,15.15	12.49
(4) Municipalities, Corporations and Townships	22,00.18	21,30.70	11.28
(5) Other institutions	74.08	59.38	24.15
Total	2,22,55.43	1,73,10.54	72.47

Note: 1 The details of amounts outstanding as on the 31st March 1976 have not been intimated by the Government in respect of guarantees given to a few institutions.

Note: 2 In cases where details of amounts of principal and interest are not separately available, the entire amount has been shown under "Principal".

(a) Under section 6 of the State Financial Corporations Act 1951, the shares of the State Financial Corporation are to be guaranteed by the State Government as to the repayment of principal and payment of annual dividend. Again, under section 7 of the above Act, the bonds and debentures of the State Financial Corporation are to be guaranteed as to the repayment of principal and payment of interest. Further, under section 8 of the Act *ibid*, fixed deposits accepted by the State Financial Corporation are also to be guaranteed by the State Government as to the repayment of pirincipal and payment of interest. The actual amounts guaranteed on behalf of the Kerala Financial Corporation by the State Government as on 31st March 1976 under sections 6, 7 and 8 *ibid* were Rs. 1,70 lakhs, Rs.12,00 lakhs and Rs. 35.06 lakhs respectively. Upto end of 1975-76, the Government paid Rs. 17.45 lakhs towards the guaranteed minimum dividend on the share capital of the Corporation. Of this, Rs. 0.20 lakh only have been recovered (February 1977).

(b) Under section 66 of the Electricity (Supply) Act 1948, the State Government may guarantee in such manner as it thinks fit the payment of the principal and interest of any loans proposed to be raised by the State Electricity Board or of either the principal or the interest. The actual amount covered on 31st March 1976 by the guarantee given on behalf of the Kerala State Electricity Board by the State Government under this section was Rs. 65,35.69 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 has 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 1976 the actual amount covered by the guarantee was Rs. 3,24.02 lakhs under 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 State Government in regard to the loans raised by the Board and outstanding on 31st March 1976 was Rs. 7,42.50 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 1976, the amount thus guaranteed and outstanding was Rs. 4,17.50 lakhs.

(f) Apart from the above, the State Government had guaranteed (to third parties) to the end of 1975-76, the repayment of loans/bonds/debentures/overdrafts/cash credit etc., on behalf of 26 Government Companies, 30 Co-operative banks and societies, 30 local bodies (26 municipalities, 3 corporations and Guruvayur township) and 5 private firms. The maximum amount guaranteed on their behalf to the end of 1975-76 was Rs. 1,23,05.50 lakhs, against which the loans etc., actually outstanding were Rs. 79,58.25 lakhs (principal: Rs. 78,85.78 lakhs; interest: Rs. 72.47 lakhs).

Further details of the guarantees are given in Statement no. 6 of Finance Accounts 1975-76.

(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) Mention was made in paragraph 11(i) of the Report for the year 1974-75 (Civil) of the settlement by Government on 31st March 1976 by payment of Rs. 42 lakhs to the Syndicate Bank, of Government's liability on account of the guarantee given for the loan of Rs. 20 lakhs given by the bank to Messrs V. O. Vakkan and Sons, Alleppey in October 1968. The disposal of the properties of Messrs Vakkan and Sons finally bid by Government (in January 1974 and August 1975) is still pending (March 1977).

(i) The Government stood guarantee in November 1966 for a loan of Rs. 46.61 lakhs (subsequently reduced to Rs. 43.58 lakhs) obtained by Koliat Estates from the Central Bank of India for the scheme of development of the estates. The institution has to repay Rs. 39.95 lakhs (principal) and Rs. 15.64 lakhs (interest) to the bank as on the 31st March 1976. Government stated (October 1976) that the Estates had defaulted repayment of loan instalments to the bank and it was, therefore, decided to discharge the liability of Government by paying the amount in lump to the bank and to take possession of all the Estates for public sale. Further developments are awaited (March 1977).

(j) Rupees 8.62 lakhs were outstanding for recovery at the end of March 1976 as commission on guarantees given by Government on behalf of 11 institutions.

1.12. Investments

During 1975-76, Government invested Rs. 73 lakhs in Statutory Corporations, Rs. 7,71.63 lakhs in Government Companies, Rs. 54.13 lakhs in other joint stock companies and Rs. 2,21.02 lakhs in Co-operative banks and societies. In addition, loans paid (Rs. 19.30 lakhs) in earlier years in the case of three bodies (Kerala Minerals and Metals Ltd.,: Rs. 13.30 lakhs; Kerala State Drugs and Pharmaceuticals Ltd.,: Rs. 5 lakhs and Kottayam District Engineering and Technicians Industrial Co-operative Society Ltd.,: Rs. 1 lakh) were converted as share capital during the year. The Government also invested Rs. 14.85 lakhs in the Industrial Finance Corporation Bonds during 1975-76. The progressive expenditure on investments was also increased by Rs. 0.99 lakh, due to *pro forma* adjustments and Rs. 0.81 lakh were realised by way of proceeds of debentures (4 per cent 1915 Calcutta Port Trust Debentures : Rs. 0.73 lakh and 3¾ per cent Madras Co-operative Central Land Mortgage Bank Debentures: Rs. 0.08 lakh). A sum of Rs. 0.65 lakh was also written off to Revenue during 1975-76.

The following table shows the extent of Government's investments at the end of 1975-76 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 1974-75:

	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	1974-75	3	13,18.36	63.11*	4.79
	1975-76	3	13,91.36	1.59	0.11
Government Companies	1974-75	48	37,67.01	1.59	0.04
	1975-76	55	45,35.54	9.99	0.22
Other Joint Stock Companies	1974-75	41	2,72.78	13.47	4.94
	1975-76	40	3,22.81	16.67	5.16
Co-operative Societies and Banks	1974-75	**	14,17.05	11.07	0.78
	1975-76	**	16,64.91	18.69	1.12
B. Debentures and Bonds	1974-75	3	35.71	1.59	4.45
	1975-76	1	49.75	2.19	4.40
Total	1974-75		68,10.91	90.83	1.33
	1975-76		79,64.37	49.13	0.62

Further details of investments of Government are given in Statement no. 14 of the Finance Accounts 1975-76 and in the Report of the Comptroller and Auditor General of India for the year 1975-76 (Commercial) brought out separately.

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

Of the three State Trading Schemes (Manure Supply Scheme, Scheme for purchase and sale of plant protection chemicals and Grain Supply Scheme), the *pro forma* accounts for 1975-76 due from the Director of Agriculture for the first two schemes have not been received so far (March 1977). *Pro forma* accounts of the second scheme are due for the period from 1973-74 onwards. Besides, *pro forma* accounts of two other schemes, viz., scheme for processing of paddy seeds (implemented till 1973-74) for the period 1965-66 to 1973-74 and Agricultural Implements (pumpset) Supply Scheme (discontinued from April 1969) for the years 1967-68 and 1968-69 are also due from the Director of Agriculture.

*Includes Rs. 61 lakhs adjusted as interest on capital contribution to Kerala State Road Transport Corporation.

**Details not available.

Pro forma accounts for 1975-76 of none of the three departmental undertakings (Text Books Office, Public Works Engineering Workshops and State Water Transport Department) were received by Audit till February 1977. *Pro forma* accounts of the Text Books office for the year 1974-75 have also not been received (February 1977). Some points noticed in a review of the working of Text Books Office are given in paragraph 6.2 of this Report.

1.13. Financial results of irrigation works

The irrigation works are broadly classified into two categories, viz., 'Commercial' and 'non-Commercial'. The *pro forma* accounts are at present prepared only in respect of 'Commercial' irrigation works. The Government has not so far laid down any norms for classifying irrigation works as 'Commercial' or 'non-Commercial' (March 1977).

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

The total revenue from these works during 1975-76 was Rs. 51.73 lakhs while the working expenses were Rs. 42.45 lakhs. Taking into account the interest (Rs. 1,63.31 lakhs) on capital, the loss during the year was Rs. 1,54.03 lakhs, which was 5.78 per cent of the capital outlay.

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

	1973-74	1974-75	1975-76
		(in lakhs of rupees)	
Capital outlay to end of the year	24,11.86	24,75.63	26,63.81
Total revenue during the year	15.35	38.55	51.73
Working expenses	47.94	48.02	42.45
Net profit/loss excluding interest	(—) 32.59	(—) 9.47	(+) 9.28
Interest on capital	1,45.84	1,55.14	1,63.31
Loss after meeting interest	1,78.43	1,64.61	1,54.03
Percentage of loss	7.40	6.65	5.78

1.14. Utilisation certificates

During the year 1975-76 the Government paid Rs. 83.59 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	2.17
Non-Government Colleges	10.49
Non-Government Secondary Schools	17.21
Non-Government Primary Schools	40.95
Non-Government Technical Colleges and institutions	0.92
Non-Government Special Schools	0.43
Other bodies, institutions and individuals	0.44
Kerala Agricultural University	1.79
Urban Development	0.13
Medical and Public Health	0.38
Co-operation	0.27
Assistance to Panchayats	1.75
Kerala Khadi and Village Industries Board	0.27
Social Security and Welfare	1.08
Subsidy to Kerala State Electricity Board	4.46
Other purposes	0.85
Total	83.59

The financial rules of the 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 1976, 7,053 certificates (Rs. 7,10.41 lakhs) relating to grants paid upto March 1975 were awaited. The department-wise details of the certificates due are given below:—

	Department	*Number of utilisation certificates due*	*Amount involved (in lakhs of rupees)*	*Oldest period to which the due certificates relate*
1.	Agriculture Department			
	Animal Husbandry	23	0.31	1962-63
	Co-operation	317	31.95	1966-67
2.	Development Department			
	Fisheries	63	1.46	1973-74
	Harijan Welfare	5,785	1,14.26	1962-63
3.	Education Department			
	Higher Education	25	37.20	1972-73
	Art and Culture	119	26.09	1968-69
4.	Health Department			
	Medical	6	23.00	1973-74
	Public Health	9	1.00	1968-69
5.	Home Department	159	3.27	1963-64
6.	Industries Department			
	Industries	41	4.02	1971-72
	Small Scale Industries	183	83.64	1972-73
7.	Local Administration and Social Welfare Department			
	Urban Development	55	62.18	1974-75
	Housing	244	1,36.34	1963-64
	Panchayats	21	1,85.47	1973-74
8.	Planning Department	2	0.20	1973-74
9.	Public Department	1	0.02	1973-74
	Total	7,053	7,10.41	

The utilisation certificates have not been received, although considerable time has passed 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 and that no misappropriation, fraud etc., took place.

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	3,65.71	4,24.17	4,10.51	(—)13.66	3.2
Supplementary	58.46				
CHARGED					
Original	*2,11.22*	***2,23.46***	***2,23.64***	*(+)0.18*	0.08
Supplementary	*12.24*				
Total		6,47.63	6,34.15	(—)13.48	2.08

The overall saving of Rs. 13.48 crores was the net result of saving of Rs. 6.56 crores in 60 grants/charged appropriations in the Revenue section and Rs. 13.76 crores in 29 grants/charged appropriations in the Capital section and excess of Rs. 5.41 crores in 11 grants/charged appropriations in the Revenue section and Rs. 1.43 crores in 7 grants/charged appropriations in the Capital section.

(b) Further details are given below:—

	Revenue	*Capital*	*Loans and advances*	*Public debt*	*Total*
			(in crores of rupees)		
Authorised to be spent (grants and charged appropriations)					
Original	3,28.31	57.20	15.92	1,75.50	5,76.93
Supplementary	39.81	9.20	10.69	11.00	70.70
Total	3,68.12	66.40	26.61	1,86.50	6,47.63
Actual expenditure (grants and charged appropriations)	3,66.98	55.65	24.54	1,86.98	6,34.15
Excess (+)/ Shortfall (—)	(—)1.14	(—)10.75	(—)2.07	(+)0.48	(—)13.48

2.2. Excess over grants/charged appropriations requiring regularisation

(a) Grants: There were excesses of Rs. 5.20 crores in 10 grants in the Revenue section and Rs. 0.93 crore in 4 grants in the Capital section. These excesses, 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*	*Expenditure*	*Excess*
		Rs.	Rs.	Rs.
1.	VI. Land Revenue	6,28,90,600	6,32,41,037	3,50,437

Excess was due mainly to enhancement of rates of dearness allowance.

2.	VIII. Excise	1,29,90,700	1,32,09,031	2,18,331

Excess was due mainly to enhancement of rates of dearness allowance.

3.	X. Treasury and Accounts	1,60,36,700	1,64,58,740	4,22,040

Excess was due mainly to enhancement of rates of dearness allowance and opening of eight new sub treasuries.

4.	XI. District Administration and Miscellaneous	2,53,09,800	2,57,56,932	4,47,132

Excess was due mainly to enhancement of rates of dearness allowance and increased expenditure on inevitable items and advertisement charges.

5.	XVII. Education, Art and Culture	1,27,66,58,300	1,30,03,06,170	2,36,47,870

Excess was due mainly to (i) enhancement of the rates of dearness allowance, (ii) increased assistance granted to Sree Chitra Thirunal Medical Centre for purchase of equipment and (iii) supply and transportation of large quantities of food articles under CARE programme.

6.	XVIII. Medical	25,61,12,100	26,92,70,701	1,31,58,601

Excess was due mainly to (i) increase in the number of beds and admission of patients in excess of sanctioned strength, (ii) enhancement or rates of dearness allowance and (iii) continuance of the 103 rural dispensaries opened under 'Half a Million Jobs Programme' and opening of two dispensaries in Cannanore and Trichur districts during the year.

Sl. no.	*Number and name of grant*	*Total grant*	*Expenditure*	*Excess*
		Rs.	Rs.	Rs.
7.	XIX. Family Planning	3,58,65,000	3,93,07,996	34,42,996

Excess was due mainly to organisation of mass family welfare planning camps and enhancement of rates of dearness allowance.

8.	XXII. Urban Development	84,00,500	92,80,004	8,79,504

Excess was due mainly to payment of advance grant to the Cochin Corporation for the Central Sector Scheme of "Environmental improvement in Calvatty Canal slum area" and payment of specific purpose grants to the Cochin and Calicut Corporations.

9.	XXV. Social Welfare including Harijan Welfare	12,38,40,100	12,93,00,849	54,60,749

Excess was due mainly to (i) enhancement of the rate of destitute pension sanctioned in March 1975 with retrospective effect from April 1974, (ii) extension of pay revision benefits to the staff attached to the welfare institutions, (iii) releasing of more grants by the Government of India for the care of destitute children and Integrated Area Development Programme, (iv) inadequate provision made for pre-matriculation and post-matriculation studies and Harijan welfare hostels of scheduled caste students and for pre-matriculation studies of scheduled tribe students, (v) payment of more scholarships for post-matriculation studies due to increase in the number of scheduled tribe students and (vi) payment of arrears of grants to the students of Kerala Agricultural University.

10.	XXXVII. Irrigation	8,06,97,200	8,47,29,360	40,32,160

Excess was due mainly to (i) defective accounting of issue of stock materials by the divisions for works budgeted within the grant, (ii) creation of additional divisions, enhancement of rates of dearness allowance and increase in travel expenses and (iii) increase in recurring charges on petrol, wages and maintenance of dredgers and vehicles.

Capital section

Sl. no.	*Number and name of grant*	*Total grant*	*Expenditure*	*Excess*
		Rs.	Rs.	Rs.
1.	XX. Public Health	8,94,13,300	9,28,02,044	33,88,744

Excess was due mainly to accelerated progress of works and payment of interest on loans received from the Life Insurance Corporation of India for urban water supply schemes pending finalisation of procedure for charging the expenditure on the local bodies.

2.	XXI. Housing	1,43,00,200	1,45,47,769	2,47,569

Excess was due mainly to heavy demand for loans under Low Income Group Housing Scheme and Middle Income Group Housing Scheme and increase in rates of share debit of establishment charges transferred from "259. Public Works" on percentage basis.

3.	XXXVI. Industries	7,75,91,900	7,76,15,852	23,952

Excess was due mainly to (i) post budget decision to participate in the shares of 'Kerala State Small Industries Development and Employment Corporation Limited' (Rs. 65.79 lakhs), (ii) sanctioning of additional share capital contribution to (a) Kerala State Industrial Enterprises (Rs. 24.65 lakhs), (b) Kerala Minerals and Metals (Rs. 21.75 lakhs), (c) Kerala State Textile Corporation (Rs. 19.00 lakhs), (d) Kerala State Small Industries Corporation (Rs. 15.42 lakhs), and (e) Kerala State Handicrafts Corporation (Rs. 5.50 lakhs) and (iii) allotment of additional funds for Rural Industries Projects by the Government of India (Rs. 6.77 lakhs). This was partly offset by saving under certain heads.

4.	XXXVII. Irrigation	16,60,99,100	17,17,16,769	56,17,669

Excess was due mainly to (i) acceleration of works relating to Pamba, Kuttiadi and Periyar Valley Irrigation Projects for utilising additional funds sanctioned by the Government of India, (ii) speedy execution of works relating to Moolathara R.B. Canal (an extension of Chitturpuzha Project) and Neyyar Irrigation Project Stage II, (iii) erection of new shutters for Thottapally Spillway, (iv) adjustment of expenditure incurred during 1974-75 on Thanneermukkom Project and (v) increase in share debits of establishment charges due to revision of rates.

(b) *Charged appropriations*:

There was excess of Rs. 0.21 crore in one appropriation in the Revenue section and Rs. 0.50 crore in three appropriations in the Capital section. These excesses also require regularisation.

Revenue section

Sl. no.	*Number and name of appropriation*	*Total appropriation*	*Expenditure*	*Excess*
		Rs.	Rs.	Rs.
1.	Debt charges	***34,03,52,100***	***34,24,49,212***	***20,97,112***

Excess was due mainly to (i) large increase in savings deposits which could not be anticipated more precisely for estimating the interest liability, (ii) increase in the balances under Provident Fund Accounts, (iii) preferring of more claims by private parties holding the securities of open market loans and (iv) payment of interest on loans for Central Plan Schemes received from the Government of India after the preparation of Budget Estimates.

Capital section

1.	XXXVII. Irrigation	***4,90,900***	***5,06,602***	***15,702***

Excess was due to payment in satisfaction of a court decree for which funds were not provided.

2.	XXXIX. Ports	..	***80,549***	***80,549***

Excess was due to adjustment during the year of expenditure incurred by a division in March 1974 in satisfaction of a court decree.

3.	Public Debt Repayment	***1,86,49,60,700***	***1,86,98,51,541***	***48,90,841***

Excess was due mainly to (i) more repayment of Ways and Means advances from the Reserve Bank of India (Rs. 4,60.46 lakhs) and (ii) amount additionally required to cover expenditure on redemption of the $4\frac{1}{4}$ per cent and $4\frac{1}{2}$ per cent Kerala House-sites and Houses for families of landless workers (compensation for value of lands) Bonds (Rs. 38.40 lakhs). This was partly offset by saving under other heads.

2.3. Supplementary grants/charged appropriations

During the year supplementary provisions of Rs. 38.82 crores and Rs. 19.64 crores were obtained under 38 and 18 grants in the Revenue and Capital sections respectively. Supplementary appropriations of Rs. 0.99 crore and Rs. 11.25 crores were also obtained for charged expenditure under 11 and 9 appropriations in the Revenue and Capital sections respectively.

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

(i) *Unnecessary supplementary grants*:

In the following cases supplementary grants (exceeding Rs. 5 lakhs each) of Rs. 1.03 crores in Revenue section and Rs. 0.86 crore in Capital section remained wholly unutilised as the expenditure did not come even upto the original provision:

A. Revenue section

Sl. no.	*Number and name of grant*	*Original grant*	*Supplementary grant*	*Expenditure*	*Saving*
			(in lakhs of rupees)		
1	XXI. Housing	1,25.88	6.00	94.12	37.76

The shortfall was due mainly to non-receipt of all the claims duly verified by the District Collectors for effecting the adjustment in respect of timber supplied by the Forest Department for the Kerala One Lakh Houses Scheme (Rs. 24.38 lakhs) and shortfall in expenditure under ordinary and special repairs (Rs. 9.59 lakhs).

2	XXVIII. Miscellaneous Economic services	7,33.42	15.56	7,03.32	45.66

The shortfall was due mainly to (i) less payment of annuity to religious, charitable and educational institutions of a public nature under the Kerala Land Reforms Act, 1963 (Rs. 78.37 lakhs) owing to shortfall in the number of applications and delay in settling claims, (ii) non-payment of compensation in cash or as compensation bonds to landholders (Rs. 42.47 lakhs) and (iii) reduction of staff consequent on the reorganisation of Land Tribunals (Rs. 15.55 lakhs).

The saving was partly offset by excess under other heads.

3	XXXI. Animal Husbandry	4,94.44	56.53	4,77.01	73.96

The shortfall was mainly due to non-starting of the second shift for production of feed for want of sufficient quantity of feed ingredients (Rs. 37.31 lakhs) and transfer of the Bacon Factory, Koothattukulam to Meat Products of India Ltd., Ernakulam (Rs. 19.57 lakhs).

Sl. no.	*Number and name of grant*	*Original grant*	*Supplementary grant*	*Expenditure*	*Saving*
			(in lakhs of rupees)		
4	XXXIII. Fisheries	2,16.49	25.00	1,81.11	60.38

The shortfall was due mainly to non-utilisation of the provision for Mechanised Fishing in full with a view to providing funds for issue of additional loans to the Kerala Fisheries Corporation Limited (Rs. 33.32 lakhs), and non-implementation of housing schemes for fishermen (Rs. 25 lakhs) due to non-availability of assistance from the Government of India.

B. Capital section

1	XVII. Education, Art and Culture	2,75.84	16.71	2,20.77	71.78

The shortfall was due mainly to (i) non-utilisation of the lumpsum provision for construction of school buildings due to non-receipt of details of individual works from the Administrative department (Rs. 42.77 lakhs) and poor response to tender notices (Rs. 12.32 lakhs), (ii) non-receipt of administrative sanction from the Education Department and non-handing over by the Revenue Department of the site of construction of buildings for the Department of Technical Education (Rs. 8.14 lakhs) and (iii) non-receipt of revised administrative sanction for construction of buildings for the State Institute of Education and the Science Institute (Rs. 5.62 lakhs).

2	XXVII. Co-operation	8,25.94	30.89	7,55.58	1,01.25

The shortfall was due mainly to (i) less expenditure on loans to Co-operative Central Banks for procurement of paddy on account of shortfall in the quantity of paddy procured through agency system (Rs. 1,52 lakhs), (ii) reduced outlay approved by the Reserve Bank of India for investment in Service Co-operative Societies (Rs. 57.65 lakhs), (iii) non-receipt of sanction from Government to issue fifty engines for the fishing boats on loan basis (Rs. 50.39 lakhs), (iv) non-finalisation of the scheme for the grant of loan to Co-operative Sugars Limited, Chittur by the National Co-operative Development Corporation on refinancing basis (Rs. 28 lakhs),(v) less expenditure on purchase of debentures floated by the Kerala Co-operative Central Land Mortgage Bank for giving loans to agriculturists under various schemes of agricultural production due to shortfall in debentures floated by the Bank (Rs. 11.11 lakhs), (vi) reduced outlay approved by the Reserve Bank of India for investments in Apex and Central Banks (Rs. 10 lakhs) and (vii) non-starting of New Co-operative Spinning Mills (Rs. 10 lakhs).

The saving was partly offset by excess under other heads.

Sl. no.	*Number and name of grant*	*Original grant*	*Supplementary grant*	*Expenditure*	*Saving*
			(in lakhs of rupees)		
3.	XXXIII. Fisheries	1,22.09	38.10	79.11	81.08

The shortfall occurred mainly under Vizhinjam Fishing Harbour Project due to non-settlement of certain disputes with the contractor and non-payment of invoices pending further clarifications (Rs. 48.39 lakhs) and under Indo-Norwegian Project, Cannanore as the revised estimate was still to be sanctioned (Rs. 14.09 lakhs).

(ii) *Supplementary grants/charged appropriation which proved excessive*:

In the following cases the supplementary grants/charged appropriation (exceeding Rs. 5 lakhs each) proved largely excessive:

A. Revenue section

1.	V. Agricultural Income Tax and Sales Tax	2,05.89	58.47	2,41.02	23.34

The shortfall occurred mainly under "Electrical Inspectorate" due to non-implementation of the scheme of inspection of low tension installations for want of sanction from the Government and as study of the set up of the department was still being done by the Organisation and Methods Section.

2.	XXIX. Agriculture	10,18.05	2,79.06	12,42.60	54.51

The shortfall was due mainly to (i) non-availability of special assistance from the Government of India and poor response from the cultivators for organising a seed multiplication and seed distribution programme for high yielding strains of paddy (Rs. 22.75 lakhs) (ii) non-implementation of the works for repairing the minor irrigation structures damaged by sudden floods (Rs. 20 lakhs), (iii) non-receipt of sanction of the Government of India to launch a ground water development programme on emergency basis (Rs. 14.98 lakhs), (iv) non-implementation of the scheme for undertaking minor irrigation works in one hundred new units as assistance from the Government of India was not received (Rs. 11.78 lakhs) and (v) non-sanctioning of the scheme for bringing more areas under pulses in rice fallows during summer season under Emergency Food Production Programme due to non-availability of special assistance from the Government of India (Rs. 10 lakhs).

The saving was partly offset by excess under other heads.

Sl. no.	Number and name of grant/appropriation	Original grant/ appropriation	Supplementary grant /appropriation	Expenditure	Saving
			(in lakhs of rupees)		
3.	XXXV. Community Development	6,75.53	50.00	6,96.73	28.80

The shortfall was due mainly to non-receipt of assistance from the Government of India for taking up spill-over road works under Crash Scheme for Rural Employment (Rs. 50.00 lakhs) and postponement of Panchayat general elections (Rs. 8.67 lakhs).

The saving was partly offset by excess under other heads.

B. Capital section

1.	XV. Public Works *Charged*	*2.01*	*9.80*	*4.56*	*7.25*

Reasons for the saving have not been intimated (March 1977).

2.	XVIII. Medical	77.75	33.58	1,01.65	9.68

The shortfall was due mainly to (i) less adjustment of share debit of establishment charges based on actual works outlay (Rs. 15.83 lakhs) and (ii) non-completion of the land acquisition proceedings in respect of the construction of District Hospital, Malappuram (Rs.4.53 lakhs).

The saving was partly offset by excess under other heads.

3.	XXIX. Agriculture	7,58.71	2,27.92	8,67.83	1,18.80

The shortfall was due mainly to (i) less demand from cultivators for the short-term loans in the form of fertilisers, pesticides, seeds and lime (Rs. 1,03.24 lakhs), (ii) non-availability of assistance from the Government of India for lift irrigation minor works (Rs. 30.00 lakhs) and (iii) poor response from contractors for taking up minor irrigation and lift irrigation works, slow progress of works due to continuous rains, abandonment of works by contractors, delay in land acquisition and sanction of estimates and ban on taking up minor irrigation works in certain areas (Rs. 33.90 lakhs).

The saving was partly offset by excess under other heads.

(iii) *Inadequate supplementary grants/charged appropriation*

In the following cases the supplementary grants/charged appropriation (exceeding Rs. 5 lakhs each) of Rs. 32.09 crores proved inadequate by more than Rs. 5 lakhs in each case; the final uncovered excess was Rs. 6.45 crores:—

Sl.no.	*Number and name of grant/appropriation*		*Original grant/appropriation*	*Supplementary grant/appropriation*	*Expenditure*	*Excess*
				(in lakhs of rupees)		
			I. Revenue section			
1.	XVII.	Education, Art and Culture	1,18,50.35	9,16.23	1,30,03.06	2,36.48
2.	XVIII.	Medical	21,79.43	3,81.69	26,92.71	1,31.59
3.	XIX.	Family Planning	2,98.15	60.50	3,93.08	34.43
4.	XXII.	Urban Development	65.33	18.67	92.80	8.80
5.	XXV.	Social Welfare including Harijan Welfare	10,53.36	1,85.04	12,93.01	54.61
6.	XXXVII.	Irrigation	7,28.26	78.71	8,47.29	40.32
		Total	1,61,74.88	16,40.84	1,83,21.95	5,06.23
			II. Capital section			
1.	XX.	Public Health	7,26.13	1,68.00	9,28.02	33.89
2.	XXXVII.	Irrigation	13,60.99	3,00.00	17,17.17	56.18
3.		Public Debt Repayment (*Charged*)	***1,75,49.61***	***11,00.00***	***1,86,98.52***	***48.91***
		Total	1,96,36.73	15,68.00	2,13,43.71	1,38.98

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

2.4. Unutilised provision

(i) Rupees 6.56 crores remained unutilised in the Revenue section (Rs.6.19 crores in thirty two grants and Rs. 0.37 crore in twenty eight charged appropriations).

(ii) Rupees 13.76 crores remained unutilised in the Capital section (Rs. 13.60 crores in twenty grants and Rs. 0.16 crore in nine charged appropriations).

(iii) In five grants and four charged appropriations in the Revenue section and in ten grants and one charged appropriation in the Capital section, the savings (more than Rs. 2 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 I.

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

2.5. Advances from the Contingency Fund

(i) A Contingency Fund of Rs. 3,00 lakhs has been placed at the disposal of the Governor to enable advances to be made by him for the purposes of 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 till the authorisation by the Legislature, would be undesirable.

(ii) One hundred and twenty three sanctions were issued during 1975-76 advancing Rs. 3,91.57 lakhs of which four sanctions for Rs. 3.13 lakhs were subsequently cancelled and the amount was reduced by Rs. 7.20 lakhs in two cases.

(iii) Rupees 87.11 lakhs advanced in fifteen cases from the 14th February 1976 to 31st March 1976 remained to be recouped to the Fund at the close of the year 1975-76 (these were recouped to the Fund on the 19th November 1976).

(iv) A few important cases where the advances remained unutilised in full or to a large extent are given in Appendix III.

2.6. Premature withdrawal of funds

The financial rules of Government prohibit drawal of money from treasury until it is required for immediate payment. Two cases of premature withdrawal of funds are detailed below:—

(i) *Development Department*

Under a scheme of payment of grants to writers and scholars among scheduled tribes/ scheduled castes, Government sanctioned (12th December 1973) a sum of Rs. 15,000 for payment as grant to deserving Harijan scholars or authors (to be selected by a Committee to be constituted for the purpose). The entire amount was drawn by the Director of Harijan Welfare from the treasury on 30th March 1974 and retained with him. Sanction for payment of grants to the selected authors was accorded by Government only in

November 1974 and Rs. 10,170 were disbursed to the grantees during the period March 1975 to September 1975 and the balance of Rs. 4,830 was remitted back into the treasury (Rs. 3,655 in December 1974, Rs. 805 in August 1975 and Rs. 370 in January 1976). The drawal of the amount on 30th March 1974 was thus unnecessary and was not to meet any immediate payments.

Government stated (November 1976) that strict instructions were being issued to the Director of Harijan Welfare not to repeat such instances in future.

(ii) *Education Department*

In January 1975 Government sanctioned Rs. 1 lakh for purchase of furniture, equipment, etc., for the departmental schools for the blind, deaf and dumb in the State, under the plan scheme "Education of handicapped children". Accordingly, purchase of certain audio-visual equipment and teaching aids was entrusted (February 1975) by the Director of Public Instruction to the Executive Engineer, Radio Wing, Public Works Department. The Assistant Engineer, Radio sub-division invited quotations (March 1975) and requested the Director of Public Instruction (March 1975) to remit a sum of Rs. 49,000 for effecting the purchase. Accordingly, a bill for Rs 49,000 was drawn and the amount remitted (31st March 1975) to the Public Works Department by transfer credit. However, the quotation received from a Bombay firm in March 1975 was accepted by the Executive Engineer only in June 1975 and orders placed in July 1975. Certain equipment costing Rs. 38,263 were supplied during October–November 1975 and certain others costing Rs. 9,841 during November 1976. Balance of Rs. 896 remains with the Public Works Department.

The drawal of the amount on 31st March 1975, when even the quotation was not accepted nor order for purchase placed, was only to utilise the budget provision.

Government stated (November 1976) that the articles indented were urgently needed for teaching the handicapped pupils and that such special type of equipment could be purchased only by payment of approximate cost in advance.

CHAPTER III

CIVIL DEPARTMENTS

AGRICULTURE DEPARTMENT

(AGRICULTURE)

3.1. District agricultural farms

(1) *Introductory*

Ten district agricultural farms (varying in size from 12.37 hectares to 132.74 hectares) have been established in the State with the main object of producing and distributing quality seeds, seedlings, grafts and layers of selected varieties of fruit plants and tree crops. These farms were also to serve as demonstration centres of modern scientific cultivation.

Mention was made in paragraph 32 of the Audit Report 1965 about certain aspects of the working of two of these farms—Kozha (Kottayam district) and Koothali (Kozhikode district). The Central Public Accounts Committee 1965-66 which examined the paragraph had, in its 47th Report, recommended that a thorough investigation about the acquisition of land for the farm at Kozha should be made and also desired that responsibility be fixed for this transaction. Information regarding the result of the enquiry ordered by Government in October 1966 is still awaited (March 1977). Some observations on the working of a third farm—Intergrated Seed Farm, Eruthempathy (Palghat district)—were included in paragraph 24 of the Report of the Comptroller and Auditor General of India for the year 1974-75 (Civil).

(2) In a further review by Audit during March–May 1976, the following points were noticed:—

(a) *General*

(i) Long term development plans, indicating *inter alia* land use plan, cropping pattern, irrigation facilities required and actually available, schedule of cultivation practices for different crops, etc., were not prepared as required by the Director of Agriculture in September 1971.

(ii) Soil survey before commencement of operations was conducted in respect of one farm (Chungathara, Malappuram district). In respect of nine other farms, the soil survey was conducted long after the commencement of operations in the farms. According to the Superintendents in charge of three of these farms at Mannuthy (Trichur district), Neriamangalam (Ernakulam district) and Kozha (Kottayam district), by the time the soil survey reports were available, the perennial crops were already well established and it was not possible to alter the land use plan on the basis of the reports.

(b) *Working results*

The year-wise details of expenditure and receipts of eight of the ten district agricultural farms (on which a capital expenditure of Rs. 37.84 lakhs had been incurred to the end of March 1976) during the period from 1969-70 to 1975-76 were as follows:—

Year	*Cultivation expenses*	*Establishment charges*	*Total working expenses (excluding interest on capital)*	*Total receipts*	*Excess of expenses over receipts*
			(in lakhs of rupees)		
1969-70	7.70	4.14	11.84	4.32	7.52
1970-71	7.47	5.02	12.49	4.00	8.49
1971-72	9.61	5.64	15.25	4.10	11.15
1972-73	12.60	5.57	18.17	5.12	13.05
1973-74	14.66	6.95	21.61	7.98	13.63
1974-75	22.91	8.07	30.98	9.39	21.59
1975-76	30.25	9.13	39.38	10.45	28.93
Total	1,05.20	44.52	1,49.72	45.36	1,04.36

(*Source*: Information furnished by District Agricultural Officers.)

The Department attributed (May/June 1976) the recurring loss to increase in the cost of cultivation and establishment, insufficient irrigation facilities, poor out-turn of work from labourers, immature plantation, etc. Government stated (January 1977) that the working of the farms had been reviewed in April-May 1976 and further action with a view to improve their working would be taken.

(c) Certain aspects regarding the cultivation of perennial and annual crops in the three farms at Peringamala, Mavelikara and Neriamangalam (where a detailed audit was conducted) are given below:—

I. *District Agricultural Farm, Peringamala*

(i) The farm (established in June 1964) has a net cultivable area of 37.8 hectares out of which 10.9 hectares were under fruit crops, 19.7 hectares under other crops and 7.2 hectares were remaining uncultivated as on 31st March 1976. Government stated (January 1977) that the area which remained uncultivated had been planted with cashew and pepper during 1976-77. Against an expenditure of Rs. 19.51 lakhs incurred on running the farm during the period 1969-70 to 1975-76, the total receipts obtained were Rs. 2.26 lakhs.

(ii) *Irrigation*

A perennial stream (Chittar river) capable of irrigating the entire area (37.8 hectares) flows by the side of the farm. Construction of a pump house (estimate cost: Rs. 0.25 lakh) sanctioned in July 1972 was completed in October 1973 and a 7.5 HP electric pumpset installed and energised in January 1975. Irrigation to an area of 2 hectares of the vegetable farm has been arranged through this pump and through a sprinkler irrigation set costing Rs. 0.22 lakh commissioned in June 1976. Government stated (January 1977) that steps had been taken for irrigating the coconut trees in an area of 5.8 hectares and that no further area in the farm needed irrigation.

(iii) *Cultivation of perennial crops*

Details* of cultivation of the important perennial crops in the farm are given below:—

Name of crop	*Area cultivated (hectares)*	*Year of planting*	*Number of grafts/ seedlings planted*	*Number survived as on 31st March 1976*	*Expenditure incurred upto 31st March 1976* (in lakhs of rupees)	*Receipt obtained* (in lakhs of rupees)
(i) Fruit crops						
Mango	8.1	1964-65	1,065	920	1.03	0.03
Sapota	2.0	1964-67	371	323	0.38	0.09
Guava	0.8	1965-66	425	325	0.15	0.05
Mangosteen	0.8	1965-68	170	46	0.04	Nil
Citrus	1.2	1964-65	680	85	0.12	0.02
(ii) Other crops						
Coconut	4.0	1965-66	790	680	1.04	0.19
Cocoa	1.3	1965-66	1,642	65	0.21	Nil
Nutmeg	2.0	1965-66	632	5	0.18	Nil
Pepper	2.0	1965-66	1,330	532	0.88	0.02
Cashew	9.0	1965-68	1,650	898	0.76	0.29

(**Source*: Details furnished by the Superintendent of the farm to the Director of Agriculture)

(iv) *Other points*

(a) *Compound wall/fencing*: The farm has no compound wall/barbed wire fencing (March 1977). Apart from attack of wild elephants causing damage to standing crops, pilferage and theft were also reported to be prevalent in the farm.

(b) *Weed control*: An expenditure of Rs. 1.65 lakhs was incurred towards manual weeding operations in the farm during 1971-72 to 1975-76. A suggestion of the Joint Director of Agriculture, Trivandrum (June 1975) to conduct a detailed study for controlling weed growth by chemical treatment has not been implemented (March 1977). Government stated (January 1977) that trials had been conducted to control the weeds with weedicides in 1972 and 1974-75 without success and that further trials would be undertaken.

(c) *Surplus labour*: Based on Government orders issued in July 1970, 75 casual labourers were given permanent status in the farm. According to the Superintendent of the farm, the present labour strength (70) was surplus to actual requirement and, as the operations of the farm were only seasonal, it was not possible to fully employ all the workers throughout the year. The wages of the surplus labourers (15 men and 8 women) worked out to Rs. 0.84 lakh per annum. Government stated (January 1977) that the Director of Agriculture had been asked to transfer the surplus permanent labourers to other farms. Further developments are awaited (March 1977).

II. *District Agricultural Farm, Mavelikara*

(i) The farm (established in May 1964) has a net cultivable area of 35.92 hectares of which 9.5 hectares are under fruit crops and the remaining 26.42 hectares under other crops. According to the State Agricultural Engineer, the layout and plantings were not done in a systematic manner to permit economical use of irrigation water. The accumulated loss over the seven year period ending 31st March 1976 was Rs. 9.67 lakhs.

(ii) *Irrigation*: Irrigation facilities in the farm are adequate to irrigate about 5 hectares. Three tanks available at the time of acquisition of the land were deepened in May 1972 incurring an expenditure of Rs. 0.75 lakh so as to irrigate 5 hectares. An estimate for provision of irrigation submitted in February 1973 to the Director of Agriculture was returned for revision in June 1974. The revised estimate (Rs. 2.47 lakhs) submitted (July 1976) to the Director of Agriculture is yet to be sanctioned (March 1977).

Two sprinkler irrigation sets (cost: Rs. 0.22 lakh) capable of irrigating 3 hectares of land were purchased in April 1973 but were put to use only from December 1975 due to the delay in completing the construction of pump-house and shed and in providing electric connection. The actual area being irrigated by the sets is only 2 hectares.

(iii) *Distribution of grafts, layers and seedlings*: As against a target of 3,000 mango grafts, guava layers and mangosteen seedlings fixed by the Superintendent of the farm for distribution between 1972-73 and 1975-76, the number of grafts and layers raised was 1167, out of which the number distributed till 31st March 1976 was only 606. This was attributed by the Superintendent to (1) non-availability of root stock plants during 1972-73 and 1973-74 (2) lack of sufficient trained personnel for grafting work (labourers were got trained only in 1973-74) and (3) lack of irrigation facilities in the area where the mother plants were located.

(iv) *Cocoa*: Of the 750 cocoa seedlings of 'Criollo' variety planted in an area of 2 hectares in 1965-66, only 322 survived, the casualties being attributed by the Superintendent to non-availability of irrigation facilities and lack of arrangements for providing shade for the plants. Since the yield from the surviving plants was very low (20.3 kg. upto 1975-76) and it was not economical to maintain them, they were cut and removed between October 1974 and May 1976 after incurring an expenditure of Rs. 0.13 lakh on their maintenance upto 1975-76.

Seedlings of 'Forastero' variety of cocoa, numbering 680, were planted in an area of 1.5 hectares during 1972-73. The yield obtained from these plants upto 1975-76 was 177 kg. against the expected yield of 558 kg.

(v) *Cultivation of vegetables*: Vegetable cultivation was undertaken in an area ranging between 1.20 and 3.50 hectares during the period 1970-71 to 1975-76. The following table shows the estimated and actual production and receipts for the period 1970-71 to 1975-76.

	Production estimated		*Actual*		*Total expenditure*	*Excess expenditure*
Year	*Quantity*	*Receipt*	*Quantity*	*Receipt*	*incurred*	*over receipts*
	Kg.	Rs.	Kg.	Rs.	Rs.	Rs.
1970-71	2,160	13,800	886	4,337	8,907	4,570
1971-72	Not fixed	23,100	2,372	3,908	19,575	15,667
1972-73	18,000	30,000	3,800	5,233	15,530	10,297
1973-74	30,000	10,900	5,366	5,432	19,333	13,901
1974-75	9,245	11,580	6,856	9,557	21,583	12,026
1975-76	11,865	19,550	4,590	9,158	24,386	15,228

It was stated by the Superintendent that the high cost of cultivation was due to irrigation being done by pot watering which became necessary due to delay of $2\frac{1}{2}$ years in commissioning the sprinkler irrigation sets referred to earlier.

(vi) *Groundnut*: A scheme for multiplication and distribution of improved varieties of groundnut is being implemented in the farm from 1st January 1968. According to the scheme, the cultivation was to be done in an area of 10 acres, out of which 2 acres were to be earmarked for production of nucleus seeds to be utilised in the farm for cultivation during the subsequent season. The seed from the remaining 8 acres was to be distributed to registered growers for further multiplication and distribution to cultivators. The variety TMV. II was cultivated in 8 acres only and no nucleus seeds were raised as suitable area was not available. The seeds produced in the farm were utilised year after year although under the Seed Rules, 1968 framed by Government of India under the Seeds Act, 1966, fresh supply of nucleus seeds is essential after three cycles of reproduction in order to ensure genetic purity of seeds produced. The scheme for distribution of seeds to registered growers was also not implemented. The Superintendent stated that no instructions on the subject were available in his office.

Against an expenditure of Rs. 1.77 lakhs incurred on the scheme during 1970-71 to 1975-76, the receipts obtained were Rs. 0.46 lakh. The yield obtained during the same period was 18,201 kg. against the anticipated yield of 36,240 kg. The yield declined sharply from 3,505 kg. in 1974-75 to 1,901 kg. in 1975-76 whereas the cost of production increased from Rs. 9.31 per kg. to Rs. 20.13 per kg. The low yield was attributed by the Superintendent (July 1976) to heavy showers at the time of flowering and pod maturity and 'tikka' disease.

Organic manure and lime were found to have been applied at doses much below the normal required as per soil test analysis.

(vii) *Nurseries*: (a) *Tree Spices*: With a view to distributing good variety seedlings of nutmeg, clove and cinnamon, nurseries were raised from 1966-67 onwards. Against a target of 32,000 seedlings (nutmeg: 25,000; clove: 5,000; cinnamon: 2,000) fixed for the period 1971-72 to 1975-76, the number of seedlings distributed during the same period was only 17,238 (nutmeg: 15,245; clove: 566; cinnamon: 1,427). This was attributed by the Superintendent (July 1976) to difficulty in obtaining seed materials from private parties for sowing in the nurseries.

(b) *Coconut*: To meet the requirements of good quality coconut seedlings of Alleppey District, a coconut nursery was established in 1964-65. It was seen that in all the years the number of quality seed nuts sown was below the targets reportedly due to non-supply of the full requirements by the Assistant Director of Agriculture (Seed Development), Badagara.

An amount of Rs. 0.54 lakh was outstanding in the books of the farm on account of cost of coconut seedlings sold to ryots of the district through National Extension Service Blocks during 1970-71 to 1974-75.

III. *District Agricultural Farm, Neriamangalam*

(i) The farm (established in September 1965) has a net cultivable area of 99.75 hectares of which 9 hectares were under fruit crops, 61.15 hectares under other crops and 29.60 hectares, being steep forest land, were left fallow.

(ii) The following statement gives a synopsis of the working of the farm from 1969-70:

Year	*Expenditure on* *Cultivation*	*Labour*	*Establishment*	*Total working expenses*	*Total receipt*	*Loss*
			(*in lakhs of rupees*)			
1969-70	0.25	1.35	0.80	2.40	0.65	1.75
1970-71	0.35	1.75	0.90	3.00	0.80	2.20
1971-72	0.65	1.70	0.95	3.30	0.85	2.45
1972-73	0.75	2.75	1.10	4.60	1.20	3.40
1973-74	0.85	3.40	1.25	5.50	1.85	3.65
1974-75	1.65	4.30	1.35	7.30	3.00	4.30
1975-76	2.10	6.15	1.45	9.70	2.50	7.20
				Total		24.95

(*Source*: Details furnished by the Farm Superintendent to Audit.)

(iii) *Soil survey*: Soil conservation measures such as contour bunding, land improvement, etc., recommended in the soil survey report prepared in January 1975 have not been taken up so far (March 1977).

(iv) *Irrigation facilities*: The construction of a service tank, pump house, installation of an electric pumpset (50 HP) and laying of main pipe line to irrigate an area of 24 hectares, sanctioned in November 1969, was completed in March 1974 (expenditure: Rs. 0.60 lakh), but the pump was energised only in January 1976.

In order to irrigate another 8 hectares, two ground level tanks were completed in January 1974 (expenditure: Rs. 0.05 lakh). But irrigation from these tanks was started only from October 1976 owing to the delay in laying the pipes (cost: Rs. 0.46 lakh) purchased in April 1976.

In October 1973 sanction was accorded by the Director of Agriculture for the construction of a tank, purchase of pumpset and accessories and laying of pipes (estimate cost: Rs. 0.49 lakh) for providing irrigation facilities to 7 hectares of paddy fields. Though the works were completed in March 1976 (cost: Rs. 0.49 lakh including cost of pumpset), irrigation could not be started (March 1977) for want of electric connection.

No proposal has been submitted by the Superintendent of the farm for irrigating the remaining area (March 1977).

(v) *Cultivation of perennial crops*: The details of area cultivated, number of seedlings/grafts planted, survival, the expenditure incurred and receipt obtained in respect of certain perennial crops were as follows:

Name of crop	*Area covered (hectares)*	*Year of planting*	*No. of seedlings/grafts planted*	*No. survived and existing as on 31st March 1976*	*Expenditure incurred up to 31st March 1976*	*Receipt upto 31st March 1976*
					(*in lakhs of rupees*)	
(i) Fruit crops						
Mango	7.0	1966-72	1,378	461	0.44	0.06
Sapota	2.0	1966-70	645	91	0.10	0.02
(ii) Other crops						
Cinnamon	2.5	1967-69	3,025	710	0.26	0.07
Nutmeg	10.0	1966-72	6,425	863	0.97	0.003
Cocoa	2.0	1968-69	3,250	1,600	0.31	0.01
Cloves	2.5	1966-71	2,388	106	0.14	Nil
Cashew	4.0	1970-74	3,225	750	0.24	0.014
Coconut	17.2	1967-74	3,159	1,730	1.71	0.19

(*Source*: Statement furnished by the Farm Superintendent and departmental records.)

The poor survival rate of the seedlings planted was attributed by the Superintendent (August 1976) mainly to want of adequate irrigation facilities.

3.2. Scheme for multiplication and distribution of hybrid variety of pepper and exotic variety of ginger

(1) Under a scheme sponsored by the Government of India (April 1968) for multiplication and distribution of hybrid peppervine (Panniyur-I) and high yielding indigenous and exotic varieties of ginger (Rio-de-janeiro, China and Maran) for increasing production of these crops, a nursery was started (June 1968) in the District Agricultural Farm, Neriamangalam. The scheme, originally sanctioned for a period of one year (1968-69), was continued by the Government of India during the Fourth and Fifth Plan periods. Under the scheme, pepper was to be propagated from rooted cuttings of the Panniyur-I variety (which was expected to give an yield four times that of the best local variety). The cuttings were to be obtained from plants raised in progeny orchards. By the end of 1976-77 an area of 35 hectares was to be brought under progeny orchards–16 hectares at the District Agricultural Farm, Neriamangalam and 19 hectares in 7 farms in other districts- according to a phased programme. Forty two lakhs and twenty thousand pepper cuttings were to be distributed to cultivators during 1974-75 to 1978-79 at 20 paise per cutting in 1974-75 and 25 paise from 1975-76.

Ginger was to be cultivated in a total area of 10 hectares by 1973-74 and thereafter a progeny plot of 2 hectares was to be maintained. The varieties selected were expected to give an yield of 18 to 30 tonnes of green ginger per hectare and the seed ginger was to be distributed to cultivators at Rs. 1.50 per kilogram (no target fixed for the distribution).

The entire expenditure on the scheme was to be met by the Government of India subject to certain ceilings prescribed. An expenditure of Rs. 9.01 lakhs has been incurred on the scheme upto the end of March 1976; the receipt obtained during the corresponding period being Rs. 3.37 lakhs. The central assistance received by 31st March 1976 was Rs. 11.27 lakhs.

(2) In a review of the scheme conducted (May-June 1976) in the District Agricultural Farms, Neriamangalam, Mavelikara and Peringamala, the following points were noticed:—

(a) **Pepper**: An area of 29.9 hectares was brought under progeny orchard upto 1975-76 in 8 district farms against the target of 32 hectares fixed for that period. As against the target of 17.84 lakhs, the number of pepper cuttings distributed upto 1975-76 was 8.41 lakhs.

(i) *District Agricultural Farm, Neriamangalam*

A progeny orchard was established in an area of 16 hectares and 32,000 vines planted between 1968-69 and 1973-74. Sixty four per cent of the vines did not survive because of lack of irrigation facilities and nematode infection. A tank constructed (cost: Rs. 412) was used for pot watering 2 hectares from February 1974 onwards. Out of 6.25 lakhs pepper cuttings planted in the nursery between 1969-70 and 1972-73, only 4.60 lakhs survived. The matter was referred to the Central Plantation Crops Research Institute, Kayamkulam in June 1973 which observed that the soil used for planting pepper cutting had to be sterilised and the potting mixture fumigated with methyl bromide before raising the nursery. No fumigation was, however, done till end of 1973-74. The Nematologist attached to the institute also instructed the Superintendent of the farm (June 1974) to apply dasanit 5 per cent to the root zones of the plants in progeny orchard three times in a year. No dasanit had been applied till date of audit (June 1976) in the progeny orchard to control the disease as the cost of the chemical was considered very high (Rs. 1,700 per hectare) by the Deputy Director of Agriculture (November 1974). Government stated (November 1976), that dasanit was tried on experimental basis but no noticeable improvement could be found on treated plants and that the trials would be continued. It was also seen that the quantity of fertilisers applied during the years 1973-74 to 1975-76 were not sufficient and not in the correct proportion as required as per soil test conducted in February 1973. The farm Superintendent attributed the short application of fertilisers in 1975-76 to non-availability of funds. Government stated (November 1976) that full doses of fertilisers as per the prevailing recommendation had been applied during 1976-77.

As against the target of 15.34 lakhs, 7.44 lakhs of pepper cuttings were distributed between 1969-70 and 1975-76, the shortfall being ascribed by the Superintendent of the farm (July 1976) to nematode infection. According to Government (November 1976), consequent on soil fumigation and other precautionary measures adopted, there is general improvement in production and the nursery would be able to meet the production targets in the near future.

(ii) *District Agricultural Farm, Mavelikara*

A progeny orchard was established (1973-74) in an area of 0.8 hectare by planting 1,500 peppervines obtained from the District Agricultural Farm, Neriamangalam. From the progeny orchard thus established (increased to 2.8 hectares by the end of 1975-76) a nursery was raised by potting 50,500 cuttings between March 1973 and March 1976. Of this, 6,193 cuttings were distributed to the farmers (against the target of 50,000), 11,646 cuttings utilised in the farm for planting and the remaining 32,661 cuttings were lost due to a plant disease in 1973-74 and non-formation of roots, mite attack, etc., in 1975-76. It was noticed that the potting mixture used for planting the cuttings was not fumigated as the cost of fumigation (Rs. 500 per tonne of soil) was considered high by the Superintendent of the farm (May 1974). The Nematologist, Central Plantation Crops Research Institute, Kayamkulam who visited the farm in June 1974 stated that the planting of rooted cuttings was not done to the required depth viz., 2″ to 4″ resulting in poor growth and that the cuttings were not healthy for distribution. The team of experts from Agricultural University, who visited the farm in May 1975 and August 1975, observed that the same type of malformation which affected the orchard at Neriamangalam had affected this farm also and suggested that the interval of irrigation of potted cuttings be increased, spraying be done with mitecide to prevent mite attack, and selection of cuttings from mother plants showing crinkling of leaves was to be avoided. The Superintendent of the farm stated (October 1976) that action as suggested by the team of experts had been taken. Further developments are awaited (March 1977).

(iii) *District Agricultural Farm, Peringamala*

An area of 0.8 hectare was planted in August 1972 with 1,600 vines obtained from the District Agricultural Farm, Neriamangalam, and the area was increased to 2.8 hectares by 1975-76. By the end of June 1976, 50 per cent of the vines were stated by the Superintendent of the farm (June 1976) to have dried up due to drought and damage caused by wild animals. Consequently only 41,302 pepper cuttings were distributed between 1972-73 and 1975-76 against the target of 70,000.

(b) **Ginger**: The total area brought under cultivation in the District Agricultural Farm, Neriamangalam between 1969-70 and 1974-75 was 10.16 hectares (excluding 0.23 hectare where other varieties were cultivated). As the cultivation was affected by rhizome rot and leaf spot disease, the cultivation was discontinued from 1975-76 onwards as ordered by the Director of Agriculture (December 1974). The actual yield obtained during 1969-70 to 1974-75 was as under:—

Name of variety	*Expected yield per hectare (in kg.)*	*Area planted (in hectare)*	*Actual yield per hectare*					
			1969-70	1970-71	1971-72 (*in kg.*)	1972-73	1973-74	1974-75
Rio-de-janeiro	25,000 to 30,000	7.10	11,825	8,100	10,430	4,930	7,213	3,601
Maran	23,000	2.90	5,743	6,500	7,680	6,280	3,525	1,386
China	18,000 to 25,000	0.16	9,667	5,208	3,600	5,700	2,850	Nil

(*Source :* Departmental records)

The low yield from 1972-73 to 1974-75 was attributed by the Superintendent to rhizome rot disease. No specific reasons have been furnished for the low yield obtained during 1970-71 and 1971-72.

Of 45.475 tonnes of seeds produced in the farm during the period 1969-70 to 1974-75, 32.596 tonnes of seeds were sold to cultivators and 12.879 tonnes of seeds were used in the farm for cultivation. According to the package of practices issued by the Kerala Agricultural University, ginger being an exhausting crop, the cultivation was to be shifted to a new site each year. It was seen that the ginger nursery was raised in the same place continuously till 1974-75. The Director of Agriculture ordered (December 1974) that cultivation be shifted to the District Agricultural Farm, Chungathara (Malappuram District). But ginger multiplication could not be started during 1975-76 at Chungathara due to non-availability of seed material. Government stated (November 1976) that the planting material from Neriamangalam could not be utilised because of disease infection and the seed material procured from the Kerala Agricultural University had been planted during 1976-77.

(c) Inspite of the fact that the ginger nursery was discontinued and the effective area under pepper orchard had come down to 8.5 hectares from 16 hectares, the staff appointed for the scheme continue to be retained in the District Agricultural Farm, Neriamangalam. The pay and allowances work out to Rs. 0.36 lakh per annum. Government stated (November 1976) that the question of diverting some staff to District Agricultural Farm, Chungathara would be considered and early decision taken.

3.3. Cashew plantation scheme

(1) *Introductory*

The Cashew industry is a traditional industry of the State. It contributes significantly to the country's foreign exchange earning (Rs. 1,01.84 crores in 1975) through the export of cashew products (mainly kernels). The requirement of raw cashew nuts for manufacture of cashew kernels and cashew shell liquid is met by internal production and by imports from foreign countries, mostly from East Africa. With the East African countries themselves setting up factories for processing raw cashewnuts, the availability of nuts from East Africa has been dwindling year after year and the paucity of raw nuts has often resulted in under-utilisation of capacity and intermittent closure of cashew factories. The table below gives some details relating to cashew cultivation and cashew industry in the State.

Position as on	*Area under cashew crop (in hectares)*	*Annual production (in tonnes)*	*Annual imports (in tonnes)*	*Number of labourers employed (in lakhs)*
31-3-1961	54,360	84,630	98,981	0.74
31-3-1966	87,366	98,025	1,55,239	NA*
31-3-1969	96,019	1,07,732	1,92,982	1.00
31-3-1974	1,06,497	1,15,785	1,22,010	1.18
31-3-1975	1,08,220	1,17,890	1,14,244	1.20

(*Source*: Economic Reviews, Kerala 1962, 1975 and details furnished by Directorate of Cashew Development).

With a view to increasing the production of raw cashewnuts in the State, Government sanctioned a scheme in September 1961 for establishing a 5,000 acres (2,024 hectares) cashew plantation in Cannanore district under the Agriculture Department. The plantation was to be raised in a period of five years from 1961-62 using quality seeds collected from high yielding trees of known parentage. The plantation was started from 1962-63 and the targeted area achieved by the end of 1965-66. It was extended to 733.10 more acres during 1967-68 to 1971-72 and 1974-75. The planting was done in four groups, three (Muliyar, Adhur and Perla) in the Kasaragod taluk and one (Periye) in Hosdurg taluk. Most of the yield is disposed of by sale of the right to collect the yield in auction and the remaining portion is collected departmentally and then disposed of. The Cashew Plantation Officer is in direct charge of the scheme. Each group is under the control of a Junior Agricultural Officer. The groups are further divided into blocks; the blocks are under the control of demonstrators.

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*Not available

(2) *Plan targets and achievements*

The allotments for the development of cashew cultivation in Government land in the various plans and the achievements were as follows:—

Period	Financial Target (in lakhs of rupees)	Financial Achievements (in lakhs of rupees)	Physical Target (in hectares)	Physical Achievements (in hectares)
Third Plan (1961-66)	7.68	3.95	2,024 (5,000 acres)	2,025 (5,001.25 acres)
Annual Plans 1966-67 to 1968-69	6.43	10.04	..	52 (130.10 acres)
Fourth Plan (1969-74)	19.90 13.00	26.16	..	96 (238 acres)
Fifth Plan–First 2 years (1974-76)	13.38	12.64	..	148 (365 acres)
Total	60.39	52.79	2,024	2,321

(3) *Financial assistance from Government of India*

A special package programme was sanctioned by the Government of India in January 1972 as a Centrally Sponsored Scheme for Cashew development. Under this programme, a package of practices comprising clearing of jungle growth, soil working, contour bunding, fertiliser application and plant protection measures was to be carried out annually for 3 years in selected Government plantations in compact blocks. The area fixed as 1,000 hectares initially was reduced by the Government of India to 305.62 hectares in July 1972. The entire expenditure on actual basis subject to the ceiling of the approved amount each year for the package programme was to be met by the Central Government. Of the total expenditure of Rs. 52.79 lakhs incurred for cashew cultivation on Government land, Rs. 9 lakhs represented the expenditure under the special package programme implemented in 1,000 hectares. Upto February 1976, Rs. 1.73 lakhs have been received as grant from the Central Government for the special package programme.

(4) During a review of the working of the plantation by Audit (January-July 1976), the following points were noticed:—

(a) *Working results*

Working of the plantation, based on the maintenance expenditure (including cost of establishment) and revenue after the active period of planting from 1966-67 to 1975-76, showed an excess of expenditure over receipts by Rs. 25.94 lakhs as indicated below:—

Year	*Expenditure on maintenance of plantation*	*Establishment*	*Total expenditure*	*Receipt*	*Profit*(+) *Loss* (—)
			(*in lakhs of rupees*)		
1966-67	2.00	0.67	2.67	0.08	(—)2.59
1967-68	2.76	0.77	3.53	0.26	(—)3.27
1968-69	3.02	0.82	3.84	0.36	(—)3.48
1969-70	2.27	0.69	2.96	0.40	(—)2.56
1970-71	2.50	0.66	3.16	0.59	(—)2.57
1971-72	6.30	0.79	7.09	0.85	(—)6.24
1972-73	4.83	0.71	5.54	1.72	(—)3.82
1973-74	6.69	0.72	7.41	6.34	(—)1.07
1974-75	7.06	0.91	7.97	6.18	(—)1.79
1975-76	3.46	1.21	4.67	6.12	(+)1.45
Total	40.89	7.95	48.84	22.90	(—)25.94

Government stated (November 1976) that due to adverse environmental conditions, stability in yield could not be achieved as anticipated from the fourth year and that no uniform yield could be obtained as all the plants did not come to uniform growth and bearing.

The estimated cost of raising the plantation was Rs. 35 per acre and the estimated cost of maintenance (excluding staff) Rs. 15 per acre per year from the third year. The actual expenditure incurred on these items during the above period exceeded the estimate by 148 to 454 per cent. The excess was attributed by Government (November 1976) to increase in the cost of labour and inputs.

(b) *Production of raw cashewnuts*

The scheme envisaged an annual production of 392.48 kg. of raw nuts per hectare (at 2.27 kg. per tree from 173 trees) from the sixth year onwards. This target itself was very low as compared to the State production level of 1,557 kg. per hectare (9 kg. per tree) in 1960-61. The actual yield collected departmentally from 6 year and older plantations during the period 1972-73 to 1974-75 was far below even this low target as shown below:—

Cropping year	*Name of block*	*Total area in the block (in hectares)*	*Total number of trees yielding*	*Quantity of nuts collected*	*Yield per hectare*	*Yield per tree*
					(in ***kilogram****)*	
1972-73	Pannikunnu (Periye Group)	69	9,830	5,025	73.01	0.51
1973-74	All Blocks of Periye Group	306	44,744	27,080	88.48	0.61
1974-75	Chipparamba (Adhur Group)	122	19,530	20,750	170.26	1.06
1974-75	All Blocks of Periye Group	306	44,744	25,740	84.10	0.58

Government stated (November 1976) that the low yield was due to the fact that the plantation was raised in arable waste land confined mostly to hills and hill tops strewn with sheet laterite rock and that the recommended dosage of nutrients could not be applied due to paucity of funds.

(c) *Defects in planting, fertiliser application and other cultural operations*

According to the information furnished by Government (November 1976), seeds of high yielding varieties or of known parentage were not available at the time of starting the plantation and hence locally procured seeds from the Forest Department plantations only were used. No soil study for selection of site was also stated to have been conducted as the object of the scheme was to raise cashew in arable waste lands where no other crops could be successfully raised.

The scheme sanctioned did not prescribe a nutrient dosage of fertilisers to be applied and specify the details of cultural practices to be followed. The nutrient dosage for a full grown cashew tree per annum as per the 'Package of Practices Recommendations 1974' published by the Kerala Agricultural University is 250 grams of nitrogen (N) and 125 grams each of phosphoric acid (P_2O_5) and potash (K_2O). It was noticed that, as compared to this dosage, the fertiliser application was very low. The deficiency in nitrogen varied from 66 per cent to 100 per cent except in 1972-73 when the deficiency was only 36 per cent due to the application of fertiliser under the Centrally Sponsored Package Programme. The deficiency in phosphoric acid ranged from 29 per cent to 100 per cent and the deficiency in potash ranged from 21 per cent to 100 per cent. No fertiliser at all was applied to the plantations in two groups in 1969-70 and 1970-71 and in all the four groups in 1974-75. Government stated (November 1976) that reduction in nutrient dosage was due to paucity of funds and that during 1974-75 no funds were available for purchase of fertilisers.

Even the meagre fertiliser applied was often done out of season (the proper season is between August and September according to the 'Package of Practices Recommendations 1974'). Of the 5,43,851 kg. of fertilisers applied in the 4 groups during 1972-73, 1,82,630 kg. applied in Adhur and Muliyar groups during 1973-74 and 96,000 kg. applied in Periye and Perla groups during 1975-76, 3,74,759 kg. (69 per cent), 72,660 kg. (39 per cent) and 73,750 kg. (77 per cent) respectively were applied in the month of July. Instances of application of fertilisers in October to December were also noticed (21,982 kg. of fertilisers applied in the Muliyar group during October 1966 to December 1966; 6,670 kg. applied in Adhur in October 1969).

Further, the fertiliser was to be applied after making circular trenches 15 to 20 cm. deep with a radius of 1 to 1.5 metre from plant base as recommended in the 'Package of Practices Recommendations 1974'. But such trenches were not made. Government stated (November 1976) that considering the topography of the plantation, only two or three pits were taken for application of fertiliser.

In February 1976 the Cashew Plantation Officer reported to the Joint Director of Agriculture, Cashew, Calicut, that although the condition of the plantation turned out to be good at the time of flowering, the emerging tender nuts suffered damage through the attack of pests like fruit borers, tea mosquito, etc., and appearance of blossom blight due to the failure to do a second round of spraying (attributed to want of funds) and that about 20 per cent of the nuts turned non-viable.

(d) *Loss in production of quality seedlings*

According to the standards fixed by the Department, one kilogram of raw nuts would contain 120 to 150 seeds and out of it at least 100 quality seedlings can be raised. A scrutiny of the records of nurseries in 3 groups during the period 1963-64 to 1974-75 (details in respect of the remaining group were not available in the records) revealed that the seedlings raised were 8 to 57 per cent less than the expected number in several cases. The resultant loss computed at 15 paise per plant (the cost adopted for issue of seedlings under the scheme for raising cashew plantations in private sector) comes to Rs. 0.29 lakh.

(e) *Absence of a standard for employment of labour/excessive employment of labour*

No standard had been laid down for engaging labourers for watching the plantations (under departmental collection) during harvesting season. Wide variation was noticed in the engagement of labourers for this purpose, as shown below:—

Cropping year and period of collection	*Name of block*	*Extent*	*Number of labourers engaged for watching*	*Wages paid*	*Labourers engaged per acre*	*Wages paid per acre*
		(*acres*)		Rs.	(*number*)	Rs.
1972-73 (February 1973 to May 1973)	Pannikunnu block in Periye Group	170	936	6,044	5.50	35.55
1973-74 (January 1974 to June 1974)	All Blocks in Periye Group	756	2,474	24,183	3.27	31.98
1974-75 (February 1975 to May 1975)	Chipparamba block in Adhur Group	301	700	8,742	2.32	29.04
1974-75 (January 1975 to May 1975)	All blocks in Periye Group	756	1,408	17,539	1.86	28.20

Government stated (November 1976) that the requirements of labour depended on the location of the site of the different plantations, total periphery of each block, nature of anticipated pilfering, etc.

It was also noticed on a test check of the daily record sheets for the period April 1972 to February 1976 for fertiliser application and for basin digging and for the period April 1970 to February 1976 for fire line clearance, that the labour engaged exceeded the number justified by the minimum work-load fixed. The excess wages paid in these cases work out to about Rs. 0.63 lakh. Government stated (November 1976) that the work-load can differ depending upon the condition of soil, moisture content, sub-stratum, growth of weeds in the fire line clearance area etc. and that only the minimum required labour were engaged.

(f) *Other points (Special Package Programme)*

(i) The various operations envisaged in the special package programme were not carried out according to the prescribed schedule eg: contour bunding, an essential soil conservation measure to collect more rain water at the base of the tree, was taken up only in the third year and that too in about 15.5 per cent of the area. Soil working required for conserving soil moisture was done in third and fourth years and plant protection measures were undertaken in the fourth year only.

(ii) A total quantity of 193 tonnes of 12:6:6 fertiliser mixture costing Rs. 2.45 lakhs was purchased in March 1975 and stocked for application during the year 1975-76. The fertiliser was utilised during July to September 1975. As the scheme was not in operation during 1975-76, the expenditure incurred falls outside the scope of assistance sanctioned by Government of India. Government stated (November 1976) that the fertiliser purchased in March 1975 could not be applied then due to want of moisture in the field.

(iii) As mentioned in para (3) ante, by an order of Government of India, issued in July 1972, the package programme in the existing plantation was required to be limited to 305.62 hectares only against 1,000 hectares originally sanctioned in January 1972. The reduced target was approved for 1972-73 on consideration of the feasibility. At this stage jungle clearance of 543 hectares done at a cost of Rs. 10,942 in 1971-72 was the only work done under the package programme. Fertilisers costing Rs. 2.20 lakhs purchased in March 1972 which had been kept in stock, were subsequently applied over 1,000 hectares during July-September 1972 inspite of the reduction in the target. None of the other cultural practices such as jungle clearance, soil working, contour bunding and plant protection was, however, carried out in 1972-73. In 1973-74 also the area for the package programme approved by the Central Government was 305.62 hectares and the approved cost was Rs. 1.22 lakhs. However, the operations (in part only) were extended by the department to 1,000 hectares at a total cost of Rs. 2.22 lakhs. The Director of Agriculture requested the State Government (July 1975) to move the

Government of India for raising the allocation so as to cover the excess expenditure of Rs. 1 lakh; the outcome is awaited (March 1977).

(iv) Evaluation particulars of the special package programme (1971-72 to 1974-75) furnished by the Directorate of Cashewnut Development, Cochin, in June 1976 showed that the average yield per hectare in the plantation treated under the package programme increased from 86.5 kg. during 1972-73 to 130 kg. in 1973-74 and 172.7 kg. in 1974-75 while the average yield in control plots not so treated in each year, increased from 70 kg. during 1972-73 to 88 kg. in 1973-74 and then decreased to 86.5 kg. during 1974-75. According to the finding based on the evaluation, absence of full treatment in any year (reportedly for want of allotment) might be the reason for comparatively low yield per tree even after giving package of practices.

(v) Rupees 2.20 lakhs were drawn by the Cashew Plantation Officer, Kasaragod on 30th March 1972 towards the cost of fertiliser supplies. The Stock Registers of his office showed that these had been received and accounted for on three days, 27th to 29th March 1972. It was, however, noticed in audit that a part of the consignment (for which only the delivery notes were produced) had been checked at the Sales tax check post on 3rd and 4th April 1972. This showed that entries in the Stock Registers were not correct as those materials would have reached the office only in April 1972. The fertilisers were actually used next year during July to September 1972. The drawal of the amount at the fag end of the financial year was to avoid lapse of funds. Government stated (November 1976) that the fertiliser company was in a position to supply any quantity only from 25th March 1972 and that, in spite of best efforts, the entire quantity could not be transported before the close of the financial year.

(vi) An advance of Rs. 0.50 lakh was sanctioned from the Contingency Fund in November 1972 for meeting urgent items of expenditure under the scheme. This was utilised in March 1973 for purchase of fertiliser which was used in July and August 1973 only. The advance from the Contingency Fund thus drawn was not used for meeting any urgent and unforeseen expenditure.

(ANIMAL HUSBANDRY)

3.4. Cattle development programme with Swiss assistance

(1) *Introductory*

(a) A Project for cattle breeding, fodder production and dairy development was started in September 1963 at Madupatty (near Munnar) and an

Extension Centre was added in May 1970 at Peermade as a joint venture by the Government of India, the Federal Government of Switzerland and the State Government of Kerala, with the following main objectives:

(i) to develop and to consolidate a new multipurpose breed of cattle suitable for economic milk production, draught and meat production by cross breeding the local non-descript cattle with the brown swiss breed and to build up a foundation stock of the new breed to serve as a base for cross breeding in Kerala and, if possible, in other States;

(ii) to improve and promote fodder production for supporting economic milk production with a better type of cattle by making full use of the available natural resources in the area, especially the grass lands of the high ranges;

(iii) to apply the experience and methods developed by the Project in larger areas through extension schemes for development and improvement of economic farming.

(b) The over-all control of the project vests with a Board of control consisting of a representative of Government of India as its Chairman and a representative each of Swiss Government and Government of Kerala as its members. The expenditure on the Project is shared by the sponsoring Governments. The total expenditure on the Project, excluding the salary of Swiss experts, to end of March 1976 was Rs. 4,53.25 lakhs (Indian funds: Rs. 2,62.05 lakhs and Swiss Funds: Rs. 1,91.20 lakhs).

(c) The breeding work at the Breeding and Research Station, Madupatty started in 1964 with 140 cows locally purchased initially making use of imported deep frozen semen of brown swiss bulls and later (August 1965 to January 1968) by importing 22 brown swiss bulls and 45 cows. The programme envisaged the cross breeding being done in three phases viz., to evolve breeds with 50 per cent exotic blood in the first generation, 75 per cent exotic blood in the second generation and 62.5 per cent exotic blood in the third and final generation. In 1970-71, it was decided by the Project, that under the extension programme in the field, the final 62.5 per cent cross bred animals were to be raised in the second generation itself, avoiding the intermediary generation having 75 per cent exotic blood.

(d) Production of frozen brown swiss semen required for the Project farms and the extension areas was commenced in the Central Semen and Sperm Laboratory, Madupatty in 1966-67. The laboratory has facilities to handle a maximum of 3,500 doses of semen per day and has storage capacity for about three lakhs doses of ½ ml. The total production till end of March 1976 was 13.46 lakhs doses against available production potential of about 16.89 lakhs. The balance stock on 31st March 1976 was 3.16 lakhs doses (100 per cent brown swiss semen—0.73 lakh; 75 per cent brown swiss semen—1.44 lakhs; 62.5 per cent brown swiss semen—0.96 lakh; 50 per cent brown swiss semen—0.03 lakh).

(e) A second bull station was sanctioned (October 1974) at Kulathupuzha to augment the annual semen production capacity of the Project to six to seven lakhs doses. An expenditure of Rs. 18.57 lakhs (Rs. 10.87 lakhs were from Swiss funds) was incurred on this station to the end of March 1976. The station started functioning from July 1974. Production of frozen semen commenced only from October 1976 due to delay in construction of bull sheds.

(f) The economic success of achieving genetic progress in a shorter period would be greatly determined by the reproductory performance of the animals. Cattle are expected to reach maturity at an early age ie. by 18 months, calve regularly once in about 12 months with first calving at the age of 28 months and should have only a short service period of about 100 days. It was seen from the records of the Cattle Breeding Research Officer of the Project, Madupatty, that the age at first insemination (21.4 months), age at first calving (31.3 months), inter-calving period (390.6 days) and the service period (128.3 days) were longer than the desired levels mentioned above in respect of brown swiss cross bred cows of 62.5 per cent category. Out of a total of 587 brown swiss animals of the 62.5 per cent category born both in Madupatty and Peermade farms between April 1971 and October 1975, only 372 were alive in November 1975; 55 animals having died (mainly due to diseases and contamination of silage), 28 being destroyed (mainly due to their developing warts and anaemic conditions), 101 being slaughtered (including 87 males which could not be selected as breeding bulls due to various defects) and 31 being sold.

(g) (i) The extension phase of the programme was started by the Indo-Swiss Project first in 1967-68 in the Munnar and Peermade regions of Idukki District to cover 13,600 breedable cows. In 1969-70 the Intensive Cattle Development Programme Region, Mavelikara (Alleppey District) under the control of Animal Husbandry Department, covering 32,000 breedable cows, was also brought under this extension programme. Further expansion of the extension work was taken up in 1973-74, covering about 4.5

lakhs breedable cows in Trivandrum, Quilon and the remaining parts of Idukki and Alleppey Districts. The Dairy Development Department assumed (August 1973) the role of the implementing agency, while the breeding centres were established at the panchayat level. The insemination work was to be carried out by local people recruited and trained for three months under a Special Employment Programme. The breeding centres under the Animal Husbandry Department, mainly those in Trivandrum and Idukki Districts, also started using (1973-74) frozen brown swiss semen. Cattle registration, artificial insemination, pregnancy diagnosis, identification of all female calves born, castration of scrub bulls etc., were the responsibility of the respective implementing agencies.

(ii) The Project is responsible for the supply of semen, cryogenic equipment, artificial insemination appliances and liquid nitrogen to all the breeding units. Four semen banks and four liquid nitrogen plants located at Madupatty, Peermade, Mavelikara and Kulathupuzha were to supply semen and liquid nitrogen to the Project farms and the extension areas. At the time of launching of breeding units at panchayat level under the Dairy Development Department in 1973-74, the expectation was that the liquid nitrogen requirement of 316 units to be started in Trivandrum, Quilon and Alleppey Districts could be met by purchases from the Fertilisers and Chemicals, Travancore Limited, Alwaye till the project could meet the requirements. As the supply of liquid nitrogen from the Fertilisers and Chemicals, Travancore Limited, Alwaye fell short of the expected quantity, only 182 units could start functioning from 1973-74 against 316 units planned. In order to meet the requirement of liquid nitrogen of all the units, the Project itself was in a position to make supplies after the commissioning of a liquid nitrogen plant at Kulathupuzha in April 1975. Prior to that, supplies from the Project were confined to Idukki District and Mavelikara region (Alleppey District) and part of Trivandrum District as the Project's installed capacity then was limited. As at the end of March 1976 there were 497 breeding units; under the Indo-Swiss Project (35), Dairy Development Department (341) and Animal Husbandry Department (121).

(h) A fee of Rs. 5 (from October 1974) is collected from the farmers for each artificial insemination. Two 'repeat' inseminations done within a period of two months are treated as free. The self-employed inseminators of the units under the Dairy Development Department are allowed to retain Rs. 4 as their remuneration, out of the insemination fee of Rs. 5.

(2) A review of the working of the programme was conducted by Audit during April-June 1976. The following points were noticed:—

Animal Husbandry Activities

(a) *Idukki District*

(i) The activities in Idukki District were being carried out under the direct control and responsibility of the Project. The District was divided into five regions (consisting of 80 breeding units on 31st March 1976) with a touring veterinary surgeon in charge of each region. All these units cover only a population of 55,000 (out of 68,000) breedable cows. The remaining 13,000 breedable cows in certain pockets were left out as starting of more economically viable insemination units was then considered to be difficult. No firm period by which the entire breedable cow population was to be covered had been prescribed. Government stated (January 1977) that under the field conditions, it was practically impossible to bring the entire population under artificial insemination programme and hence no firm period had been prescribed.

(ii) The details of artificial inseminations done, follow up for pregnancy diagnosis, calves born, etc., during the period 1967-68 to 1975-76 are given in the table below:—

Year	*Artificial inseminations done*			*Follow up for pregnancy diagnosis*		*Calves born*		
	First	*Repeat*	*Total*	*Total numbers followed up*	*Percentage found positive*	*Male*	*Female*	*Total*
1967-68	2,480	813	3,293	1,996	52.00	235	254	489
1968-69	2,754	1,046	3,800	2,335	50.37	506	478	984
1969-70	3,523	1,731	5,254	1,723	54.96	445	430	875
1970-71	3,673	2,154	5,827	4,075	36.80	539	533	1,072
1971-72	7,091	3,777	10,868	8,496	37.32	699	743	1,442
1972-73	10,315	5,957	16,272	16,189	30.33	1,223	1,279	2,502
1973-74	12,605	6,647	19,252	15,366	41.40	1,915	1,921	3,836
1974-75	16,439	6,889	23,328	16,842	44.20	2,529	2,748	5,277
1975-76	25,488	10,880	36,368	21,726	41.20	3,573	3,880	7,453

The follow up by inseminators for pregnancy diagnosis was about 69 per cent and 42.3 per cent (average) of the cases followed up were claimed to be positive. Test check by touring veterinary surgeons of the cases for pregnancy diagnosis followed up during 1975-76 was 2 per cent as against the prescribed percentage of 5. Calves were born in 25.2 per cent of the number of inseminations done during the period 1967-68 to 30th June 1975. The number of artificial inseminations required for every calf birth was 4 in this District compared to 1.9 in the Madupatty farm. The Project authorities attributed the shortfall in follow up and the gap between the cases found positive and calves born to:—

(a) migration including sales from the area as the price of milk in Idukki was less;

(b) the prevailing system of bringing dry animals from plains to high ranges for maintenance and their return during advanced stage of pregnancy;

(c) cases of inseminations of animals brought from outside the jurisdiction; and

(d) a few cases of deaths, abortion, still births etc.

(iii) Based on the reported calf births, cross bred females of breedable age available in Idukki District (March 1976) would be about 5,000. Thus practically the entire population of non-descript cows continues to exist. The Project had stopped using 100 per cent and 75 per cent brown swiss semen and switched over to semen from 62.5 per cent brown swiss category from January 1976 onwards for inseminations in Idukki District though, with reference to the availability of different categories of breedable cows, such a stage has not been reached.

(iv) Out of a total of 2.17 lakhs doses of frozen brown swiss semen issued to the breeding units in the Idukki District during the period 1970-71 to 1975-76, details of utilisation of 0.99 lakh (44.5 per cent of issues-cost: Rs. 1.69 lakhs) doses were not available. This was attributed (August 1976) by the Project authorities mainly to unaccounted second inseminations in certain cows, especially repeaters, practised within an interval of three to five hours, in order to increase the conception rate.

(b) *Trivandrum, Quilon and Alleppey Districts*

(i) Animal Husbandry Department

Artificial inseminations using frozen brown swiss semen were mainly concentrated in the Mavelikara Intensive Cattle Development Programme area and in the Key Village Blocks, Trivandrum and Attingal. Out of a total of 238 Animal Husbandry institutions only 108 centres were having facilities for using frozen brown swiss semen. The Key Village Block, Trivandrum started using brown swiss semen as early as 1967-68 on a limited scale and the Intensive Cattle Development Programme Project, Mavelikara from 1969-70 onwards. About 70 per cent (1.95 lakhs) of the total inseminations and 82 per cent (0.48 lakh) of the reported calf births (upto March 1976) were in Intensive Cattle Development Programme Area, Mavelikara. The units , except Intensive Cattle Development Programme Units, Mavelikara continued to use semen of other breeds such as Jersy and Holstein Freisian also. Out of a total of 64,756 doses of frozen brown swiss semen received by the Key Village Block, Trivandrum during 1970-71 to 1975-76, 7,355 doses were utilised for giving unaccounted second inseminations and 4,155 doses were spoiled.

(*ii*) *Dairy Development Department*

The breeding activities of the department commenced in 1973-74. The position regarding the artificial inseminations done, follow up for pregnancy diagnosis, calves born, etc., as at the end of March 1976 was as under:—

	Trivandrum	*Quilon*	*Alleppey*
Number of inseminations done	41,108	50,184*	53,833
Percentage followed up for pregnancy diagnosis	26.6	25.9	43.8
Reported calf births	2,544	1,840	5,393
Percentage of calf birth with reference to total number of inseminations done during corresponding period	12.9	8.6	20.8
Number of inseminations required for every calf birth	7.7	11.6	4.8
Average number of calf birth per unit per month in 1975-76	2	0.6	3.9

Out of 2.12 lakhs doses of frozen Brown Swiss semen issued to the breeding units during the period 1973-74 to 1975-76, 1.32 lakhs doses were utilised for inseminations, 0.42 lakh doses (cost : Rs. 0.71 lakh) were spoiled due to interruption in supply of liquid nitrogen and 0.14 lakh doses (cost: Rs. 0.24 lakh) were lost on account of breakage or bursting of semen paillets.

In Quilon District (breedable cows: 1.77 lakhs), contrary to the Project's breeding policy, 75 per cent brown swiss semen was being supplied from the very beginning instead of 100 per cent brown swiss semen. Government

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*Includes 12,965 doses of coconut milk extender brown swiss semen stated (January 1977) that a mass scale cross breeding activity, which was not originally anticipated, was launched under Special Employment Programme and the project was forced to utilise the available resources in a most suitable manner without sacrificing the goal.

(c) *Repeat inseminations*

The following table compares the percentage of repeat inseminations with reference to first inseminations in the extension area during the last three years:—

Area	*Percentage of 'Repeat' during*		
	1973-74	1974-75	1975-76
Idukki District	52.8	45.5	42.7
Trivandrum District			
Units under Dairy Development Department	41.8	53.0	66.6
Key Village Blocks			
(i) Trivandrum	28.3	34.8	77.9
(ii) Attingal	36.4	39.4	63.5
(iii) Kattakada	No work	No work	74.4
Quilon District			
Dairy Development Department Units	11.2	43.6	50.6
Alleppey District			
Intensive Cattle Development Programme, Mavelikara	30.2	41.4	51.6
Dairy Development Department	18.9	47.1	41.2

The repeat inseminations recorded an increase in 1974-75 and 1975-76 in the breeding units of Trivandrum, Quilon and Intensive Cattle Development Programme Area, Mavelikara as compared to 1973-74. The percentage of 'repeat' inseminations during 1975-76 in 84 units (out of 139 units) test-checked in Trivandrum, Alleppey and Idukki Districts varied between 50 and 100. The reason for the increase/wide variations in repeat inseminations, according to Government (January 1977) were:—

(i) Malnutrition of calves especially in the early part of their life,

(ii) Infertility/sub-fertility noticed in cross breds.

Government also stated that a scheme for making available the services of expert gynaecologists in major cross-breeding areas was being contemplated and with that it was hoped to bring down the number of repeat inseminations.

(d) *Castration of scrub bulls*

The success of controlled breeding and genetic improvement of cattle depended much on the castration of scrub bulls and elimination of other undesirable male youngs. No systematic survey had been conducted by the Department in the extension area to ascertain the number of animals that had to be castrated, nor was the Kerala Livestock Improvement Act, 1961 enforced strictly in the areas to ensure elimination of all scrub bulls. The main constraint on the insemination work in Quilon and Trivandrum Districts as reported (March 1976) by the Project authorities was the presence of a large number of stray bulls. Complaints were being received by the Dairy Development Department from all parts of the extension areas that scrub bulls were being maintained by private parties for natural service of cows.

(e) *Veterinary care and disease control*

Commencing from 1973-74 the Project took up a programme in Idukki District for health coverage and started supply of feed supplement and deworming medicines to calves in the age group of 20 to 120 days. The extent of such facilities given are indicated below:—

Year	*Female calves born*	*Feed supplement given*	*Deworming medicines given*
1973-74	1,921	1,405	963
1974-75	2,748	433	651
1975-76	3,880	3,668	3,445

(f) *Herd book and identification of calves born*

For a systematic breeding work, it is essential to identify, register and maintain breeding cards of all the female cross bred calves born in the breeding area for watching their performance,characteristics, etc., by the implementing agencies. Identification of all female calves born, by providing metal ear tags or tattooing was being done only in Idukki District, in the Intensive Cattle Development Programme Area, Mavelikara and in the Key Village

Centres. The breeding cards have, however, not been maintained and updated. The extent of arrears is given below:—

Region	*Female calves born*	*Number of cards maintained*	*Reasons for arrears*
Idukki District	12,266	5,943	Due to paucity of staff
Intensive Cattle Development Programme Area, Mavelikara (Alleppey District)	23,657	500 (approximately)	do.
Trivandrum, Quilon and remaining parts of Alleppey District	9,701	Not maintained	Absence of systematic/effective identification

(g) *Performance of cross bred brown swiss animals in the field*

The Project has not so far evaluated the performance of the cross bred brown swiss animals produced in the extension areas. The findings of a study conducted by the National Dairy Institute, Karnal (in 1975) on a very limited number of cows in Idukki and Alleppey area showed that the average milk production per day per milking cow was 4.16 litres in Idukki and 5.16 litres in the plains. The milk yield figures of 105 cross bred cows and their mothers available with the Intensive Cattle Development Programme Project, Mavelikara indicated that the average milk production per cow was about 6 kg. per day against the daily production of 3.3 kg. by the local cows.

(h) *Progeny testing*

A bull's potential is tested with reference to milk production by its progenies. This testing was not done in the Project. A Swiss Breeding Specialist of the Project recommended (April 1976) that a progeny testing programme should be evolved in the extension area, Mavelikara and for this, a milk recording system should be organised and test insemination with young 62.5 per cent bulls should be started so that the results of progeny testing are obtained by 1981. The Department stated (December 1976) that test inseminations have been started from July 1976; but milk recording system is yet to be taken up.

(3) Agricultural activities

(a) The efforts to evolve and to maintain a better breed of cattle would achieve the desired results only if the higher nutritional needs of the animals were satisfied. Trials/experiments conducted by the Project indicated that quality forage from improved grass land was sufficient to meet the nutrient requirement of cows yielding upto 3 kg. of milk per day. In mixed management with grazing supplemented by cut green fodder of better quality from leys, cows yielding upto 5 kg. of milk per day could be maintained on roughage alone. The average cost of production (excluding family labour) per litre of milk from brown swiss cross milking cows which were maintained mainly on concentrate feeds was Re. 0.99, while in the case of those maintained mainly on green fodder it was only Re. 0.31.

On the basis of introduction trials of the pasture, the species of grasses found encouraging were Setaria, Molasses and Congosignal and among legumes, Stylosanthes, Silver-leaf, Green-leaf and Delichos exillaris. Different tropical grasses were tried in the high ranges and in the plains and the main grasses under cultivation were Hybrid Napier (Pusa Giant, NB-21), Setaria, Congosignal, local guinea and Makueni guinea. Suitable methods to establish a ley (ley farming consists of growing grasses in rotation with agricultural crops) are yet to be found out.

(b) *Production of seeds*

To meet the fodder requirements under the Cattle Development Programme, very large areas were to be brought under fodder cultivation. For this, large quantities of fodder crop seeds were required. In April 1975 the Board of Control directed the Project to locate a suitable site for starting a seed farm and to work out a systematic seed production programme. The Department stated (January 1977) that a suitable site (area 40 to 60 hectares) had been located and Government was being moved to get the land allocated for the purpose. Shortage of seeds is a major handicap in the Project's fodder development programme.

(c) *Project Farms, Madupatty and Peermade*

(i) In the Madupatty farm, damages to fodder crops by wild elephants were reported. Government had directed (in August 1975) the Forest Department to take remedial measures. No remedy has, however, been found out. During the period 1971 to 1975, damages to fodder crops amounted to about Rs. 22,200 apart from damages to certain experimental trial plots.

(ii) Mention was made in paragraph 25 (iii) of the Audit Report 1969 about the surplus labour in Madupatty farm. The project was growing hay by engaging the labourers of the farm till 1970. From 1971 onwards, the work was being got done in the Project farm by private parties on contract basis (expenditure: Rs. 0.31 lakh during 1971-72 to 1975-76) though the Farm was having a surplus labour force of about 40 on an average each year. Government stated (January 1977) that the surplus labour available were skilled workers of the construction wing and that only ordinary workers were required for hay making. According to Government, the Project took a wise decision in arranging the hay making on contract.

(iii) A Fodder Analysis Laboratory set up in Madupatty in January 1972 (cost: Rs. 1 lakh) has not been functioning from March 1974 pending appointment of a regular Research Assistant. Consequently, samples collected from fodder trials since 1973 were awaiting analysis. The delay in analysis would affect the quality of the samples. The Project authorities stated (June 1976) that no regular appointment could be made as the qualifications and method of recruitment of Research Assistant were yet to be prescribed by Government.

(iv) In the Peermade area, 58 hectares out of 116 hectares of afforested area were destroyed by outbreaks of fire during 1971-72 and 1973-74. The cost of raising the 58 hectares of afforestation was about Rs. 50,000. The affected area was not replanted as the afforestation scheme was stated (March 1972) by the Swiss team to be not a success in the Peermade area due to unfavourable climatic conditions and outbreaks of fire during dry seasons.

(d) *Improvement of grass lands/community pasture*

(i) One of the main tasks assigned to the Project under the collaboration agreement was improvement of the grass lands of high ranges to promote cattle-based land utilisation of the extensive unutilised natural grass lands of high ranges. An area of about 10,000 acres of these lands between Peermade and Madupatty was to be placed at the disposal of the Project so as to enable it to establish self-sufficient cattle breeding co-operatives through a settlement scheme. However, by March 1977 only an area of 784 acres was in the possession of the project and the settlement scheme had not materialised.

(ii) The nutritive value of many of the fodder species in the grass lands are low. The improvement of pasture land was stated to be still in the trial/experimental stage. Only an area of 51 hectares had been improved and set apart as community pastures for the benefit of local farmers.

(e) *Agricultural extension*

(i) In Kerala, especially in plains, availability of suitable land is a limiting factor for large scale fodder crop cultivation due to small size of the average holdings. The area under fodder cultivation necessary to support a cross bred cow on roughage alone was estimated by Project authorities at about 50 cents of land (under rain-fed conditions) which could produce about, 16 to 17 tonnes of fodder per annum. To make milk production economical the area under fodder production should keep pace with the breeding programme. To ensure this, no comprehensive plan has been prepared by the Project estimating the fodder requirements of cross bred calves that would be born each year. Government stated (January 1977) that the ultimate aim was to make available at least fifty per cent of the dry matter requirement of improved stock with quality fodder from the high yielding varieties during the Fifth Plan period. The propagation of grass species is at present done by supply of grass slips only due to non-availability of seeds. The multiplication/popularisation through grass slips is not so effective due to the perishable nature of the planting material, difficulties and cost involved in transportation, the limited capacity of the Project farms to meet the annual requirement etc. According to the Project authorities, the costs involved in production and distribution of grass slips and seeds required for one hectare are Rs. 260 and Rs. 85 respectively. Government stated that many of the grass species could not be propagated easily through seeds and propagation through slips had to be continued.

(ii) Till 1973-74 the Project was concentrating on a variety of Hybrid Napier (Gajraj) in the extension area as it was found to be a successful variety. But during 1973-74 a fungus attack on this variety completely damaged the entire crop. The amount required to raise fresh crops in the damaged plots in Idukki District was about Rs. 77,750 and the fodder production loss was 7,500 tonnes per annum. According to a visiting Swiss Agronomist, it was a dangerous venture to recommend and introduce only one species and one variety of a fodder plant.

(4) Marketing

The programme of the Project included promotion of marketing facilities for milk producers in Idukki District. No survey was done by the Project to collect information regarding the daily milk production in the area. However, according to an estimate (March 1974) of the Project, by the end of 1975-76, about 3,500 cross bred cows were expected to come into milk and about 15,000 cross bred cows will be in milk by 1980, the production potential being about 22,000 tonnes of milk annually.

In the Idukki District, Dairy Co-operative Societies cover 22 out of 49 Panchayats. Sixteen out of 17 societies collect only 5,660 litres of milk per day. The Project had extended assistance to only 3 societies and it had no programme in the field of marketing for the last six years as it was considered by them that marketing was the responsibility of the Dairy Development Department. It was stated by the Project authorities that most of the societies were having nominal business. To an enquiry by Audit, the Project authorities stated (June 1976) that no detailed study was made by them about the problems of marketing of milk.

The following were, however, stated to be the marketing problems:—

(a) lack of funds with the societies to purchase vehicles to transport milk to the markets in distant places in the plains;

(b) lack of communication facilities and difficult terrain in the production centres and the inability of farmers, especially during monsoon, to take milk to collection points;

(c) chilling facilities which the societies could ill-afford to provide;

(d) lack of assured market throughout the year;

(e) the existing societies were formed not based on careful feasibility study;

(f) existence of production area where no milk marketing Dairy Co-operative Societies were organised;

(g) the societies could ill-afford to invest sufficient capital for the sucess-ful working as the members belonged to low income groups; and

(h) in the Intensive Cattle Development Programme area, Mavelikara, the farmers were experiencing difficulties for disposal of surplus milk on remunerative price. Due to high rise in price of cattle feed, many of the cross bred animals had been sold from the area since the owners were not in a position to maintain them economically.

(5) Training

Imparting training in the field of cattle breeding with particular reference to the technique of handling of frozen semen, fodder production, marketing etc., to technical persons from within and outside the State and to farmers also formed part of the activities of the Project. A training centre was established at Madupatty in September 1975. Prior to this, training was given (604 persons during 1970-71 to 1974-75) on a limited scale due to non-completion of the construction of building for training centre (construction started in 1972-73 was completed by September 1975—expenditure met from Swiss funds). Prior to 1975-76, there were no specific targets for training. During 1975-76, as against the target for training 321 persons, 183 were trained.

3.5. Extra expenditure due to delay in taking decision on a tender

Mention was made in paragraph 51 of the Comptroller and Auditor General's Report for the year 1973-74 (Civil) of some instances of purchases made in 1972-73 and 1973-74, without observing the Stores Purchase Rules, in the Livestock and Poultry Feed Compounding Factory at Malampuzha.

Tenders for transportation of feed materials of the Factory during the period 1st January 1974 to 31st December 1974 were invited by the Director of Animal Husbandry in September 1973 fixing 3rd November 1973 as the last date for receipt of tenders. Two tenders were received and the lower offer (24½ paise/km/tonne to places beyond a distance of 200 kms. and 25 paise/km/tonne to places within a distance of 200 kms.) of a firm in Calicut was recommended (16th November 1973) by the Director of Animal Husbandry for acceptance by Government. The order accepting the proposal of the Director was, however, issued by Government only on 12th February 1974 and this was communicated to the firm by the Director on 14th February 1974 (letter stated to have been received by the firm on 21st February 1974). The firm, in the meantime, intimated (15th February 1974) their unwillingness to take up the work at their quoted rates on the ground that the validity period of their offer had long since expired. No firm period up to which the rates quoted were to be firm had been stipulated in the tender (though required under the Financial rules) nor had the firm indicated any firm period in their offer. With reference to the Director's letter of acceptance, the firm, however, subsequently in March 1974 intimated their willingness to take up the work provided they were given an enhanced rate of 31paise per km/tonne (which was still lower than the rate of 32 paise per km/tonne quoted by the other tenderer) considering the increased operational cost of trucks since November 1973. This was not acceptable to Government and Government directed (31st July 1974) retendering of the work. No fresh open tenders for the period up to 31st December 1974 were invited, but the transportation was arranged for each month by inviting local quotations. The rates obtained were higher (ranging from 27 paise to 30 paise) and, compared to the lower rates quoted by the Calicut firm in November 1973, the alternate arrangements made during 1974 resulted in an extra expenditure of Rs. 0.27 lakh to Government.

Government stated (January 1977) that as the finished products from the factory and the feed ingredients required by the factory had to be transported day by day and, as it was not possible to avoid transportation till the tender was finalised, the transportation was arranged after inviting local quotations every month.

DEVELOPMENT DEPARTMENT
(FISHERIES)

3.6. Development of inland fisheries—Malampuzha reservoir

(1) Fishery development activities in Kerala are being carried out in 9 irrigation reservoirs which together cover an aggregate water-spread area of 6,764 hectares. Malampuzha, with a water spread area of 2,313 hectares, is the major centre for production of fish seed by induced breeding and sub-centres have been opened at Meenkara, Walayar, Peechi, Neyyar and Pannivelichira. Thirty eight fish ponds (29 nursery, 2 rearing, 6 stocking and 1 marketing ponds) capable of producing 25 lakhs hatchlings annually were constructed at Malampuzha at a cost of Rs. 2.10 lakhs between 1959 and 1969. A fresh water Biological Research Station for production of quality fish spawn by induced breeding methods was also formed in May 1967 at Malampuzha. An expenditure of Rs. 28.20 lakhs was incurred on the development of fisheries in the Malampuzha reservoir during the period from 1967-68 to 1975-76.

(2) In a review of the records and accounts of fishery development and exploitation at Malampuzha reservoir conducted by Audit in April—August 1976, the following points were noticed:—

(a) Details of the operation of the Research Station, Malampuzha are given below:—

Year	*Number of induced breeding experiments conducted*	*Percentage of failure in experiments*	*Number of spawn (1 to 3 days stage) produced*	*Number of seeds (finger lings- 30 to 60 days stage) realised*	*Percentage of realisation from spawn to fingerlings*	*Percentage of mortality during growth from spawn to fingerlings*
			(numbers in lakhs)			
1967-68	64	14	115.16	45.85	40	60
1968-69	107	50	21.50	19.44	90	10
1969-70	112	45	47.55	28.86	61	39
1970-71	152	37	36.66	10.67	29	71
1971-72	100	54	26.80	13.21	49	51
1972-73	66	56	32.77	10.29	31	69
1973-74	108	44	25.16	13.73	54	46
1974-75	87	34	17.93	5.45	31	69
1975-76	76	64	11.54	3.47	30	70

The shortfall in the production of spawn was attributed by the Department to unfavourable climatic conditions, which affected the prime condition of the brood fish and non-availability of the brood male fishes of the age group of 1 to 2 years, which are required for optimum breeding and consequent utilisation of males of higher age group in some experiments.

Production of fingerlings declined from 45.85 lakhs in 1967-68 to 3.47 lakhs in 1975-76. Except for the two years 1972-73 and 1975-76 (for which targets for seed production had been fixed by the Department as 70 lakhs and 35 lakhs respectively), no target for the total number of seeds to be produced annually was fixed by the Department. During the two years for which seed production targets were fixed, the production of seeds fell short by 86 and 90 per cent respectively. The mortality rate in rearing the spawn to fingerlings stage varied from 10 to 71 per cent during the period. The Department attributed this to occasional increase in the optimum water level (20 to 22 cms.) in nursery ponds due to heavy rains during the breeding season (April to January) and seepage of water into the ponds preventing the movement of the hatchlings from the bottom to the surface of the water. Pumping out of the excess water was not considered feasible as that would lead to destruction of a good number of hatchlings.

No detailed investigation into the causes of failure in the experiments and decline in fish seed production was seen to have been undertaken by the Deputy Director of Fisheries (Inland), Malampuzha.

(b) *Fish production*

(i) According to the Department, about 23 lakhs of fingerlings per annum would be required for Malampuzha reservoir alone to achieve a minimum rate of stocking of fish seeds at 1,000 per hectare per annum. As against this, to the end of 1975-76 only a total of 37.05 lakhs of fingerlings were stocked in the reservoir, of which 27.11 lakhs were common carp and 9.94 lakhs major carp. The Deputy Director of Fisheries (Inland) stated (August 1976) that no target for stocking the reservoir had been fixed by the Department.

(ii) The following table gives the target of fish landings fixed by the Director of Fisheries and the actual catch of fish from Malampuzha reservoir during the past seven years:—

Year	*Number of fingerlings stocked* *Major carp* (*in lakhs*)	*Common carp*	*Total*	*Targets fixed*	*Fish production Achievements* *Major carp* (*in tonnes*)	*Common carp*	*Other species*	*Total*	*Price realised* (*in lakhs of rupees*)	*Expenditure incurred on fish production*
1969-70	0.05	2.81	2.86	N.A.	0.47	0.11	11.41	11.99	0.13	N.A.
1970-71	N.A.	N.A.	N.A.	20	0.27	0.12	10.89	11.28	0.16	N.A.
1971-72	0.54	4.60	5.14	N.A.	0.19	0.10	9.21	9.50	0.13	0.24
1972-73	0.65	1.25	1.90	15	0.12	0.02	11.70	11.84	0.16	0.34
1973-74	Nil	2.25	2.25	15	0.29	0.02	10.65	10.96	0.14	0.40
1974-75	Nil	2.15	2.15	15	0.55	0.05	4.19	4.79	0.12	0.56
1975-76	Nil	1.75	1.75	15	0.25	0.01	4.74	5.00	0.12	0.60

(N.A: Not available)

It will be seen from the table that the actual production of fish decreased from 79 per cent (1972-73) to 33 per cent (1975-76) of the target. The low harvest was attributed (September 1974) by the Department to the following:—

(a) presence of submerged trees in the waterspread area of the reservoir which rendered fishing hazardous, except when the water level was low;

(b) fouling of gill nets used for fishing by strong winds during October-December. [The Deputy Director stated (August 1976) that bottom ropes to the nets were now being provided to prevent fouling of nets and *Uduvala* (bottom set gear) and cast nets were also being utilised when the water level was low]; and

(c) presence of uneconomic varieties, large size predator and trash fishes. [The Deputy Director of Fisheries stated (August 1976) that utmost efforts were being made during summer months to remove predators].

The Director of Fisheries stated (August 1976) that no reports regarding the causes for the declining trend in fish catches had been received by his office.

(c) *Construction of fish ponds*

In order to augment the limited nursery facilities at Malampuzha, Government sanctioned (March 1973) construction of 60 additional fish ponds (expected to produce 50 lakhs hatchlings) at an estimated cost of Rs. 3.43 lakhs. The work was put to tender in November 1973. The lowest of the three tenders received (November 1973) was 15 per cent above the estimate but was rejected by the Department as the tenderer had stipulated certain conditions not acceptable to the Department. The work was re-tendered in January 1974. The only tender received this time was 19 per cent above the estimate and, on negotiation the tenderer agreed to reduce it to 18.9 per cent above the estimate. The firm period of the tender was upto the 30th April 1974. Though this tender was recommended for acceptance by the Superintending Engineer in March 1974, a decision was not taken within the firm period. Certain clarifications were called for by the Chief Engineer in May 1974 but the Superintending Engineer stated (July 1974) that the contractor was not willing to extend the firm period of his tender. The estimate for the work was revised to Rs. 4.88 lakhs in October 1975 and fresh tenders were invited in December 1975. The work was awarded (March 1976) to the lowest tenderer for Rs. 5.34 lakhs (18 per cent above the estimate), the stipulated date of completion being 29th September 1977. The administrative delay in processing the only tender recommended for acceptance by the Superintending Engineer in March 1974, had thus increased the estimated cost of the work by Rs. 1.76 lakhs apart from the delay in providing the additional facilities required for increasing the production of fish seed at Malampuzha.

(3) The review was sent to Government in August 1976; their reply is awaited (March 1977).

3.7. Intensive development of fisheries in Vypeen Island, Ernakulam District

(1) *Introductory*

In June 1971, Government decided to implement, with assistance from the Agricultural Refinance Corporation, a scheme in co-operative sector for intensive development of fisheries in Vypeen Island of Ernakulam District with the object of increasing fish production by modern methods of fishing and linking production with storage, processing and marketing. The scheme was to be implemented by the Vypeen Regional Fish Marketing Co-operative Society and seven primary co-operative societies affiliated to it. Pending finalisation of the arrangements with the Agricultural Refinance Corporation for financing the scheme, orders were placed (January 1972) with the Kerala Fisheries Corporation Ltd., a Government Company, for supply by September 1972, of 50 boats at a cost of Rs. 65,000 (excluding cost of engine) each plus sales tax.

The implementation of the scheme during 1972-73 at a cost of Rs. 69.80 lakhs was sanctioned in June 1972. The scheme envisaged (i) supply of 50 mechanised boats with nets and implements (Rs. 58.50 lakhs) to groups of fishermen who were members of primary societies, (ii) establishment of one ice-cum-freezing plant (Rs. 7.00 lakhs), (iii) a workshop to repair boats (Rs. 1.80 lakhs), (iv) landing jetties and bunks (Rs. 1 lakh) and (v) construction of 4 peeling sheds, net making hall and distribution store (Rs. 1.50 lakhs).

The Agricultural Refinance Corporation was to extend to the Marketing Society loan assistance of Rs. 52.35 lakhs repayable in ten years and guaranteed by Government. The State Government was to provide Rs. 5.75 lakhs as subsidy on the cost of engines for boats and Rs. 11.70 lakhs as share capital contribution to the Marketing Society, whose financial position, according to a report (April 1972) of the State Co-operative Bank, was unsatisfactory. The assistance from the Agricultural Refinance Corporation was to be routed through the Kerala State Co-operative Bank (which was to make advances to the Society) and the District Co-operative Bank, Ernakulam. Additional share capital contribution of Rs. 2.62 lakhs and working capital loan of Rs. 50,000 to the Marketing Society and working capital loan of Rs. 5,000 to each of the seven primary societies was also to be provided by Government. The scheme also provided for payment of managerial subsidy on a reducing scale for three years to the Marketing Society towards cost of special staff to be employed by them. For supervision and efficient implementation of the scheme, appointment of a Project Officer and 7 Fisheries Development Officers with staff (estimated annual expenditure: Rs. 0.50 lakh) was sanctioned (June 1972). The Marketing Society was to bear 50 per cent of the average cost of this special establishment during the first two years and full cost thereafter.

In October 1972, the Agricultural Refinance Corporation suggested implementation of the scheme with the supply of 30 boats in the first year and watching their performance as their earlier field study had disclosed that many boats issued to fishermen in Cochin area under other schemes of the Fisheries department were themselves in disuse or were lying idle and there was also a declining trend in the catch per boat in the area. On being informed (October 1972) by Government that arrangements had already been made for implementation of the scheme with 50 boats which were expected by November 1972 and that it would be difficult to go back on commitments already made, the Agricultural Refinance Corporation approved (January 1973) the scheme for a total outlay of Rs. 62.30 lakhs; their share of loan assistance being Rs. 46.72 lakhs and Government's share Rs. 15.58 lakhs (share capital contribution: Rs. 9.83 lakhs and subsidy towards cost of engines: Rs. 5.75 lakhs). Provision for ice-cum-freezing plant (Rs. 7.00 lakhs) and 2 peeling sheds (Rs. 0.50 lakh) contemplated in the scheme was not considered necessary by the Agricultural Refinance Corporation.

(2) *Implementation*

The implementation of the scheme commenced in November 1972. An expenditure of Rs. 55.56 lakhs was incurred by Government towards the cost of construction of boats. Of the 50 boats to be supplied before September 1972 by Kerala Fisheries Corporation Ltd., no boats were delivered in time. The delivery period was extended up to 31st December 1972. Only 24 boats were supplied by the Corporation, within the extended period and the remaining 26 were delivered between January and September 1973 and were issued between November 1972 and September 1973 to selected groups of members of the primary societies on a simple acknowledgement from the Regional Marketing Society. Agreements for safe custody and repayment of cost of boats with interest were not obtained from the Society. According to the Department, no such agreement was considered necessary as the Society was to acquire ownership of the boats with assistance from the Agricultural Refinance Corporation.

(3) *Working results*

The season for fishing operations is generally from October to May. The full complement of 50 boats was not in operation during the first year of the scheme. Though the scheme was considered remunerative and expected to earn sufficient income to repay the loan, the working results during 1972-73 to 1975-76 (year ended 30th June 1976) showed a cumulative loss of Rs. 26.75 lakhs as indicated below:—

Co-operative year ended 30th June	*Receipts*	*Expenses on operation including depreciation and insurance*	*Net (column 2—column 3)*	*Interest charges due*	*Loss (column 4—column 5)*
			(in lakhs of rupees)		
(1)	(2)	(3)	(4)	(5)	(6)
1972-73	12.59	12.16	0.43	2.16	1.73
1973-74	13.59	18.18	(—)4.59	4.31	8.90
1974-75	6.36	10.95	(—)4.59	4.31	8.90
1975-76	..	2.91	(—)2.91	4.31	7.22
Total	32.54	44.20	(—)11.66	15.09	26.75

As against the anticipated operation of about 180 days in a year by each boat, the average number of days actually worked was 80 in 1972-73, 121 in 1973-74, 67 in 1974-75 and nil in 1975-76 which was attributed by the Department to the absence of shore facilities, especially a workshop, for attending to timely repairs. The average catch per boat was 13.95 tonnes during 1972-73, 12.99 tonnes during 1973-74, 7.39 tonnes during 1974-75 and practically nil during 1975-76 against 63 tonnes anticipated in the scheme.

The loss has been attributed by the Department to general decline in catches all along the coast of Kerala and poor conditions of prawn fishing in Cochin area, unforeseen repairs required to boats, suspected disposal of big sized prawn by the crew in mid sea, steep increase in operational cost due to increase in cost of oil and lubricants and boats remaining idle since June 1975 for want of funds to repair them.

The anticipated loan assistance from the Agricultural Refinance Corporation had not materialised till March 1977 as the State Government had also not finalised the guarantee deeds to be executed in favour of the Agricultural Refinance Corporation and the District Co-operative Bank, Ernakulam. This was reported to be due to non-execution of an idemnity bond by the Marketing Society in favour of Government against any loss that might be caused to Government by standing guarantee to repayment of loan by the society to the banks. The State Co-operative Bank had informed (April 1975) Government that the District Co-operative Bank, Ernakulam would not be in a position to finance the Marketing Society as its working was not satisfactory and the society would not be in a position to discharge its liability to the bank. In November 1975 Government constituted a committee (including a representative each of the Agricultural Refinance Corporation and the Kerala State Co-operative Bank) to review the unsatisfactory working of the society in the past and suggest remedial measures with a view to make the scheme viable. The report of the committee is stated to be under the consideration of Government (March 1977).

(4) *Repayment of cost of boats*

As the anticipated loan assistance had not materialised, the entire cost of the boats (Rs. 55.56 lakhs) had been met by Government. In August 1975, Government decided that as in the case of the general scheme for mechanisation of fishing boats, cost of boats supplied under this scheme should also be recovered in instalments. On this basis, about Rs. 10 lakhs were overdue for recovery from the Marketing Society. No steps have been taken by the Project Officer to recover the overdue amount from the society. Government stated (December 1976) that the society had no catches as all the boats were hauled up for repairs and that their financial position was so critical that they were finding it difficult even to meet their establishment charges

(5) *Share capital contribution by Government*

Government's share of Rs. 9.825 lakhs towards share capital contribution to the Marketing Society (to be utilised for the purchase of boats, nets and implements, for the construction of workshop, jetties, oil bunks, net making hall and peeling sheds) was drawn (Rs. 6.275 lakhs in March 1973 and Rs. 3.55 lakhs in March 1974) and deposited in a suspense account with the Kerala State Co-operative Bank. From this amount, Government sanctioned (January 1976) a loan of Rs. 6 lakhs to enable the Marketing Society to undertake repairs to boats, purchase of stores and fishing implements and to make them seaworthy, out of which Rs. 5.01 lakhs had been spent by the society till March 1977. The balance amount of Rs. 3.825 lakhs in the suspense account still remains unutilised with the State Co-operative Bank (March 1977). No interest has accrued to Government on the amounts held in deposit with the Bank. An additional share capital contribution of Rs. 2.62 lakhs (thereby making a total share capital of Rs. 12.58 lakhs) was also drawn (March 1973) and deposited as share capital in the name of the Society in the District Co-operative Bank, Ernakulam in order to enable it to borrow funds from the Agricultural Refinance Corporation.

(6) *Subsidy towards cost of engines*

The scheme contemplated payment of subsidy towards cost of engines for the boats to the Marketing Society which was to bear the cost of boats. Accordingly, Rs. 3.45 lakhs were paid as subsidy in March 1973. As the entire expenditure on construction of boats and cost of engines was met by Government, the payment of subsidy in addition to the cost of boats and engines was not in order. Government stated (December 1976) that the subsidy was paid in advance to the financing bank as a pre-requisite for commencing lending operations and that the advance action was taken on the definite understanding that the cost of boats would be reimbursed to Government when the Agricultural Refinance Corporation commenced financing the scheme.

(7) *Departmental supervision*

As per the orders issued by Government in August 1973, the Fishery Development Officers were to accompany the fishing boats as often as possible and compare the catches on days when they did not accompany. It was seen from the records of the Department that, during the entire period of working, they had accompanied the boats on occasional days only during a short period from 18th January 1975 to 26th April 1975 and that 19 boats were not inspected at all. No comparison of the catches was also seen to have been made. In a report to Government, the Director of Fisheries stated (July 1975) that the officers did not have full control over the scheme as the working of Marketing Society was controlled by a Board of Directors, majority of whom were non-official members elected by Primary Societies, and it was difficult for officers to prevent illicit selling of catches in the sea on an organised basis.

(8) *Other topics of interest*

The following points were also noticed:

(a) *Insurance of boats*

An expenditure of Rs. 1.36 lakhs was incurred by Government on the insurance of the boats during 1972-73 which was the responsibility of the Marketing Society. Rupees 0.30 lakh had only been recovered from the Society (March 1977). Although the Society received (April 1976) a sum of Rs. 0.44 lakh from an insurance company towards damages of a boat, the entire amount was utilised towards salary of staff and office expenses instead of remitting it to Government. Government stated (December 1976) that the Society had no other go but to utilise this amount for meeting their establishment charges.

(b) *Working capital loan*

Of the working capital loan of Rs. 50,000 paid to the Marketing Society in September 1974 for the purchase of nylon thread and fishing equipment, an amount of Rs. 20,000 was spent towards repayment of principal and interest of an earlier loan. The first instalment of Rs. 5,000 which fell due in September 1975 has not been repaid so far (March 1977).

(c) *Non-recovery of cost of establishment*

Though 50 per cent of the average cost of establishment of the Project Officer and his staff during the first two years and full cost thereafter was recoverable from the Marketing Society, the amount has neither been assessed nor recovered. Government stated (March 1977) that the question of treating the services of the Project Officer and his staff as free was under consideration.

HIGHER EDUCATION DEPARTMENT

3.8. Water supply to the Engineering College, Trichur

(1) Water for the Engineering College campus is being supplied from the Trichur Municipal Water Supply Scheme through a domestic connection (single meter) given on 1st February 1964. During the period November 1967 to February 1968 the Public Works Department undertook some building construction work in the college campus using water from this connection. When this was intimated by the Principal in March 1968, the Municipality revised the claims charging the entire supply at non-domestic rate (which is double the domestic rate) retrospectively from February 1964. On receipt of a dis-connection notice, Government ordered (November 1972) payment of Rs. 0.53 lakh to the municipality (being the difference between the water charges at domestic and non-domestic rates for the period February 1964 to March 1968) and the amount was accordingly paid in October 1973. Another sum of Rs. 1.34 lakhs in settlement of the difference relating to the period upto March 1973 was also paid to the municipality in March 1974. In the absence of separate meters for domestic and non-domestic consumption, the entire quantity of water supplied to the college continued to be charged at the non-domestic rate (Rs. 0.76 per 1,000 litres against the domestic rate of Rs. 0.38 per 1,000 litres). Government stated (January 1976) that with a view to avoid future confusions and irregularities it had been decided to install new water meters wherever they had gone out of order or wherever required to assess the actual consumption of water by the college, staff quarters, hostels, etc., and that the authorities concerned had been given necessary instructions to install the meters immediately. Accordingly, new meters were installed for the quarters in October 1976; installation of separate meters for the hostels is stated to be in progress (January 1977).

(2) In the absence of separate water meters no water charges were being realised by the college from the inmates of staff quarters till December 1974. Recovery at the rate of Rs. 3 to Rs. 6 per mensem, according to the grade of the officers occupying the quarters, was being effected from January 1975 onwards. In April 1976 Government prescribed revised rates at Rs. 5 to Rs. 10 per mensem in respect of new occupants and Rs. 10 to Rs. 20 per mensem in respect of existing occupants (so as to cover the present charges and probable arrears) subject to adjustment later when new meters were installed and recovery at these rates is being effected from 1st June 1976.

(3) Water charges at a flat rate of Rs. 2 per head per month (raised to Rs. 3 from August 1971) is being realised from hostel students. The amounts recovered are credited to a Personal Deposit Account with the treasury. It was seen during local audit (June 1976) that Rs. 21,676 were credited to Revenue in October 1969, but thereafter no remittance was made. Water charges collected between October 1969 and December 1975 and pending remittance to Revenue amounted to Rs. 41,444, out of which Rs. 25,000 were reported to have been remitted by the Warden in December 1976 by transfer credit. A suspected case of misappropriation of Rs. 29,297 from the hostel funds is reported to be under investigation by the police (February 1977).

HEALTH DEPARTMENT

3.9. Off-set press

In July 1969, the State Government received from the Government of India free of cost an off-set printing machine (18"x25" size) valued at Rs. 1.04 lakhs for printing Family Planning publicity literature. It was commissioned after a lapse of four years in September 1973 and regular printing started after appointment of an off-set operator on contract basis in July 1974. The following points were noticed in this connection:—

(1) The Government of India had emphasised (June 1968) that the State Government should be ready with all arrangements for installing the press which was expected by the end of September 1968. Although the Director of Health Services informed the Government of India in October 1968 that installation facilities for the press were available, when the machine actually arrived, neither the accommodation was ready nor was any technical person in position to install and run the press. Alterations and repairs to an old building to house the press were sanctioned by Government in July 1969 and completed in July 1970 only (cost: Rs. 0.68 lakh). The machine was installed by an expert deputed by the Government of India in October 1971. Government stated (January 1977) that the delay in erecting the press was mainly due to delay in completing repairs and extension of the building by the Public Works Department after observing the formalities.

According to the department, the delay in commissioning the press was due to the delay in getting certain accessories including zinc plates (stated to be the most important part) released from the Customs, Bombay for want of clearance certificate from the Government of India. The materials had arrived in Bombay port in December 1969 but were collected in December 1973 only. It was, however, seen that the press could commence work before receipt of the consignment with plates procured from other sources. Government stated (January 1977) that even if zinc plates were purchased locally, no printing could have been arranged since there was no off-set operator.

(2) While there was delay in erection and commissioning of the press, most of the staff sanctioned (26 out of 33) for the off-set press were posted in advance between June 1970 and May 1973. The Department stated (August 1975) that the staff were engaged in printing on the treadle machine (cost: Rs. 0.08 lakh) purchased locally and installed in May 1972. But even before this machine was installed, Rs. 0.17 lakh were spent on pay and allowances of staff employed between June 1970 and May 1972. A sum of Rs. 1.04 lakhs was spent on the pay and allowances of the staff from June 1972 to August 1973. This included Rs. 0.10 lakh on account of pay and allowances of certain categories of staff such as retouching artist, helio operator and dark room assistant who could be utilised only for the off-set press.

(3) Details of the out-turn of the press (computed at 4,000 impressions per hour which is stated to be the minimum speed obtainable under prevailing conditions—maximum speed stipulated by the manufacturers is 7,000 impressions per hour) and the expenditure on pay and allowances of staff from September 1973 to September 1975 are given below:—

Period	*Expenditure on pay and allowances of staff* Rs.	*Out-turn (number of copies printed)*	*Time required at the rate of 4,000 impressions per hour (number of hours)*
1973-74 (September 1973 to March 1974)	90,001	75,000	19
1974-75	1,62,935	6,62,025	166
1975-76 (till September 1975)	86,810	17,100	4

The out-turn of the off-set press was nil in fourteen months, less than one hour's work at the rate of 4,000 impressions per hour in six months, less than one day's work (25,000 copies) in three months and less than 2 day's work in one month during the period September 1973 to September 1975. Only in one month (March 1975) was there a substantial out-turn (6,10,000 impressions). The under-utilisation of the press was attributed (September 1976) by Government to lack of most essential materials and experienced personnel (the persons transferred from the Government Presses, it was stated did not have experience in running or supervising the working of the press).

(4) The Government of India had permitted (October 1974) utilisation of spare capacity of the off-set press supplied to the State Government for printing health education materials on Maternal and Child Health Nutrition and Immunisation etc., programmes using their own materials. Even after this, a number of printing works (for use of the Health Education Wing of the Health Services Department) which could have been done in the off-set press were arranged by the Department at the Government Press, Trivandrum, though the off-set press remained under-utilised.

(5) Three officials of the off-set press were suspended from service, one of them from November 1971 (on being arrested by the Police) in connection with a criminal case of misappropriation of high quality paper worth Rs. 25,000 and the other two from July 1975 for surreptitious printing of excess quantity of stamps and coupons for raising funds for the Health Minister's Welfare Fund to be sold for personal gain, falsification of accounts and vouchers, unauthorised selling to private parties of aluminium plates meant for the off-set press, misappropriation of printing paper, misuse of departmental vehicle, etc. The Vigilance Division of the Police Department, which investigated the latter case, is stated to have filed a case in the court against the officials suspended in July 1975. Information regarding the loss incurred by Government and the final outcome of the case is awaited (March 1977).

INDUSTRIES DEPARTMENT

3.10. Rural industries projects

(1) The Government of India sanctioned in 1962-63 a scheme for the establishment of Rural Industries Projects with the object of intensive and integrated development of small scale industries in rural areas. The Project comprised programmes for training of artisans, establishment of common facility service centres, starting of commercial units to be handed over to entrepreneurs on hire purchase basis and grant of financial assistance to private industrialists. The Government of India agreed to provide funds for the programme by way of grants and loans bearing interest at the rates specified from time to time (5½ per cent per annum from 1975-76)

repayable within a maximum period of 20 years. The State Government was to charge interest at concessional rates in respect of loans given to industrial co-operatives and individual entrepreneurs, the difference between this concessional rate and the interest payable to the Government of India being reimbursed by the latter by way of subsidy. Losses, if any, caused by defaults by industrial co-operatives/individual entrepreneurs were to be shared equally by the Government of India and the State Government. The expenditure on training schemes, common facility service centres and the cost of establishment were to be entirely met out of the grant assistance from the Government of India.

Under the Scheme, two projects were set up in the State, at Alleppey and Kozhikode, during 1962-63. Two more projects for providing financial assistance to entrepreneurs in Trivandurm and Malappuram districts were sanctioned by Government of India in 1971 for implementation during the Fifth Five Year Plan.

(2) To the end of March 1976, the State Government had spent Rs. 2,27.91 lakhs on the four projects. Central assistance amounting to Rs. 2,37.51 lakhs (loan: Rs. 1,64.09 lakhs and grants: Rs. 73.42 lakhs) was received. Some points noticed during a review in 1975 of the two projects started in 1962-63 and the two new projects in Trivandrum and Malappuram districts are mentioned in the following paragraphs.

(3) *Training Centres*

Mention was made in paragraph 36(i) of the Audit Report 1970 about three training centres set up in the Alleppey and Kozhikode projects. In the context of reduced plan outlay for 1969-70, Government of India suggested (May 1969) that the training centres which had outlived their utility would have to be disposed of by transferring them to co-operative societies or otherwise. In pursuance of the suggestion, the Technical Training Centre, Thuravoor (Alleppey project) which did not start functioning was transferred (November 1970) to a company on hire purchase basis. The centre functioned as a production centre till November 1972, when it was closed down due to labour trouble. The company also did not pay the hire purchase instalments after paying Rs. 0.27 lakh towards the initial instalment (10 per cent of the cost of the unit excluding land and building against 20 per cent stipulated in the rules). However, a subsidy of Rs. 0.77 lakh was sanctioned (March 1973) to this unit under a separate scheme of Government of India for outright grant of subsidy to new industrial units or for expansion of existing units. The amount was adjusted towards the dues from the company. The unit was taken back by the Department in December 1973 due to non-observance of hire purchase conditions. At the time of take-over, it was found that a lathe and certain accessories (total cost: Rs.0.12 lakh) were missing. The Company filed a suit (February 1974) against the take-over of the unit. The Department stated (March 1977) that a copy of the judgement was awaited for taking further action.

The other two training centres, viz., the Saw Dust Articles Training Centre (Kozhikode project) and the Coconut Pith Articles Training Centre (Alleppey project) were transferred to a co-operative society and a private industrialist in April 1972 and December 1972 respectively on hire purchase basis. As at the end of December 1976, a sum of Rs. 0.18 lakh was due from the two units towards arrears of hire purchase dues.

(4) *Common Facility Service Centres*

Mention was made in paragraph 36(ii) of the Audit Report 1970 regarding the establishment of six common facility service centres in the Alleppey and Kozhikode districts. In May 1969, the Government of India suggested transfer of those of the centres which did not serve any useful purpose, to co-operatives or private entrepreneurs. Out of the six centres,four centres (outlay: Rs. 3.95 lakhs) were transferred on hire purchase basis—three to private entrepreneurs between July 1971 and August 1972 and the fourth to a co-operative society in August 1974. Defaults in payment of hire purchase dues from these centres amounted to Rs. 1.36 lakhs (December 1976). The fifth centre at Mithrakary (Alleppey district) was proposed to be transferred to a co-operative society from July 1971. Pending transfer of the centre the members of the society were allowed to use the facilities free of cost from July 1971. The transfer has not been effected so far (March 1977) as the Society has not executed the bond as required by Government. Meanwhile, the pay and allowances of a master potter and a watchman are being met from Government funds; an expenditure of Rs. 0.49 lakh was incurred on this between July 1971 and December 1976. The sixth centre at Olavanna (Kozhikode district) established in July 1968 did not start functioning and has not been transferred to other agencies (March 1977). Rupees 0.42 lakh were spent by Government on pay and allowances of a foreman (July 1968 to September 1973) and a watchman (July 1968 to February 1977).

A seventh service centre (Chemical Industrial Estate, Aroor—Alleppey district) was established in 1967 (cost: Rs. 4.15 lakhs) and is run departmentally. A boiler purchased in July 1966 (cost: Rs. 1.02 lakhs) for supply of steam to the industrialists in the estate could not be put to use as the industrialists were unwilling to take steam from the unit. The boiler was sold (April 1975) for Rs. 1.04 lakhs. An expenditure of Rs. 0.22 lakh was incurred upto April 1975 on the staff attached to the boiler.

(5) *Commercial schemes*

Under this scheme, 18 units were set up by Government (11 in Alleppey and 7 in Kozhikode districts) between 1965 and 1969, at a total cost of Rs. 23.58 lakhs. Of these, 16 units (cost: Rs. 20.83 lakhs) were handed over to selected entrepreneurs between October 1965 and June 1975. Two units—Straw Board Factory at Kannamkary and Sodium Silicate unit at Aroor, Alleppey district (cost: Rs. 2.75 lakhs)—were allotted to entrepreneurs, but have not been handed over (March 1977) as they have not executed the agreements.

Of the 16 units handed over to entrepreneurs, nine were reported to be working (December 1976), one (South Ind Flashes—cost: Rs. 0.59 lakh) had not started production (December 1976) owing to the non-completion of erection of machinery and want of working capital and six have become defunct due to financial difficulties, labour trouble and uneconomic nature of outlay. Three of the defunct units (Straw Board Factory, Thottappally, Alleppey district; Hindustan Silicate, Thenhipalam and Western India Leather, Elathur, Kozhikode district) were taken back by Government or transferred/sold to other parties. The land and building of the Hindustan Silicate, Thenhipalam taken back by Government in April 1972 was sold in April 1974 to the Calicut University for Rs. 0.79 lakh (book value: Rs. 1.14 lakhs) but has not been handed over to the University pending disposal of the machinery and equipment in full. Rupees 0.09 lakh were spent on the watch and ward staff from April 1972 to March 1976. Action was reported to be under way to resume the other defunct units from the defaulting entrepreneurs. As at the end of December 1976, an amount of Rs.9.02 lakhs was in arrears in respect of recovery of hire purchase dues from the 16 units handed over to entrepreneurs (including Rs. 4.35 lakhs due from the six defunct units).

Revenue recovery proceedings initiated in April 1975 for recovery of Rs. 1.23 lakhs from one of the units (M/s Puro Pharma Limited, Aroor) were stayed by the court in September 1975. In December 1975, a subsidy of Rs. 0.74 lakh sanctioned to a sister concern of the firm under another central scheme for the outright grant of subsidy to industrial units, was adjusted against the arrears due from the firm. In respect of another unit

(Iceplant and Cold Storage, Beypore) transferred to an entrepreneur in May 1968, an amount of Rs. 1.24 lakhs was in arrears towards hire purchase dues as at the end of February 1977. The department stated (May 1976) that action under Revenue Recovery Act was not initiated for the reason that the unit was a working concern giving employment to a large number of persons.

(6) *Assistance to industrial units*

The scheme envisaged grant of loans to industrial units for working capital, purchase of land, construction of workshop/factory building and supply of machinery on hire purchase basis. It also provided for the payment of grants to industrial co-operatives for meeting establishment charges, purchase of machinery and tools, construction of worksheds, etc. Upto the end of March 1976, 623 industrial units and 17 industrial co-operatives were given financial assistance aggregating Rs. 1,29.26 lakhs as shown below:

Nature of assistance	*Number of Units*	*Amount (in lakhs of rupees)*
Loans for purchase of land	22	1.82
Loans for workshop or factory building	156	48.92
Supply of machinery on hire purchase basis	270	69.04
Working capital loan	175	8.48
Grant to industrial co-operatives	17	1.00
Total	640	1,29.26

(7) In a test check of the records in the Project Offices, the following points were noticed:—

(a) *Default in repayment of loans*

Repayment of loans paid under the scheme is heavily in arrears. As at the end of March 1976, a sum of Rs. 30.03 lakhs (principal: Rs. 21.46 lakhs; interest: Rs. 8.57 lakhs) was stated to be outstanding recovery in respect of the Alleppey and Kozhikode (including 27 units transferred to Malappuram) projects. This does not include amount due on account of penal interest for delay in payment which was not being shown in the Demand, Collection and Balance statements. According to the information furnished by the Deputy Commissioner, Kozhikode, the penal interest due from loanees under the Kozhikode project as at the end of March 1975 was Rs. 0.97 lakh (information in respect of the Alleppey project is awaited). The department attributed the arrears in collection to financial instability of some of the loanees and reluctance on the part of others to remit the dues. Action under the Revenue Recovery Act was stated to be in progress (May 1976) in 45 cases involving Rs. 6.55 lakhs. It was also stated that as the objective of the scheme was to promote industry, action under the Revenue Recovery Act was resorted to only when there was absolutely no response from the loanees.

(b) *Failure to insure machinery and buildings by the loanees*

None of the entrepreneurs under the Alleppey Project had insured the assets acquired with Government loan and mortgaged to Government, as required under the rules. The Department stated (December 1976) that only 91 out of the 252 units assisted under the Trivandrum, Kozhikode and Malappuram projects had insured the assets and that necessary directions had been issued to get the assets insured by the remaining entrepreneurs in all the projects.

(c) A wood industries unit started in 1964-65 by an entrepreneur under the Kozhikode project with a loan of Rs. 0.26 lakh was housed in a rented building. In March 1971 he was evicted from the building on the basis of a court order and the Department handed over the machinery etc., to the owner of the building for safe custody. Revenue Recovery proceedings initiated against the entrepreneur in February 1972 for default in repayment of loans were stayed by Government in September 1972. Government also ordered that the machinery should be handed back to him. When the machinery was taken back from the owner of the building, it was found that 4 motors costing Rs. 0.20 lakh were missing. Action was reported to have been taken to recover the cost (Rs. 4,390 fixed by the Department, after allowing depreciation) from the owner of the building through the District Collector. Revenue Recovery proceedings against the entrepreneur for recovery of the balance dues (Rs. 0.13 lakh), again started in June 1973, have not proved fruitful as the entrepreneur is reported to have no movable or immovable property.

(d) *Idle outlay*

In March 1974, the Project Officer, Kozhikode ordered machinery (cost: Rs. 0.35 lakh) to be supplied to an entrepreneur for setting up a unit for the manufacture of tower packing and grinding media (ceramics). An amount of Rs. 0.32 lakh (being Department's share of 90 per cent of the cost) was paid to the supplier on 28th March 1974 on the basis of a certificate of receipt of goods recorded by the Project Officer on the supplier's invoice. A pug mill (cost: Rs. 0.09 lakh) stated to have been returned to the supplier in April 1975 by the beneficiary for certain alteration has not been received back and the unit has not started production (March 1977). The Department stated (March 1977) that steps to file a suit against the supplier of the machinery were in progress. The expenditure of Rs. 0.32 lakh incurred by the Department has not so far served any purpose.

3. 11. Ancillary industrial estates

(1) Under the Special Employment Programme sponsored by the Government of India during 1972-73, the State Government proposed (July 1972) to set up 3 ancillary industrial estates (estimated cost: Rs. 29 lakhs) to serve mainly the requirements of spare parts and accessories of the Indian Space Research Organisation (ISRO, Veli, Trivandrum), Hindustan Machine Tools (HMT, Kalamassery) and a proposed Scooter Factory (Alleppey) of ENCOS, a co-operative society of unemployed engineers. Under the scheme, the State Government was to construct factory sheds for setting up 34 small scale units (8 at Veli, 12 at Kalamassery and 14 at Alleppey) and provide common amenities like communications, water supply and power. The buildings, on completion, were to be handed over to selected entrepreneurs, who were to make the necessary investment on machinery, raw-materials, etc. The scheme was expected to generate employment for 1,004 persons. The proposals were approved by the Government of India and administratively sanctioned by the State Government in October 1972 for implementation during 1972-73.

(2) The work of constructing the sheds in all the 3 estates and providing common amenities (estimated cost: Rs. 28.12 lakhs) was entrusted (December 1972) to the Kerala State Small Industries Corporation (KSSIC). But on a request from ENCOS and in order to complete the construction of factory sheds by the end of March 1973, Government directed (January 1973) the KSSIC to get the work executed through ENCOS at the rates quoted by them which were 20 per cent (Veli), 25 per cent (Kalamassery) and 45 per cent (Alleppey) above estimate rates. The construction of all the 8 sheds at Veli (contract amount: Rs.2.95 lakhs), 12 of the 14 sheds at Alleppey (contract amount: Rs.8.42 lakhs) and 8 of the 12 sheds at Kalamassery (contract amount: Rs. 5.17 lakhs) was taken up by ENCOS (February 1973). As ENCOS was not able to raise sufficient capital for execution of the work, the Director of Industries and Commerce recommended (January 1973) to Government payment of advance of Rs. 10 lakhs to KSSIC for disbursement to ENCOS

in 1972-73. Government sanctioned (March 1974) payment of Rs. 15 lakhs to KSSIC as recommended by the department in January 1974 (based on provision for the work in 1973-74). The amount was paid to KSSIC in March 1974. Agreements for the works in Veli and Alleppey were executed by ENCOS in May 1974 and for the work in Kalamassery in August 1974. An amount of Rs. 3 lakhs was paid by KSSIC to ENCOS as advance in August 1974. In May 1975, the department reported to Government that execution of works was being delayed by ENCOS 'for one excuse or other', and that they had during discussions, requested for enhancement of rates or cancellation of their contracts without enforcement of penal provisions. Government decided (June 1975) to terminate the contracts with ENCOS. An expenditure of Rs. 4.03 lakhs (Rs. 0.95 lakh for Veli, Rs. 1.49 lakhs for Alleppey and Rs. 1.59 lakhs for Kalamassery) was incurred by ENCOS till June 1975. An amount of Rs. 1.36 lakhs with interest has to be repaid by ENCOS to KSSIC.

Government decided (March 1976) to transfer the estates at Veli and Alleppey to two sub-units of ENCOS viz., Kerala Auto Industrial Co-operative Society, Trivandrum and Co-operative Scooters, Alleppey respectively on condition that all the additional expenditure for completion of construction of the factory sheds would be met by the societies. However, in June 1976 Government decided to liquidate ENCOS and its affiliated societies (An Ordinance was promulgated in March 1977, dissolving ENCOS and vesting in Government the undertakings of ENCOS with effect from 17th March 1977.) The Department stated (October 1976) that the balance works could not be proceeded with due to insufficiency of funds.

The balance works left over by ENCOS in respect of the Kalamassery estate and the construction of the remaining 4 sheds have since been taken up (October 1975) by the KSSIC through contracts with fresh agencies (at the same rates-as offered to ENCOS in respect of 8 sheds and 48 per cent excess over estimate—extra cost: Rs. 0.64 lakh—in respect of the remaining 4 sheds). The estimate for the works at Kalamassery was revised to Rs. 18.5 lakhs in November 1975 due to increase in costs and inclusion of certain additional items of works suggested by HMT. Sanction of Government to the revised estimate is awaited (March 1977). The Department stated (October 1976) that the construction of sheds was nearing completion and 5 units had started commercial production.

The total expenditure incurred by KSSIC (including advances paid to ENCOS) in respect of all the 3 estates was Rs. 14.72 lakhs upto end of November 1976.

During a review of the scheme (July 1976) the following points were also noticed:—

(a) Although the ISRO management had initially shown interest in the establishment of the estate at Veli, they later (June 1972) informed Government that the establishment of the estate solely for catering to their needs would not be justified as, being a research organisation, their requirements would not be large and could not be anticipated. The Director of Industries and Commerce, however, reported to Government (December 1972) that the estate was being set up based on the remarks offered by ISRO and that the matter would be taken up with them when the units were established.

(b) Due to the non-completion of the estates, the employment potential (1,004 persons) expected to be generated after the establishment of various ancillary units has not materialised. The Department stated (October 1976) that steps were being taken to see that the construction works were completed and the employment as contemplated in the programme was generated at the earliest.

3.12. Loans to small scale industries

(1) Based on the recommendations of a sub-committee constituted by Government in January 1970 (on the advice of the State Small Industries Board), Government sanctioned in February 1971 a scheme for granting interest-free loans to Small Scale Units (registered with the Department of Industries and Commerce) which were functioning on 1-4-1971/registered thereafter and were entering on a programme of expansion and diversification. The detailed rules regulating the scheme, first issued in January 1972 were subsequently revised in October 1972.

(2) According to the rules regulating the scheme, the loan admissible to a unit (one loan for a year subject to a maximum of five loans for five years) was to be limited to the value of additional investments made or proposed to be made by the unit in fixed assets excluding land, during the five years from 1st April 1971. The amount of loan was not to exceed the Sales tax actually paid (as certified by the Sales tax authority) by the unit (on the basis of provisional assessment where final assessment was not complete) for the year/years against which the loan was applied for. The loans were repayable within a period of five years in five equal instalments commencing from sixth anniversary of date of disbursement. The District Industries Officers were to sanction the loans after conducting detailed enquiries about investments already made/proposed to be made and to maintain loan accounts; they were also to ensure that the loans sanctioned for proposed investments are

utilised within a period of six months of disbursement, failing which the amount not utilised was to be recovered in lump with interest at 9.5 per cent.

(3) The implementation of the scheme started during the year 1972-73 only after issue of revised rules (October 1972) and upto the end of 1975-76 Rs. 1,75.51 lakhs were disbursed as loans in 572 cases in all the eleven districts of the State; repayments of these loans start only from 1978-79. Year-wise break up of loans disbursed is given below:—

Year	*No. of cases*	*Amount (in lakhs of rupees)*
1972-73	146	36.84
1973-74	46	9.17
1974-75	371	1,26.37
1975-76	9	3.13
Total	572	1,75.51

(4) A review of the working of the scheme conducted in April—June 1976 with reference to records maintained in six districts (loans disbursed in 420 cases: Rs. 1,42.63 lakhs) and scrutiny of department files revealed the following:—

(a) *Non-observance of rules in sanctioning/disbursement of loans*

(i) In respect of loans for proposed investments, the sanctioning authority 'shall' ensure that the investment is made and completed in all respects within a period of six months from the date of disbursement of loan. Loans in the following two cases were, however, sanctioned and disbursed without ensuring prompt utilisation:—

District	*No. of cases*	*Purpose of loan*	*Month of sanction and disbursement*	*Amount (in lakhs rupees)*	*Remarks*
Alleppey	1	Purchase of machinery	March 1975	4.75	Though the unit had indicated (March 1975) in their application that they could procure the machinery within six months, the machinery was not acquired till the end of December 1976. Decision on an application from the unit for sanction of extension of time was stated to be pending with the Department.

District	No. of cases	Purpose of loan	Month of sanction and disbursement	Amount (in lakhs of rupees)	Remarks
Ernakulam	1	Purchase of cart and construction of building	March 1975	0.15	The full amount of loan applied for was sanctioned and disbursed soon afterwards, even though the unit had intimated the Department that portion of loan (Rs. 0.12 lakh) for construction of building need be disbursed only after production of plans as required of it by the Department. The unit did not finally produce the plan and construct building; its request to treat the portion of loan as having been utilised for machinery already acquired was accepted by Department (November 1975).

(ii) Loans sanctioned against investments already made were to be disbursed only after the loanees executed deeds mortgaging the assets to Government. In 12 cases (Ernakulam: 11; Alleppey: 1), however, loans (Rs. 2.38 lakhs) were disbursed without getting the mortgage deeds executed by the loanees. The delay in getting deeds executed in 10 of these cases (Ernakulam:9; Alleppey:1) ranged between seven to thirty one months; deeds were to be executed (December 1976) in 2 cases (Ernakulam District) involving loans (Rs. 0.37 lakh) disbursed (March 1973: 1; March 1975: 1).

(iii) Loans sanctioned against proposed investments were to be disbursed only after the loanees executed personal guarantees and simple bonds undertaking to complete the investments within six months from date of receipt of loans and also to execute mortgage deeds as soon as assets were created. Out of three cases (Ernakulam: 2; Trivandrum: 1) where loans sanctioned (Rs. 0.59 lakh) were disbursed (March 1974, March 1975 and December 1974) without insisting on personal guarantees and simple bonds, in two cases (Rs. 0.40 lakh) the amounts were not utilised. In one of these cases (Trivandrum District) where the loan (Rs. 0.20 lakh) was disbursed on the security of an existing asset (landed property), the loanee disposed of the property (February 1976) without the knowledge of the Department. Revenue Recovery action was stated (January 1977) to have been initiated against the two units for the recovery of the unutilised loan.

(iv) Only one loan was to be sanctioned against tax paid for a particular year. In calculating the amount of loan to be sanctioned, sales tax actually paid for the five years from 1971-72 onwards was alone to be taken into account, tax paid against provisional assessment was to be reckoned only where final assessment for that year was not complete at the time of sanction of loan and in the case of loans against investments already made, cost of assets acquired after 1st April 1971 was alone to be considered for loan. In 10 cases, as below, the requirements of rules were not observed, resulting in excess payments of loans to the extent of Rs. 0.451 lakh.

District	*No. of cases*	*Month of sanction and disbursement*	*Amount of excess (in lakhs of rupees)*	*How excess occurred*	*Remarks*
Ernakulam	1	March 1973	0.106	Loan sanctioned in excess of sales tax actually paid by loanee	The possibility of taking revenue recovery action for the recovery of the excess loan paid is stated to be under consideration (March 1977).
Trivandrum	1	March 1974	0.045	Tax paid against provisional assessment reckoned even though tax due as per final assessment (which was less) was known	Government stated (January 1977) that the loan was sanctioned on the basis of sales tax actually paid by the loanee as certified by the Sales Tax Officer and no further communication was received from him before sanctioning the loan.
Ernakulam,	2	March 1975	0.016*	Tax paid for a particular year reckoned more than once for granting loan.	*Excess in one case (Rs. 1,404) got refunded in April 1976.
Kottayam	3	March 1975	0.250**		**Excess (Rs. 2, 360) was partly (Rs. 1,211) got refunded at the instance of Audit.
Malappuram	1	March 1975	0.024**		
Ernakulam	1	March 1975	0.002	Tax paid for 1970-71 wrongly reckoned	@Amount got refunded at the instance of Audit.
Malappuram	1	March 1975	0.008@		
Total	10		0.451		

(b) Utilisation of loans disbursed:

(i) Out of 420 cases of loans disbursed (Rs. 1,42.63 lakhs) in the six districts reviewed, in 107 cases (Rs. 30.97 lakhs) loans were sanctioned against fixed assets already created and in the remaining 313 cases (Rs. 1,11.66 lakhs) against proposed investments.

(ii) The loans against proposed investments were to be utilised within six months of disbursement.

In 196 cases (Rs. 73.38 lakhs), utilisation was not completed within the prescribed period, out of which loans involving Rs. 59.56 lakhs were not utilised till the end of June 1976 in 147 cases; the position of delay in utilisation was as follows:—

Period of delay	*Delayed utilisation*		*To be utilised*	
	No. of cases	*Amount (in lakhs of rupees)*	*No. of cases*	*Amount (in lakhs of rupees)*
Upto 1 year	26	5.75	1	0.18
1-2 years	14	5.74	105	41.79
2-3 years	8	2.62	2	0.39
3-4 years	1	0.11	39	17.20
Total	49*	14.22	147**	59.56

*1. Includes 14 cases (Rs. 4.37 lakhs) where assets created other than for which loans were sanctioned were accepted and another five cases (Rs. 0.82 lakh) where requests for treating the loans as utilised against assets already acquired were accepted.

2. Includes another 3 cases (Rs.0.018 lakh) where units were stated to be not functioning, out of which in one case (Rs. 0. 04 lakh) Revenue Recovery action was in progress and in the remaining cases notices were stated to have been issued for recovery.

**1. Includes 6 cases (Rs.0.93 lakh) where deviations in utilisation ~~was~~ were not accepted and 4 cases (Rs 5.44 lakhs) where requests for treating the loans as utilised against assets already created were pending acceptance.

2. Includes another 4 cases(Rs. 9.57 lakhs)where the units were stated to be not functioning of which in two cases (Rs.2.84 lakhs) Revenue Recovery proceedings initiated were stayed by courts; of the remaining 2 cases, in one case (Rs. 6.71 lakhs) notice for recovery was issued in July 1976 and in the other (Rs. 0.02 lakh) action was yet to be taken.

3. Includes yet another 15 cases (Rs.2.82lakhs) where also Revenue Recovery proceedings had been initiated for recovery.

In 5 cases (Rs. 1.81 lakhs), loans not utilised were refunded by loanees (2 cases: Rs. 1.61 lakhs)/were recovered by recourse to Revenue Recovery proceedings (3 cases: Rs. 0.20 lakh); the former included one case (Malappuram District) where the loan disbursed (March 1975: Rs. 1.32 lakhs) was voluntarily refunded (January 1976) by the loanee with interest.

The percentage of actual utilisation/non-utilisation of the loan is as follows:—

	Cases	*Amount*
Utilised within prescribed period (6 months)	36 %	32 %
Delayed utilisation	16 %	13 %
Yet to be utilised/not utilised and recovered or refunded	48 %	55 %

(iii) Out of 161 cases where loans (Rs. 50.29 lakhs) disbursed for proposed investments were reported to have been utilised, the assets created are yet (December 1976) to be mortgaged to Government in 51 cases involving loan of Rs. 13.65 lakhs (Trivandrum: 1; Quilon: 10; Alleppey: 8; Malappuram: 2; Kottayam: 23 and Ernakulam: 7).

(iv) In two cases (Trivandrum District) assets created (show-room and godown) out of loans (Rs. 0.21 lakh) disbursed (March 1974 and July 1975) were reported to have been utilised for purposes other than intended (show-room rented out to a textile mill; godown used as a tutorial college); in the former case, a notice was stated to have been issued (December 1976) for recovery, while in the latter case, action was reported to be under consideration to accept utilisation as per valuation certificate called for (December 1976).

(c) Other points noticed were:

(i) *Payment of loan to ineligible unit:*

In terms of the guidelines issued by the Government of India (February 1973) and accepted by the State Government, only such industrial units having capital investments in plant and machinery not exceeding Rs. 7.5 lakhs (Rs. 10 lakhs from 1st May 1975) could be treated as small scale industries and accordingly only such units which were functioning on 1-4-1971/registered thereafter are eligible for loans under the scheme. A loan of Rs. 12.04 lakhs (based on certificate of sales tax remitted during 1971-72 to September 1974 issued by the Sales tax authority) was, however, sanctioned and disbursed (March 1975) to a unit (Malappuram District) re-registered as Small Scale Industries Unit (December 1974), which actually had capital investments in plant and machinery worth Rs. 10.5 lakhs on date of application for loan against a sum of Rs. 7.13 lakhs only shown in the loan application. Government stated (January 1977) that the unit had been directed to refund the entire amount of loan. The amount has not been refunded so far (March 1977).

(ii) *Loans disbursed without regard to Government interests*:

1. In one case (Cannanore District) loan of Rs. 0.34 lakh was sanctioned and disbursed (May 1973) to a unit on the basis of tax paid for 1971-72, inspite of intimation given by the Sales tax and Revenue authorities that the loanee was in arrears of payment of tax (Rs. 0.40 lakh) for the period 1966-67 to 1970-71 and hence loan was not to be sanctioned. The unit is reported to be defunct ever since receipt of the loan and Revenue Recovery proceedings are stated to have been initiated for recovery of loan.

2. In another case (Alleppey District) loan (Rs. 0.49 lakh) was sanctioned and disbursed (January 1975) to a unit which was not working. Government stated (January 1977) that the loan was only partly utilised, that the unit did not function and that Revenue Recovery action had been initiated.

3. In yet another case (Trivandrum District) a unit which was registered as manufacturer of AAC and ACSR conductors and wire products, already having a declining trend in production (in conductors) from 1973-74 onwards and was not utilising full installed capacity, was sanctioned and disbursed (March 1975) loan (Rs. 1 lakh) for purchase of machinery for same purpose. The unit reported (February 1976) that it was utilising the loan for purchase of machinery for manufacture of ferric alum and requested for extension of time for utilisation upto the end of June 1976; the proposed deviation in utilisation was not accepted by the Department.

4. Three units to whom loans (Rs. 0.18 lakh) were disbursed against assets already created were reported to be wound up/not functioning since receipt of the loans; loan (Rs. 0.11 lakh) disbursed in one case (Ernakulam District: January 1975) was refunded (May 1976) without interest and refund/recovery of loans disbursed (March 1975) was to be effected in the other two cases (Kottayam District).

(*d*) *Half-yearly inspections*:

Under the rules the District Industries Officers are to conduct half-yearly inspection of the units that have availed of loans to satisfy themselves that assets created are in normal use for the purposes for which they were specified and submit such reports to the Regional Joint Director of Industries and Commerce/Director of Industries and Commerce.

In two districts (Trivandrum and Ernakulam), out of the six districts reviewed, there was no indication that half-yearly inspections were conducted at any time. In reply to an audit enquiry the District Industries Officer, Trivandrum (loan disbursed: Rs. 11.89 lakhs in 47 cases) stated that inspections were conducted but no reports could be produced by him. In Ernakulam district (loans disbursed: Rs. 35.21 lakhs in 124 cases), the inspections were stated to be in progress (March 1977).

LABOUR DEPARTMENT

3.13. Craftsmen training scheme

(1) Mention was made in paragraph 43 of the Audit Report 1966 of instances of abandoned schemes excessive/idle machinery and equipment and non-recovery of cost of training from the trainees under the 'Craftsmen Training Scheme' started in Kerala in 1957-58 and these observations were considered by the Public Accounts Committee vide paragraphs 8.48 to 8.62 of the Sixty-seventh Report of the Central Public Accounts Committee, 1966-67.

The main objects of the scheme are (i) to reduce unemployment among the educated youth by equipping them for suitable industrial employment, (ii) to raise the quantity and quality of industrial production and (iii) to ensure a steady flow of skilled workmen in different trades for industries. Accordingly, the imparting of regular institutional training in vocational trades through Industrial Training Institutes started for the purpose constitutes the core of the scheme. The National Council for training in vocational trades co-ordinates the training programme as a central agency for the country as a whole and a State Council functions as its agency for co-ordinating the programme and carrying out the policy laid down by it at the State level. On successful completion of training and passing of the final examination, the trainees are awarded the National Trade Certificates. The other training programmes implemented in the State are evening classes for factory workers and related instructional classes to apprentices of industrial establishments under the Apprentices Act, 1961 in conjunction with the running of production centres and promotion of self-employment of Industrial Training Institute certificate holders.

(2) This was a centrally sponsored scheme till 1968-69, with the Government of India meeting 60 per cent of the cost. From 1969-70, it is being implemented as a State scheme; the expenditure incurred upto March 1976 was Rs. 6,03.18 lakhs. During this period 19,924 persons passed out after training in 11 one-year courses and 17 two-year courses. A tradewise break-up of the training facilities made available and the number of persons trained during the last 5 years is given below:

	Training capacity	*Number of persons passed out*
Trades with training capacity of 1,000 and above each Blacksmith, Carpenter, Mechanic (Motor Vehicles) Moulder, Sheet metal worker, Welder, Electrician, Fitter, Turner, Machinist (Composite) Wireman	19,621	12,235
Trades with training capacity of 500 to 999 Plumber, Mechanic (Refrigeration and Air conditioning), Draftsman (Mechanical)	1,904	1,114
Trades with training capacity of 100 to 499 Mechanic (Diesel), Mechanic (Tractor), Painter, Draftsman (Civil), Mechanic (Instrument), Mechanic (Radio and Television), Surveyor	2,400	1,286
Trades with training capacity of below 100 Electronics, Building Constructor, Electroplater, Pattern Maker	248	121
Total	24,173	14,756

(3) *Unemployment among Industrial Training Institute certificate holders*

(a) The Training Manual issued by the Director of Employment and Training, Government of India, contemplates maintenance of Record Cards in respect of the ex-trainees to indicate the number of passed out trainees who had been able to secure employment. If the persons failed to secure employment, the Record Cards were to show the whereabouts of the unemployed trainees. But no such records were maintained in any of the institutes or in the Directorate of Training. Hence, the impact of the scheme on employment among educated youth could not be assessed precisely. In reply to an audit enquiry, the Department stated (July 1976) that the system of maintaining such records, prevalent in earlier years, was discontinued as it did not yield the desired results since in majority of the cases the passed out trainees failed to inform their whereabouts. The position of unemployment among holders of Industrial Training Institute certificates, according to the Live Registers of the Employment Exchanges of the State, was as follows at the end of last five years:—

As on	*Number of certificate holders as per Employment Exchanges*
31-12-1970	8,380
31-12-1971	9,894
31-12-1972	11,540
31-12-1973	10,003
31-12-1974	16,888
31-12-1975	20,163

(*Source*: Economic Review, Kerala—1975)

It would be noticed that there has been a progressive increase in the number of unemployed certificate holders though there has also been an increase in the number of institutes from 2 in 1957 with a seat strength of 264 to 12 in March 1976 with a seat strength of 7,272.

The necessity for increasing or reducing the number of seats for a particular trade was stated (July 1976) to have been determined with reference to the demand. However, it was seen from the annual Plan proposals of the Department for 1976-77 that many of the trades taught in the Industrial Training Institutes had become obsolete and that they were no longer in demand in industries. Government stated (November 1976) that the Department was replacing year by year trades which have become obsolete by new trades. The department has now proposed to make a scientific study of the working of the Industrial Training Institutes for assessing the demand for craftsmen of various trades in the industries within and around the State, by starting a Planning and Research Cell in the Directorate and funds for the purpose have been provided in the budget for 1976-77.

(b) *Drop-outs :*

The number of trainees who left the training courses during last five years is given below:—

Year	*Number of trainees admitted*	*Number of drop-outs*	*Percentage of drop-outs*
1971-72	4,688	677	14.44
1972-73	5,458	843	15.45
1973-74	4,891	712	14.56
1974-75	5,266	602	11.43
1975-76	5,359	482	8.99

The percentage of drop-outs varied between 8.99 in 1975-76 and 15.45 in 1972-73.

A sum of Rs. 0.63 lakh towards cost of training was stated to be recoverable from 371 trainees who left the training incomplete, upto March 1975. Government stated (November 1976) that Rs. 0.071 lakh had been collected upto April 1976 and that steps for the recovery of the balance were in progress. Orders were also issued by Government (January 1976) waiving recovery of training charges from persons who had discontinued training on securing employment and for going for higher studies.

(c) *Utilisation of machines*:

Machines costing Rs. 3.93 lakhs were stated to be in excess of requirement in seven Industrial Training Institutes. These included 66 items pertaining to 5 trades. At the same time deficiencies were stated to exist, to the extent of 1,904 machines (cost of 798 intimated to be Rs. 40.81 lakhs) in 10 institutes affecting 19 trades (information awaited from two institutes). The Director of Training stated (July 1976) in reply to an enquiry by Audit that the deficiencies had adversely affected the quality of training and that, due to paucity of funds, the Department was helpless in the matter of improving conditions. Regarding the excess machinery, the Director stated that as there was shortage for such items in other institutes, arrangements were in progress to redistribute them where needed. It was also stated that the majority of machinery items were procured 15 years ago and were beyond economical repairs and that, for want of funds, they had not been replaced.

(4) *Apprentice Training Programme*

Under this programme, apprentices are assigned to trades in industrial establishments in proportion to the strength of workers in various trades in the establishment. Contracts of apprenticeship are executed between employers and apprentices duly registered by the State Apprenticeship Adviser (Director of Employment and Training). The duration of apprenticeship ranges from 6 months to 4 years under which it is the responsibility of the employer to arrange for shop-floor training to the apprentices. The apprentices have also to attend related instructional classes conducted at the nearest Industrial Training Institutes unless the employers themselves arrange for such classes in which case, Government reimburses to the employers the expenses at the rate of Rs. 10 per month per trainee. On completion of apprenticeship, apprentice has to appear for an All India Apprentice Trade Test conducted under the aegis of the National Council.

Out of 7,113 apprentices registered upto the end of 1975-76, 3,718 were due to complete apprenticeship training during 1969-70 to 1975-76. Of these, only 3,523 actually completed the apprenticeship and 195 dropped out. Of the former, only 2,243 appeared for the prescribed trade test and 1,343 passed. The expenditure incurred by Government on related instruction to the apprentices during the last 5 years is given below:—

Year	*Amount (in lakhs of rupees)*
1971-72	0.77
1972-73	0.88
1973-74	1.00
1974-75	0.97
1975-76	3.07
Total	6.69

(5) *Starting of production centres*

With a view to giving employment opportunities to the personnel trained in the Industrial Training Institutes and for meeting the requirements of Government Departments and the Kerala State Electricity Board for various finished goods like school furniture, hospital furniture, office furniture and electrical line materials, six production centres were started during February 1969 to February 1972 as adjuncts to the Industrial Training Institutes at Kalamassery, Palghat, Chalakudy, Quilon, Ettumanoor and Cannanore. The trainees employed in the centres were paid stipends of Rs. 100 to 150 each per month. The intention of the Government was to retain these job trainees (improvers) not permanently but only till they became proficient in their trade. But the trainees originally selected were not replaced by fresh batch of trainees at the appropriate time for the reason that their services were useful to train the incoming trainees. The trainees started an agitation in October 1972 and later on struck work from December 1972 demanding better wages, permanency of job, privileges under the Factories Act, etc. The agitation continued till February 1973 when Government ordered closure of the centres permanently. After closure of the centres, machines, finished goods and consumables costing Rs. 2.32 lakhs were kept unutilised (June 1976). Further, as the centres had worked without taking the necessary licence from the Central Excise Department, Government had to pay (under protest) penalty and fine amounting to Rs. 0.12 lakh. Central Excise duty amounting to Rs. 1.98 lakhs also had been demanded from Government. This has not been paid pending decision on an appeal filed with the Central Board of Excise and Customs.

(6) *Abandonment of the job-oriented training programme*

A short-term (six months) job-oriented intensive training programme for Industrial Training Institute certificate holders and apprentices was started in 5 centres (Palghat, Cannanore, Chalakudy, Kalamassery and Ettumanoor) from 1973-74 with Government sanction, utilising the facilities available in the Industrial Training Institutes and the defunct production centres, with the object of making the trainees proficient in their respective trades and to enable them to undertake independent work with financial assistance from the banks to be arranged by the Department on completion of training. Each batch was to comprise 280 trainees in six trades, each getting a stipend of Rs. 100 per mensem. Out of 530 persons admitted to the training in two batches from August 1973 to August 1974, only 443 completed the training. The programme was then discontinued by Government in August 1974 on the ground of inadequacy of funds and that a third batch of training would be undesirable till employment was provided to those already trained. A sum of Rs. 6.66 lakhs was spent on this programme till its winding up.

The Principal, Industrial Training Institute, Kalamassery, stated (May 1976) that none of the 129 trainees of his Institute who completed the course had started an enterprise of his own with bank assistance. In respect of the remaining 314 trainees of the 4 centres, the position regarding employment was not known to the Principals of the Institutes. Government stated (November 1976) that the trainees preferred to get employed in industrial establishments rather than to become self employed and that 41 of the trained personnel had been admitted in the four industrial co-operative societies formed under the Half-a-Million-Jobs Programme.

LOCAL ADMINISTRATION AND SOCIAL WELFARE DEPARTMENT

3.14. Unfruitful outlay

In December 1958 Government sanctioned the construction of 25 houses on $2\frac{1}{2}$ acres of land obtained through Bhoodan at Perambra in Quilandy taluk (Kozhikode district) for the settlement of Sambavas (members of a scheduled caste). Twenty two houses were completed (15 in November 1964 and 7 in March 1974) at a total cost of Rs. 0.39 lakh. Of the 15 houses allotted in November 1964, only 10 were occupied by the beneficiaries (same month). Six of the beneficiaries subsequently left (1967-68). The unwillingness of the beneficiaries to occupy the houses allotted to them and the non-allotment of the remaining 7 houses completed in 1974 were attributed to scarcity of water in the locality. The District Collector stated (August 1976) that scarcity of water was first felt by the end of 1959 and the construction of a well started in 1960 was given up as water was not available. It was noticed in audit that a major part of the expenditure on construction of the houses (Rs. 0.32 lakh out of the total of Rs. 0.39 lakh) was incurred after the scarcity of water in the area and consequent unsuitability of land for residential purposes had come to notice. Government stated (Feburary 1977) that the Sambava community were living in only 9 houses in the colony, that the reluctance of the beneficiaries of the scheme to occupy the houses was due to non-availability of drinking water in the locality and that most of the unoccupied houses were unsuitable for occupation for want of repairs.

REVENUE DEPARTMENT

3.15. Payment in satisfaction of a court decree

Under orders of Government, a sum of Rs. 0.26 lakh was paid in October 1974 to the defendants towards costs decreed by the court in a suit filed by Government which was dismissed at latter's request as not maintainable.

A suit was filed by Government in July 1970 for recovery of possession of encroached land when it came to their notice that 2,015.43 acres of land had been occupied by nine persons to whom an area of 1,047.79 acres of Government land in Kainakary village (Alleppey District) was leased out in 1941. According to Section 20 A of the Kerala Land Conservancy Act, 1957, which was newly introduced with effect from 5th January 1971, no civil court has jurisdiction to entertain any suit or proceeding for the eviction of any person who is in unauthorised occupation of any land which is the property of Government. As Government felt that the suit was not maintainable under the new provisions of the Act, they directed (instructions stated to be oral) the District Government Pleader to file a petition to have the suit dismissed. Accordingly a petition was filed in the court on 16th August 1973 and the suit was dismissed by the court on 29th August 1973 with cost to the defendants.

The District Government Pleader informed the District Collector on 9th October 1973 that he had filed an application for the decree and judgement, but no further action was taken by him till 7th May 1974 when he requested the District Collector to make available the amount required for payment of the costs as decreed by the court. When the matter came up before Government, they observed that the judgement did not indicate that the suit was dismissed as prayed for by the Government Pleader in a petition filed under the orders of Government, and that, in the circumstances of the case, the award of full costs to the defendants might not be just and proper and an appeal was to be tried. They accordingly directed the District Collector on 3rd July 1974 to obtain the advice of the Advocate General as the suit was filed on his advice. The District Government Pleader (a new incumbent) thereupon advised(5th July 1974) that the suit was rendered not maintainable by a supervening statute which came into force after the institution of the suit, but this aspect of the matter was not brought to the notice of the court and, therefore, the State could successfully file an appeal against the award of costs. However, by this time the case was time-barred and when the matter was referred (6th July 1974) by the District Collector to the Advocate General, he observed (12th July 1974) that it was not possible to file an appeal as the time for filing of appeal was long over.

Government stated (December 1976) that even at the time of taking the decision to withdraw the suit, they were aware of the fact that the suit would be dismissed with costs, but this fact was omitted to be recorded in the Government file.

3.16. Misappropriation of Government money

During local audit of accounts of the office of the Munsiff, Land Tribunal, Palghat in March 1976, it was found that Government money amounting to Rs. 0.55 lakh had been misappropriated by fraudulent drawal (by forging the signature of the Presiding Officer) and encashment from the treasury of four cheques during the period March 1975—December 1975. The department has held a Lower Division Accountant of the office responsible for the fraud and he has been placed under suspension with effect from 18th March 1976. A criminal case is also stated to have been registered (March 1976) against him by the police.

Government stated (January 1977) that the case was still under investigation by the police and that the Land Board had, in the meantime, requested the District Collector, Palghat in May 1976 to initiate action under Kerala Public Accountants Act for recovery of the amount mis-appropriated, the results of which were awaited.

GENERAL

3.17. Writes off, waivers and ex-gratia payments

The cases of writes off, waivers and ex-gratia payments made during 1975-76, reported to Audit are given in Appendix IV.

CHAPTER IV

WORKS EXPENDITURE

AGRICULTURE DEPARTMENT

(MINOR IRRIGATION)

4.1. Minor irrigation

(1) *Introductory*

Irrigation works costing less than Rs. 25 lakhs each (since April 1971) are classified as minor irrigation works. Minor irrigation works costing more than Rs. 2 lakhs each and expected to benefit not less than 200 acres are classified as Class I works and works costing upto Rs. 2 lakhs each and expected to benefit less than 200 acres as Class II works. Works involving pumping water from rivers and tanks and usually benefiting more than 100 acres are classified as Lift Irrigation works.

(2) *Plan targets and achievements*

According to a study made by the Planning Commission in 1965, the minor irrigation potential of Kerala was assessed at 0.9 million hectares, out of which 0.273 million hectares were reported to have been covered upto the end of 1975-76. The targets fixed for minor irrigation works in the various Plan periods and the achievements are given below:—

Period	*Financial*		*Physical*	
	Target	*Achievement*	*Target*	*Achievement*
	(in lakhs of rupees)		*(in lakhs of hectares)*	
First Plan (1951-56)	N.A.	N.A.	0.675	0.704
Second Plan (1956-61)	2,36.68	2,26.20	0.676	0.424
Third Plan (1961-66)	5,72.00	5,66.69	0.586	0.516
Annual Plans (1966-67 to 1968-69)	5,01.50	6,53.00	0.289	0.252
Fourth Plan (1969-74)	9,30.00	11,33.25	0.331	0.708
Fifth Plan First 2 years (1974-76)	3,18.11	2,48.95	0.867	0.130
Total	25,58.29	28,28.09	3.424	2.734

N.A. Not available.

(3) *Evaluation by the State Planning Board*

According to an evaluation study conducted by the State Planning Board in February 1975, minor irrigation covered more than 57 per cent of the total irrigated area in the State. The study revealed the following:—

(a) Lack of adequate investigation covering various aspects of hydrology, location, soil, pattern of cultivation and extent of ayacut, etc., before commencement of projects.

(b) The average expenditure per hectare of area actually benefited was more than the average expenditure per hectare of command area (estimated ayacut area).

(c) The actual area benefited was much lower than the estimated ayacut which was generally found to have been put high in order to justify the high cost of works and to satisfy the economic limit of Rs. 1,000 per acre (Rs. 1,300 per acre from 1970) fixed by Government.

(d) Under-utilisation of irrigation potential due to lack of adequate maintenance which in turn was partly due to lack of co-ordination among the agencies connected with construction, supervision and maintenance of the works (viz. Minor Irrigation Department and the Panchayats) and wasteful methods of irrigation.

The study also pointed out that many of the minor irrigation works implemented did not stand the test of economic viability and that the magnitude of public expenditure involved in providing irrigation facilities called for a more efficient financial management of these schemes.

(4) Some points noticed in the execution of Minor Irrigation works were mentioned in paragraph 44 of the Audit Report 1970 and in paragraph 31 of the Report of the Comptroller and Auditor General of India for the year 1972-73 (Civil). The Public Accounts Committee, after examining a few typical cases of delay in completion of a few minor irrigation works mentioned in the Audit Report 1970, had recommended in their Fifth Report of March 1971 that Government should review within six months all cases of works executed under the minor irrigation and lift irrigation schemes and take steps to expedite completion of the schemes at a very early date so that the expenditure on these works would be made to bear fruit early. Information regarding the action taken on the recommendation is still (March 1977) awaited. Meanwhile, delay in completion of works persisted as revealed on a further review made by Audit during April-July 1976. Although Minor Irrigation works are normally expected to be completed within three

working seasons, 38 schemes on which Rs. 122.69 lakhs were spent till the end of March 1976 (estimated cost: Rs. 186.81 lakhs; area expected to be benefited: 7,459 hectares) taken up for execution prior to 1969-70 were remaining incomplete. Four of these works were delayed by more than 15 years, fourteen by more than 10 years and the remaining twenty by more than 3 years. The delay in completion of the schemes had been attributed by the Executive Engineers to slackness on the part of contractors, delay in getting land, delay in finalising design, change in design, delay in supply of shutters, etc.

(5) Five cases of delays in completion of works (three sanctioned during the III Five Year Plan and two during 1968-69) are mentioned below:

(a) *Bridge-cum-Regulator at Konath (Ernakulam District)*

This scheme intended to bring 1,417 acres of land under double crop and 1,553 acres under single crop, sanctioned at a cost of Rs. 7.28 lakhs in March 1961 and scheduled to be completed in November 1962, still remains incomplete (March 1977).

Mention was made in paragraph 26 of Audit Report 1967 about termination of contract for civil works in November 1964, because the land required had not been acquired and handed over. A fresh contract for balance civil works was settled in March 1967 for Rs. 5.91 lakhs. But this too had to be terminated by the Department in October 1974 as the work could be proceeded with only on completion of erection of shutters and after taking up the approach road work. The supply and erection of shutters for the regulator, entrusted to a firm in 1972 (estimated cost: Rs. 4.21 lakhs) and scheduled for completion by June 1973, was completed in March 1976 only. The delay was attributed to shortage of departmental materials, delay in getting power connection and unfavourable weather conditions. The work on approach road (first stage) started in March 1975 and scheduled for completion in September 1975 could not be completed due to delay in land acquisition (0.910 hectare of land required for regulator and a part of approaches was acquired in March 1964 and the balance 0.8795 hectare required for approaches was acquired only in August 1976). Meanwhile, Rs. 1.10 lakhs were spent by the Department during 1964-65 to 1975-76 for putting up temporary bunds annually to save crops from ingress of salt water. The original estimate of March 1961 (Rs. 7.28 lakhs) was revised to Rs. 9.00 lakhs in March 1968 and again to Rs. 19.50 lakhs in November 1976, "incorporating all items to be done based on current schedule of rates". The total expenditure incurred on the scheme upto March 1977 was Rs. 18.42 lakhs.

(b) *Bridge-cum-Regulator across Mahe river at Monthal (Cannanore District)*

Administrative sanction was issued by Government in April 1968 for the Bridge-cum-Regulator, intended to benefit 1,086 acres, for an estimated cost of Rs. 27.40 lakhs. Tenders were invited in February 1969 for the whole work including supply and erection of regulator shutters, but, however, in October 1969 Government decided to arrange for the civil works only (through the lowest tenderer) and to invite offers from competent firms for the supply of shutters after finalising design and detailed estimates. Accordingly, the civil works were entrusted to the lowest tenderer for Rs. 20.96 lakhs. The civil works required to be completed by December 1972 were commenced in February 1970, but after the death of contractor in May 1970, the contract was terminated (total payment for the work executed till the termination amounted to Rs. 55,384) and the work reassigned in June 1970 in the name of the contractor's son at the same rates (agreed probable amount of contract: Rs. 20.38 lakhs) with due date of completion as 26th August 1973. In August 1973, the contractor stopped the work and demanded enhanced rates for quantities of work to be done after the stipulated datesof completion or to settle his accounts. In April 1975, he raised certain fresh claims before the Government Arbitrator for Engineering Contracts demanding extra payments for additional works (reconstructing ring bunds washed away and putting up protective bunds—which were reported to have become necessary due to delay in land acquisition for diversion of the river and shifting of the date for execution of the foundation work due to cement shortage and changes in foundation design) done by him and requesting for final settlement of his accounts. The Arbitrator awarded (September 1975) payment of Rs. 0.90 lakh for the additional work done by the contractor and relieved him from the responsibility for doing the balance works and the amount together with interest was paid to him in December 1976. The accounts of the contractor are yet to be settled and the balance works (costing about Rs. 1.00 lakh) remain to be arranged (March 1977). A sum of Rs. 22.35 lakhs has been spent so far on the civil engineering works.

Tenders for the supply and erection of the regulator shutters were invited in March 1971 and the lowest tender (Rs. 7.74 lakhs) was accepted by Government in October 1971. There was delay in communication of approval of the design and drawings of the regulator shutters supplied by the firm (in April 1971) and the issue of the selection notice was delayed till April 1974. On account of increase in costs, the firm expressed its unwillingness to take up the work at quoted rates. Fresh tenders have been invited (March 1977).

The expenditure of Rs. 22.35 lakhs incurred on civil works remains unfruitful (March 1977). A revised estimate is reported to be under preparation.

(c) *Holland Scheme—Reclamation of Peringalam Kayal (Quilon District)*

The scheme (estimated cost: Rs. 3.86 lakhs) intended to protect paddy cultivation in 398 acres in the Peringalam Kayal from floods and salt water intrusion was sanctioned in September 1968. The work was put to tender in October 1970, but there was no response. The estimate was revised to Rs. 5.24 lakhs in December 1971 (on account of increase in costs) and, after tenders, the work was awarded in October 1972 for Rs. 6.61 lakhs.

In August 1973, the Executive Engineer reported that the alignment for 700 metres of the southern (main) bund to be formed was in slushy and very loose soil and therefore fascine mattress foundation provided in the estimate for this work would not be successful. The formation of the bund for about 30 metres in the slushy portion was, however, tried in the fascine mattress as directed by the Superintending Engineer. On noticing heavy sinkage of the bund formed, sand spreading was tried but without success. Later on, under instructions from the Chief Engineer (April 1974), gravelly soil and sand in alternate layers was tried. This too was not effective. It was, therefore, proposed (December 1974) to shift the alignment of the main bund by about 250 metres northward. A decision on this is still awaited (March 1977). The contract was terminated on 16th July 1975 after the contractor had done work costing Rs. 1.48 lakhs and the balance works were ordered to be executed at the risk and cost of the contractor. Meanwhile, the contractor had been demanding enhanced rates on account of increase in costs and on 30th July 1975 he went in for arbitration. The Arbitrator awarded (June 1976) payment of Rs. 0.29 lakh to the contractor and ordered that rearrangement of balance works would not be at the risk and cost of the contractor. The award was confirmed by the court in September 1976. The balance works are yet (March 1977) to be arranged as a revised estimate for Rs. 7.84 lakhs proposed in April 1975 is yet to be sanctioned. Expenditure on the work upto February 1977 amounted to Rs. 1.76 lakhs.

The shifting of the alignment of the bund would result in reduction of the area to be benefited to 363 acres besides rendering 215 metres of the eastern bund already formed (cost: Rs. 0.22 lakh) infructuous. The cost of the trials to form the main bund along the original alignment amounted to Rs. 0.68 lakh. In reply to an enquiry by Audit, the Executive Engineer stated (August 1975) that sub-soil details had not been collected after conducting boring tests before the work was taken up.

(d) *Panamaram Lift Irrigation Scheme* (*Cannanore District*)

The scheme (estimated cost: Rs. 1.44 lakhs) intended to benefit 302 acres of land was sanctioned by Government in November 1962. It envisaged lifting of water from Panamaram river, collecting it in a cistern and letting it off through two irrigation channels.

It was mentioned in paragraph 44 of the Audit Report 1970 that Rs. 66,552 spent on this scheme proved infructuous as the canals excavated in 1963 got considerably damaged and the contractor stopped work due to change in design and delay in land acquisition. The work, awarded to the contractor in November 1962, was to be completed by March 1963. In October 1962, the department found that the design of the pump house, pumping well and cistern was defective and finalised a revised design by April 1965. On account of this revision and difficulties in land acquisition, the contract was terminated in November 1966 at the contractor's request. In 1969 the ryots of the locality came forward offering free surrender of the required land. Based on this, a revised estimate benefiting a reduced area of 214 acres due to change in design was sanctioned for Rs. 1.65 lakhs (December 1972) and the balance work was enstrusted to a contrator in February 1973 for Rs. 0.71 lakh. The work scheduled to be completed in May 1974 was completed only in July 1976. Tenders for supply and erection of pumpsets were invited by the Chief Engineer in November 1976. Meanwhile, the estimate was revised (June 1976) again to Rs. 3 lakhs providing for some further technical changes and this is awaiting approval (March 1977). The area to be benefited, however, remains as 214 acres. The expenditure incurred so far (Rs. 1.60 lakhs upto March 1977) remains unfruitful.

(e) *Karingayam Reservoir* (*Palghat District*)

The scheme (estimated cost: Rs. 1.86 lakhs) intended to benefit an area of 220 acres in Alathur taluk was sanctioned in September 1962. Mention was made in paragraph 56 of the Report of the Comptroller and Auditor General of India for the year 1970-71 about this work being left incomplete due to termination of the contract in September 1968 and due to non-sanction of the revised estimate after incurring an expenditure of Rs. 1.36 lakhs. A revised estimate for Rs. 3.85 lakhs for the balance works [including construction of an overflow weir suggested by the Chief Engineer (April 1970)] was sanctioned by Government in March 1972. Tenders were invited in December 1973; the only tender received (249 per cent above estimate) was not accepted. The estimate was then further revised at current schedule of rates to Rs. 6.25 lakhs (December 1976) and this is awaiting sanction (March 1977).

Expenditure on the work upto March 1977 amounting to Rs. 1.42 lakhs remains unfruitful. In the meantime, even the irrigation facility previously enjoyed by the ryots (about 90 acres) is not available to them consequent on the closure of a small canal feeding the fields when the work on the scheme was taken up.

(6) According to the details furnished by 9 out of 10 Minor Irrigation Divisions, out of 1,125 works (estimated cost: Rs. 6,69.90 lakhs; area to be benefited: 38,208 hectares) taken up for execution during the Fourth Plan period (1969-70 to 1973-74) 1,015 works (estimated cost: Rs. 4,32.90 lakhs; area to be benefited: 26,304 hectares) were completed by the end of March 1976. Details of three schemes which have been delayed for a long time are mentioned below:—

(a) *Thirunavaya Lift Irrigation Scheme (Malappuram District)*

The scheme (estimated cost: 14.46 lakhs) which envisaged lifting of water from the Bharathapuzha river and intended to benefit 1,355 acres was sanctioned by Government in October 1971. The civil works, entrusted to a contractor for Rs. 6.18 lakhs (36.1 per cent below estimate) in February 1972, were due for completion by 30th November 1974. After executing about 75 per cent of the works connected with the first stage of the scheme (estimated cost: Rs. 3.80 lakhs), the contractor stopped the work in December 1974. As the contractor failed to resume the work the Executive Engineer imposed (December 1975) a fine of Rs. 6,180 and granted extension of time upto March 1977. Still the contractor did not resume the work and the Superintending Engineer terminated the contract in March 1976 at the contractor's risk and cost. The liabilities of the contractor who has also to account for departmental materials including 55 tonnes of cement are yet to be determined (March 1977). The balance works were entrusted (December 1976) to another contractor. Action was stated (November 1976) to be under way to purchase a 110 horse-power pump against pumps for a total horse-power of 300 provided for in the estimate. The balance provision for pumps and certain river protection works near the pump house included in the estimate were stated to be not of immediate necessity. The estimate was proposed (December 1976) to be revised to Rs. 25.43 lakhs and is awaiting sanction. The expenditure on the work till March 1977 amounted to Rs. 2.83 lakhs.

(b) *Benchali Irrigation-cum-Reclamation Scheme (Malappuram District)*

The scheme (estimated cost: Rs. 12.38 lakhs) intended to benefit 1,191 acres of land (reclamation of 398 acres and provision of lift irrigation to 793 acres) was sanctioned by Government in November 1970. For the lift irrigation a main canal 2,000 metres long with two branch canals of 2,600 and 2300 metres length and distributaries, cross drainage works, etc., were to be constructed and necessary pumps and pumphouses were to be provided. For the reclamation part, pumpsets were to be installed and a cross bar, a leading channel, pumping well and collecting cistern constructed. The civil works connected with both reclamation and irrigation, entrusted to a contractor in September 1971, were to be completed by November 1974. The reclamation part (cost: Rs. 3.58 lakhs) of the scheme was commissioned in December 1975.

Owing to a dispute arising among the ryots about the alignment of the canal, the work was stopped in May 1972, after the main canal had been formed for a length of 1,300 m. (against the length of 2,000 m. required). The Chief Engineer inspected the site (in February 1973) and, on the basis of alignment fixed by him, proposals were sent to the Revenue Department in June 1973 for acquisition of land. However, due to objections being raised by the ryots, the land acquisition proceedings were stayed by Government in December 1974. The stay was vacated in August 1975 but the land is still to be acquired (March 1977).

By April 1975 the work on one of the two branch canals was completed by the contractor except for one under-tunnel. For the other branch canal land had not been accepted. Meanwhile, the contractor demanded (February 1975) enhanced rates for all works to be executed after the agreement period. The Superintending Engineer instructed the Executive Engineer in May 1975 to close the contract after completion by the contractor of the under-tunnel on the branch canal done by him. In April 1976, the Executive Engineer reported that, against one under-tunnel of 6 metre span provided for in the estimate, 2 aqueducts of 10 metre span each were necessary considering the flood drainage requirements of the area. The revised esiimate is yet to be sanctioned (March 1977). Meanwhile, due to rains, the canals already formed were damaged in some reaches. The contractor who was, under the conditions of contract, responsible for rectification of the damages has not done the rectification works on the ground that the damages had been caused by floods.

Expenditure on the work upto the end of February 1977 amounted to Rs. 9.76 lakhs of which Rs. 6.18 lakhs on lift irrigation works have not so far proved useful.

(c) *Asurankundu Reservoir (Trichur District)*

The scheme (estimated cost: Rs. 7 lakhs) intended to benefit 502 acres was sanctioned by Government in April 1971. The works comprised of a masonry dam with a storage capacity of 21 m. cft., surplus arrangement, supply sluices, supply canals, cross-drainage works, etc. The civil works for the dam and the surplus arrangement started in July 1972 and scheduled to be completed by November 1973 were almost completed (except for some finishing works) in January 1976. Orders were placed by the Executive Engineer only in January 1976 with the departmental mechanical workshop at Malampuzha for providing the shutters for the surplus arrangements. The land required for the canal and the cross-drainage works (3.92 hectares) were requisitioned in July 1971 and acquired by the department in May 1975. The work on the canals and the cross drainage works could not, therefore, be taken up till then. Meanwhile the departmental schedule of rates was revised. A working estimate for the formation of canals and cross drainage works for Rs. 1.67 lakhs (against Rs. 1.20 lakhs provided for originally) was sanctioned by the Superintending Engineer in November 1974 and the work was awarded to another contractor in May 1975 for completion within 6 months. The work has not been completed so far (March 1977).

When water was stored in the reservoir in October 1975, it was noticed that there was seepage. After a site inspection, the Superintending Engineer observed (March 1976) that the leakage through the masonry joints was due to lack of adequate pointing. The contractor did not rectify the defects: The rectification work was, therefore, carried out departmentally (June 1976) at a cost of Rs. 0.05 lakh and the amount is proposed to be recovered from the contractor (March 1977).

Expenditure incurred on the scheme upto February 1977 amounted to Rs. 7.01 lakhs. According to the department, the scheme is expected to be commissioned by March 1977.

(7) The following further points were noticed during the review conducted in April-July 1976 by Audit:—

(a) *Non-utilisation of irrigation potential created*

In respect of 10 schemes completed between 1970 and 1975 (cost: Rs. 17.35 lakhs) the potential created (3,307 acres) has not been utilised due to the delay in getting power connection and/or in purchase and installation of pumpsets (8 cases costing Rs. 12.25 lakhs; potential 2,856 acres) and non-completion of distribution system (2 cases costing Rs. 5.10 lakhs; potential 452 acres). Two of these are mentioned below:—

(i) *Lifted storage at Othallur* (*Malappuram District*)

The scheme (estimated cost : Rs. 4.92 lakhs) expected to stabilise the puncha crop in 1,177 acres was sanctioned in June 1969 and civil works were completed by July 1973 at a cost of Rs. 2.75 lakhs. Erection of the transformer was done in January 1976. The lowest tender for supply and erection of pumpsets (4 nos.) was recommended by the Superintending Engineer in February 1975, but the proposal was forwarded to Government by the Chief Engineer only on 23rd July 1975. The tenders were valid till May 1975 only. In April 1976, the departmental purchase committee of the Government decided that as the validity period was over, the contract should be put to retender. Further developments are awaited. The scheme on which expenditure of Rs. 2.79 lakhs has been incurred so far remains to be commissioned (March 1977).

(ii) *Poonkavanam reservoir* (*Malappuram District*)

The scheme (estimated cost : Rs. 2.25 lakhs) intended to benefit 201.50 acres, was sanctioned in February 1968 and the construction of the dam was completed in November 1971 at a cost of Rs. 1.81 lakhs. Work on the distribution system is yet to be arranged (March 1977). The land required for the distribution system (1.59 hectares), for which requisition was sent to Revenue Department in October 1972, was taken in advance possession between August 1974 and August 1976. A revised estimate for Rs. 6 lakhs (area to be benefited : 425 acres) was proposed (January 1977) and this is awaiting approval (March 1977).

In the meantime, leakages attributed to 'heavy rain, lightning and thunder' were observed (April 1972) in the dam. To prevent leakages, rectification works (drilling, pressure grouting, raised pointing on either side of the masonry dam, etc.) were being done from September 1973 onwards and an expenditure of Rs. 0.71 lakh was incurred till December 1976. The revised estimate includes a provision of Rs. 1.17 lakhs for rectification works to prevent leakages.

Expenditure on the scheme upto March 1977 amounted to Rs. 3.83 lakhs.

(b) *Under-utilisation of potential created*

A test check in 4 out of 10 divisions revealed under-utilisation of the designed irrigation potential in 8 works. They were completed during 1964 to 1975 at an aggregate cost of Rs. 21.27 lakhs and were expected to irrigate 3,708 acres. In respect of 4 schemes costing Rs. 8.30 lakhs with a potential of 1,550 acres, the actual area benefited was only 20 acres. Failure to provide irrigation to the extent proposed was attributed to non-completion of balance works, loss of water due to percolation, unwillingness of the ryots to terrace or reduce their field level, etc.

Details in respect of two of these cases are given below:—

(i) *Lift Irrigation on the bank of Mannanthody in Kanmana (Cannannore District)*

The scheme, intended to benefit 121 acres, was sanctioned in July 1968 and the civil works completed in July 1970. Three 25 HP pumpsets were provided and the scheme was commissioned in July 1972. In February 1974, the Executive Engineer reported that owing to the highly porous nature of the soil of the supply channel with an estimated loss by percolation of about 50 per cent, the water pumped did not reach the entire ayacut. Special repairs and replacement of pumpsets with sets of higher horse power (estimated cost: Rs. 2.30 lakhs; expenditure upto to March 1977: Rs. 1.91 lakhs) are in progress. The cost of the scheme upto March 1977 amounted to Rs. 3.31 lakhs. According to the District Collector, Cannanore (July 1976), no land has been benefited and no cess assessed ever since commissioning of the scheme.

(ii) *Vented cross bar across Muttilkappu in Cherukunnu Panchayat (Cannannore District)*

The scheme sanctioned by Government in May 1961 (estimated cost—Rs. 2.44 lakhs) and intended to protect 875 acres of paddy lands from incursion of saline water was completed in 1968 at a cost of Rs. 4.94 lakhs. A revised estimate for Rs. 4.83 lakhs including extra items of work and additional quantities carried out was sent to Government in September 1968, but it has not been sanctioned so far (March 1977). In December 1971, the Department noticed that 6 out of 9 wooden regulator shutters had been damaged due to corrosion of the steel lining of the grooves and ends of the shutters resulting in intrusion of saline water affecting the paddy cultivation in the entire ayacut area. An estimate for repairs costing Rs. 0.40 lakh prepared by the Executive Engineer in December 1971 was not approved by the Superintending Engineer. A further inspection in November 1974 showed that the portion of shutters that remained submerged had completely disintegrated, and the wood work in such parts had virtually vanished. An estimate for Rs. 1.20 lakhs for special improvements including replacement of damaged shutters was prepared in June 1975. This was revised to Rs.1.70 lakhs in August 1976 and is pending approval by the Chief Engineer (March 1977)

The work was got inspected by the Mechanical Engineer (Northern Region) who reported to the Chief Engineer (December 1976) that one aspect noted by him was the poor maintenance done to the shutters. Due to delay in arranging rectification works the entry of salinity to the ayacut area has not been arrested so far (March 1977) and only a single crop is being raised in areas where the percentage of salinity is less.

(c) *Partially commissioned schemes*—

Details in respect of two partially commissioned schemes are given below:—

(i) *Vengalakayam Reservoir (Palghat District)*

The scheme sanctioned in February 1958 at an estimated cost of Rs. 9.85 lakhs is intended to stabilise irrigation in an existing ayacut (9,180 acres) of two anicuts in the Chitturpuzha Irrigation system. Mention was made in paragraph 56 of the Report of the Comptroller and Auditor General of India for the year 1969-70 about the delay in commissioning the scheme and alternative arrangements being made for carrying out the balance works for an earthen dam after termination (September 1969) of a contract. A revised estimate for Rs.29.80 lakhs was sanctioned in May 1971, (revision mainly due to increase in cost and inclusion of additional works found necessary during execution) and the balance dam work costing Rs. 13.11 lakhs was entrusted to a contractor in December 1971. The dam was completed in April 1974, but a leading channel from the dam and its subsidiary works (estimated cost: Rs. 2.50 lakhs) remain to be completed (March 1977). Though storage of water commenced in 1974 the scheme has not been fully commissioned. An amount of Rs. 22.77 lakhs has been spent on construction of the earthen dam, surplus weir, outlet sluice and filter drains for the scheme till March 1977.

The sanctioned estimate for the construction of the dam specified conveyance of 1.19 lakhs cu.m. of earth from a distance of about 800 metres by cart load. During actual execution, earth to the required quantity was not available within a distance of 800 metres and the contractor conveyed earth from distances upto 1,236 metres on the eastern side and 1,336 metres on the western side (total quantity conveyed from distances beyond 800 metres: 0.88 lakh cu.m) and demanded (May 1973) payment of extra conveyance charges. But this was rejected by the department on the ground that the departmental estimate rate was for all leads upto 3 kilometres by cart load (as provided in the schedule of rates), even though it was mentioned in the agreement that earth was to be conveyed from a distance of about 800 metres by cart load. The contractor filed an arbitration petition before the Government Arbitrator for Engineering Contracts (August 1973) and based on his award (February 1974) the department had to pay Rs. 1.36 lakhs (November and December 1974) towards extra lead charges for the earth brought from distances beyond 800 metres and in addition Rs. 0.05 lakh as interest on the amount from the date of court decree (July 1974) confirming the award to the date of payment. In June 1975 the Superintending Engineer observed that the extra expenditure could have been avoided if sufficient care had been taken at the time of preparation of the estimate and tender schedule for the work. Responsibility for the extra expenditure has not been fixed (March 1977).

(ii) *Permanent Regulator at Odenchira (Trichur District)*

Mention was made in paragraph 44(4) (a) of the Audit Report 1970 of the delay in arranging supply of shutters/hoisting equipments for the regulator at Odenchira after completion of civil works. The Public Accounts Committee in its Fifth Report (March 1971) wanted that the delay in the Chief Engineer's Office in the final isation of drawing and design for shutters should be enquired into and action taken against those who were responsible for the delay. Details of action taken are awaited (March 1977).

The civil works of the regulator were completed by February 1967 and the mechanical works in March 1971 and the scheme (estimated cost: Rs.8.5 lakhs) was partially commissioned in March 1971. In September 1971, it was noticed that the teeth of the three gear wheels of the shutters were broken. Again, in April 1973, it was reported by the Executive Engineer that seven out of ten motors were faulty and not working and that a gear wheel of the shutter was broken through the axis. Leakages through the regulator shutters have also been reported (April 1976). The estimated cost of rectification of the defects came to about Rs. 0.44 lakh. According to the agreement, the firm was to rectify the defects, but this has not been done. Final payment to the firm is yet to be made (March 1977). A revised estimate for Rs. 14.90 lakhs was prepared (November 1976) taking into account increase in costs and providing for balance works (approach road to the regulator, flood banks including construction of sluices and culverts, watchmen's quarters and rectification to the shutter) and is awaiting sanction (March 1977). Expenditure on the works till March 1977 amounted to Rs. 8.75 lakhs.

(d) *Overlapping of ayacut—infructuous expenditure*

Overlapping of ayacut (3,528 acres) of lift irrigation works with that of major irrigation projects was noticed by the Department in 10 cases (estimated cost: Rs. 9.42 lakhs). Total expenditure incurred on these schemes upto March 1976 amounted to Rs. 12.28 lakhs.

In respect of the 8 schemes overlapping with the Pamba Irrigation Project, the Executive Engineer, Chengannur stated (June 1976) in reply to an audit enquiry that most of the schemes had been left half way incomplete or only partially commissioned and that pressure from cultivators had prompted the department to revive them and that as the Pamba Irrigation channel was expected to be completed soon, the schemes were now proposed to be dropped. The total expenditure on these 8 (1 completed and 7 incomplete) works amounted to Rs. 10.22 lakhs.

(e) *Maintenance of minor irrigation works*

Repairs and maintenance of Class II works are done by the panchayats. They are paid maintenance grant at the rate of Rs. 2.50 per acre for this purpose. The evaluation study conducted by the State Planning Board in February 1975 revealed that maintenance of Class II works was being neglected by the panchayats for want of funds or lack of interest or both. Details collected by Audit(June–July 1976) from two divisions revealed that 299 Class II works completed at a total cost of Rs. 33.25 lakhs for benefiting 11,187 acres had gone out of service. To an enquiry by Audit as to the steps taken by Government in the matter, it was stated (July 1976) that the Junior Engineers attached to the Blocks had been appointed as Irrigation Officers for inspecting minor irrigation works maintained by the panchayats for the purpose of achieving optimum utility of minor irrigation structures and that, with the appointment of Irrigation Officers vested with powers of inspection of minor irrigation works, the possibility of very old structures getting into disuse could be prevented.

According to the orders issued by Government in April 1968, the maintenance cost of lift irrigation schemes should not exceed Rs. 100 per acre of area benefited. The accounts of lift irrigation schemes in Alwaye and Muvattupuzha sub divisions of Ernakulam district, however, showed that the actual expenditure largely exceeded the ceiling limit as detailed below:—

					Maintenance expenditure		
Sl. no.	*Name of sub division*	*Year*	*No. of works*	*Area irrigated (in acres)*	*Admissible*	*Actual*	*Excess*
					(in lakhs of rupees)		
1	Alwaye	1973-74	53	10525	10.53	14.25	3.72
		1974-75	54	10928	10.93	19.17	8.24
		1975-76	54	10928	10.93	20.13	9.20
2	Muvattupuzha	1973-74	21	4463	4.46	7.23	2.77
		1974-75	21	4463	4.46	9.10	4.64
		1975-76	22	4559	4.56	8.72	4.16

(f) *Collection of water cess*

The levy of water cess in land benefited by minor irrigation works in the State is governed by Travancore-Cochin Irrigation Act, 1956, Malabar Irrigation Works (Construction and Levy of Cess) Act, 1947 and Madras Irrigation Act, 1865 and the rules framed under the respective enactments. In May 1967, Government suspended, with effect from April 1967, collection of water cess (including arrears) on lands benefited by minor irrigation works with ayacut areas not exceeding 200 acres pending enactment of a new legislation. The new legislation is yet to be enacted. Meanwhile, rates of water cess were revised and collection of cess was revived from July 1974. However, arrears accrued for the period upto June 1974 were ordered (September 1974) to be written off. No assessment of the dues was made before the write off orders were passed.

According to the information received from eight out of ten Divisional Officers, 2,218 minor irrigation works (total capital cost: Rs. 4,29.69 lakhs) were in operation during 1975-76 irrigating an area of 78, 581 hectares. The maintenance expenditure of 60 Class I minor irrigation works and 168 lift irrigation works, maintained by the Irrigation Department, amounted to Rs. 43.78 lakhs during the year.

The total irrigation cess assessed and collected during the year in respect of minor irrigation schemes, as reported by eight District Collectors, amounted to Rs. 10.21 lakhs and Rs. 2.25 lakhs respectively. The arrears in collection amounted to Rs. 7.96 lakhs as on 31st March 1976. In another district (Trivandrum) there was no demand or collection due to non-furnishing of ayacut lists by the Irrigation Department.

In a test check by Audit, the following points were noticed:—

(i) In 7 cases there was a discrepancy of 695 acres between the area for which cess was demanded by the Revenue Department and the area as per the records of Irrigation Department.

(ii) The rules provide for the collection of cess as soon as possible after the whole or part of the ayacut gets benefit from an irrigation scheme. It was, however, noticed that, in respect of several completed schemes, water cess had not been levied for years together due to delay in forwarding the ayacut list, non-finalisation of ayacut register, etc. Details of some cases noticed are given below:—

Name of division	*No. of works*	*Period of completion*	*Area benefited for which cess is leviable (in acres)*	*Area for which cess is levied (in acres)*	*Remarks*
Quilon	1185 (Minor Irrigation Class II)	1-4-1956 to 31-3-1974	44,100	Nil	Ayacut particulars not forwarded to Revenue Department (August 1975).
Ernakulam	12 (Lift Irrigation Schemes)	1950-51 to 1971-72	3,603.44	Nil	Ayacut particulars sent to Revenue Department in July 1975 only.
Palghat	3 (Minor Irrigation Class I)	September 1966 February 1971 June 1967	1,188	612	Ayacut list not approved by the District Collector.
Palghat	231 (Minor Irrigation Class II)	March 1959 to June 1973	9,570	2,045	Demand for water cess has been raised in respect of 55 schemes only. In respect of the other schemes the ayacut has to be finalised after verification.
Chengannur	7 (Lift Irrigation Schemes)	December 1949 March 1952 March 1961	1,763	Nil	Ayacut list forwarded in July ~~in~~ 1974.
Trichur	1 (Minor Irrigation Class I)	May 1970	344	Nil	Ayacut list forwarded in September 1975.

The delay entails loss of revenue to the extent of about Rs. 5.64 lakhs per annum at the existing rates.

(8) The review was sent to Government in October 1976; their reply is awaited (March 1977).

4.2. Paravoor kayal reclamation Scheme

(1) *Introductory*

(a) A scheme for reclaiming about 400 acres of kayal land at the confluence of Ithikara river with Paravoor Kayal was sanctioned by Government in September 1967 with the object of raising a paddy crop in the reclaimed area. The kayal is separated from the sea by a sand bar. During flood season the sand bar has to be cut open to drain the flood water but when the water level in the kayal is low, saline water from the sea enters the kayal if the bar is not closed in time. Due to difficulty in opening and closing the bar in time, cultivation in the area in the vicinity of the kayal is adversely affected. In order to control this damage a regulator was constructed by the Irrigation Department (December 1970).

(b) Mention was made in paragraph 25 of the Report of the Comptroller and Auditor General of India for the year 1969-70 about the construction of bunds (commenced in November 1967 and completed in April 1969) in two blocks on either side of the kayal by the Soil Conservation Department at a cost of Rs. 5.04 lakhs and the failure of the cultivation in the right bank block attempted by the Agriculture Department in 1968-69, due to breaching of the bunds (in July 1968 and January 1969). During examination of the Audit paragraph by the Committee on Public Accounts, 1972-73 the Director of Agriculture stated that as further sinking of bunds had then occurred at many places in July 1969, the Peechi Research Station had been asked to do a detailed study of soil condition and the nature of repair works to be done. The Committee had then viewed with serious concern the manner in which the scheme was implemented (paragraph 2.81 of their 13th Report of March 1972) and the haste with which the work was undertaken without proper investigation and had recommended (paragraph 2.82) that an enquiry be conducted regarding the implementation of the scheme. The details of action taken by Government on this recommendation are awaited (March 1977).

(c) In April 1971 Government decided that the construction of bunds be taken up by the Irrigation Department after receipt of the report from the Peechi Research Station and that the cultivation may be resumed only after firm bunds were put up.

An estimate for Rs. 13.59 lakhs for strengthening the bunds and closing the breaches as recommended by the Peechi Research Station was sent to Government by the Chief Engineer in May 1972. The estimate also provided for constructing two regulators, one on either end of the bund, for allowing the entry of flood water during flood season for accumulating silt and to enable irrigation of the crops when required. The estimate, however, was not sanctioned. Government stated (December 1975) that even without incurring a huge expenditure of Rs. 13.59 lakhs on the construction of bunds as recommended by the Peechi Research Station, the existing bunds could be strengthened and utilised for further cultivation after annual maintenance.

(2) *Cultivation in* 1973-74 *and* 1974-75

(a) Although Government had earlier decided that cultivation should be attempted only after firm bunds were constructed, an estimate for Rs. 1.58 lakhs (subsequently revised to Rs. 1.97 lakhs) for taking up paddy cultivation in 140 acres in the right bank block during 1973-74, was prepared at the instance of Government and approved by the Director of Agriculture on 16th November 1973 with instructions to complete the sowing operations before 15th December 1973. The estimate was sanctioned by Government in February 1974. The breaches in the bunds which had occurred in July 1969 were closed in November 1973, incurring an expenditure of Rs. 0.75 lakh (including maintenance of bunds). Dewatering work, commenced on 15th January 1974, was completed by 25th January 1974. By this time, as the water in the outer kayal of the reclaimed area became saline and could not be utilised for irrigating the paddy crop to be raised, the Director of Agriculture ordered (January 1974) that cultivation operations during the season be stopped forthwith. The total expenditure incurred on the cultivation operations during 1973-74 (including payments made till August 1975) was Rs. 0.96 lakh (bund works: Rs. 0.75 lakh; dewatering charges: Rs. 0.13 lakh; other expenses: Rs. 0.08 lakh). No cultivation could, however, be undertaken during the year and the expenditure incurred remained unfruitful.

(b) In 1974-75 the Department decided (May 1974) to take up the cultivation during the period September—December with the expectation that the North-East monsoon rains could irrigate the crop. It was decided to undertake cultivation in 100 acres, the remaining 40 acres being kept as a fresh water reservoir for irrigating the crop after the monsoon. An estimate for Rs. 1.58 lakhs was submitted to Government by the Director of Agriculture in September 1974 and approved by Government in November 1974. The agricultural operations were started on 4th October 1974. By 15th October 1974, when sowing was in progress, the labourers went on strike demanding higher wages. As the department decided not to pay the increased wages demanded, all agricultural operations were stopped by the middle of November 1974. The seedlings withered due to lack of irrigation and the crop was lost. The expenditure incurred on the cultivation (Rs. 0.33 lakh) became infructuous. Government stated (December 1975) that the failure of the paddy cultivation taken up by the Department during 1973-74 and 1974-75 was due to circumstances beyond their control.

(c) A total expenditure of Rs. 8.21 lakhs (Rs. 5.76 lakhs by the Soil Conservation Department and Rs. 2.45 lakhs by the Agriculture Department) was incurred on the scheme (on construction and maintenance of bunds and agricultural operations) till the end of December 1976.

(3) *Cultivation in* 1975-76

In October 1975, the land (140 acres) was leased out to the Ithikkara Karshaka Co-operative Society for cultivation during 1975-76, subject to the condition that the society would meet all expenses for construction of bunds and cultivation and would give 2,000 paras of paddy (market value: Rs. 0.35 lakh) to Government. The society completed the work on bunds and on dewatering operations by the third week of November 1975, but could not start sowing till the sand bar at the mouth of the kayal was closed so that ingress of salt water from the sea could be prevented. Even before taking over the land, the society had been stressing the need to close the sand bar and had, as soon as they started the cultivation operations (7th November 1975), requested the Director of Agriculture telegraphically to take immediate steps in the matter. The work (estimated cost: Rs. 1.67 lakhs) was sanctioned by Government on 8th January 1976. By the time the work of closing the sand bar was completed by the Irrigation Department (10th January 1976) saline water had already entered the kayal area. Because of lack of fresh water and delay in rains, the society finally decided to give up cultivation for that season.

(4) *General*

Cultivation in the reclaimed area so far attempted by the Department either direct or through the society has thus not been a success. In reply to an audit enquiry, the Director of Agriculture stated (January 1976) that the regulator constructed in December 1970 at the mouth of the kayal was not quite effective in preventing salt water intrusion. The Chief Engineer stated (August 1976) that the reason for saline intrusion in spite of the provision of the regulator had to be ascertained after inspection of the structure which was being arranged.

No cultivation has so far been attempted in the 260 acres in the left bank block. Government stated (December 1975) that the cultivation done in the right bank block (140 acres) was as an experimental measure and that the department had all along acted with due diligence and in good faith to undertake cultivation on a well-planned basis.

(5) The matter was reported to Government in August 1976; their reply is awaited (March 1977).

LOCAL ADMINISTRATION AND SOCIAL WELFARE DEPARTMENT

4.3. Greater Cochin water supply and sewerage scheme

(1) *Introductory*

A water supply system commissioned in 1914 (and improved upon from time to time) caters to the needs of a population of 4 lakhs in the Cochin Corporation area. The supply covers an area of 73 square kilometres at a rate as low as one gallon of water per capita per day in most of the places covered as against a norm of 25 to 45 gallons required under the Public Health Manual and Code of Practice. As regards sewerage, except for the Ernakulam Hospital zone, there is no proper sewerage system in the entire Greater Cochin area. In the absence of a sewerage system in the urban areas of Ernakulam, Mattancherry, Fort Cochin, Alwaye and Parur covering about 25 to 39 per cent of the population, nightsoil is being conveyed by lorries to a nightsoil treatment plant/dumping ground. A comprehensive scheme of water supply and sewerage for the entire Cochin Development area was, therefore, thought of and investigation started in 1964.

(2) *Project Reports*

A preliminary engineering report for a scheme estimated to cost Rs. 39.80 crores was prepared by the Public Health Engineering Department in 1965 with anticipation of financial assistance from the World Bank. The World Health Organisation Consultants, who conducted an on-the-spot study (in 1965) and examined the report, felt that the scheme needed further detailed investigation. A detailed engineering report for the scheme for a revised cost of Rs. 52.97 crores was, thereafter, prepared in 1967 projecting the completion of stages I and II by 1971 and 1986 respectively. World Bank assistance did not, however, materialise. Again, a revised Project Report for a cost of Rs. 1,09.29 crores (Rs. 54.41 crores for water supply and Rs. 54.88 crores for sewerage) was prepared, revising completion dates for stages I and II as 1981 and 1996 respectively and sent to the State Government (April 1975) for seeking World Bank assistance. The revised Project Report envisaged supply of water to the entire Greater Cochin area [covering an area of 1,320 square kilometres and a population of 16.65 lakhs (1971 census) in the Cochin Corporation, the Municipalities of Alwaye Perumbavoor and Parur, the Industrial townships of Thrikkakara-Kalamassery, Eloor—Edayar, Angamali and Ambalamugal and 55 Panchayats] and a sewerage system limited to an area of 142.5 square kilometres covering the Corporation, Municipal towns and industrial townships only. The scheme envisages supply of water at the rate of 44 gallons per capita per day in the urban areas and 33 gallons in rural areas for a projected population of 28.46 lakhs in 1996 (I stage) and 33.41 lakhs in 2011 (II stage). The total water demand has been assessed at 113.75 m.g.d. in the I stage and 153.13 m. g. d. in the II stage.

(3) *Estimates*

In January 1969, Government sanctioned some component works under the Greater Cochin Water Supply Scheme (forming part of the Detailed Engineering Report 1967) for providing water supply to the Cochin Corporation area and sewerage to Ernakulam South Zone at a cost of Rs. 5.28 crores. This sanction was subsequently superseded (July 1971) by another one for Rs. 15.23 crores which was in modification of some parts of the original estimate, by providing for extension of the water supply to 13 panchayats also in the Greater Cochin area (estimate: Rs. 1.93 crores) as also for laying of an additional water pumping main from Alwaye to Ernakulam (estimate: Rs. 2.15 crores), water supply distribution systems for the Edapally and the Palluruthy zones (estimate : Rs. 0.70 crore) and for sewerage for Mattancherry, Fort Cochin and Ernakulam North (estimate: Rs. 5.87 crores).

(4) *Execution*

Four Public Health Engineering Divisions (established between August 1967 and November 1970) under a Superintending Engineer are executing the works sanctioned for the Cochin Corporation area. Rs. 6,57.92 lakhs have been spent on these works from 1967-68 to 1975-76 (Rs. 5,48.26 lakhs on water supply and Rs. 1,09.66 lakhs on sewerage), besides interest payment of Rs. 70.47 lakhs on the loans obtained from the Life Insurance Corporation of India. Extension of water supply to Eloor panchayat (one of the

13 panchayats) has also been completed at a cost of Rs. 3.88 lakhs and commissioned in July 1973. Schemes for the extension of water supply to the remaining 12 panchayats have been ordered by Government in March 1975 to be taken out of the main scheme for execution separately under the 'Minimum Needs Programme' of the State Government.

While sanctioning the works (estimated cost: Rs. 15.23 crores) no time-bound programme for completion of the various items of work was laid down by Government. This was largely due to uncertainty regarding availability of resources. The annual budget provision for these works during the years 1967-68 to 1975-76 involving a total outlay of Rs. 8,12 lakhs ranged between a minimum of Rs. 31.39 lakhs in 1969-70 and a maximum of Rs. 1,46.12 lakhs in 1975-76.

In addition to the works mentioned above, urban water supply schemes for Alwaye and Parur municipalities estimated to cost Rs. 17.60 lakhs and Rs. 39 lakhs respectively were sanctioned by Government separately in April and July 1970. These schemes were partially commissioned from February 1974 and February 1976 respectively (expenditure upto March 1976: Rs. 25.38 lakhs and Rs. 57.09 lakhs respectively).

(5) *Financial assistance from the Life Insurance Corporation of India*

The cost of urban water supply schemes is shared between Government and the Corporation/Municipality concerned on 50:50 basis. The Life Insurance Corporation of India gives loans to the local bodies direct to the extent of 66⅔ per cent of the estimated cost of the entire scheme. The loans are repayable in 25 years with a moratorium for first three years. The repayment of principal and payment of interest by the local bodies are guaranteed by the State Government.

For the component works under the Greater Cochin Water Supply and Sewerage Scheme sanctioned by Government in January 1969 (cost: Rs. 5.28 crores), the Life Insurance Corporation of India has advanced loans aggregating Rs. 4,17.52 lakhs upto the end of March 1976. The balance requirements amounting to Rs. 1,10 lakhs are to be met by Government. Till March 1976, Government have paid a sum of Rs. 70.47 lakhs by way of interest and Rs. 8.10 lakhs towards repayment of loans on behalf of the Cochin Corporation. For the Alwaye and Parur Water Supply Schemes, the respective municipalities likewise received loans amounting to Rs. 15.00 lakhs and Rs. 36.30 lakhs.

(6) A review of the implementation of the scheme and the other works already taken up was conducted by Audit (May—July 1976). The following points were noticed:—

(a) *Delay in development of water supply sources*

The sources of water supply envisaged originally (1967) for the Cochin Development area were the Periyar and the Muvattupuzha rivers with perennial supply of tail race waters expected from the Idamalayar and Idukki Hydro-Electric Projects. The Development area was divided into 4 major zones namely, South (mainly the Corporation area), Central (Industrial townships of Thrikkakara, Kalamassery, Alwaye), North-west (Eloor Edayar, Parur) and North-east (Kalady, Perumbavoor, Angamaly). The area was to be fed from four intake points (raised to 7 in the revised Project Report 1975) and distribution made through a system of direct pumping with 57 service reservoirs and a net work of pipes (100 m. m. to 1500 m. m. diameter) for a total length of 1,205 kilometres.

The source for the South Zone was the Muvattupuzha river with intake point at Ramamangalam from where water was to be conveyed to a treatment plant at Irumbanam (16 kilometres away) and the treated water conveyed through transmission mains and distribution pipes. This proposal did not materialise as there was delay in commissioning the Idukki Hydro-Electric Project under which impounded waters of the Periyar and Cheruthoni rivers were to be let into Muvattupuzha basin. Therefore, in order to meet the urgent requirements, expansion of the capacity of the water treatment plant at Alwaye (with Periyar river as its source) from the existing 10.6 m. g. d. to 26.44 m.g.d. and laying of an additional (42" dia) G. I. pumping main from Alwaye to Thammanam in Ernakulam were sanctioned in July 1971 and taken up in February 1972. According to the Department's assessment (July 1971), the alternative transmission system would involve an initial capital cost of Rs. 40.60 lakhs more as compared to the cost of the transmission system from Ramamangalam source, but there would be savings in cost of establishment and other operational expenses consequent on adopting a single source and concentrating the head works and treatment plants at one place.

Water for the other zones was also to be tapped from the Periyar river itself with additional intake works and treatment plants at Edayar, Vallom, Kalady and Alwaye. These works are yet to be sanctioned (March 1977).

(b) *Delay in utilisation of water supply source already developed*

The construction of a 15.84 m. g. d. capacity water treatment plant at Alwaye (required for expansion of the existing capacity from 10.6 m. g. d. to 26.44 m. g. d.) was entrusted to a contractor on lumpsum contract for Rs. 31.81 lakhs in February 1972. The work, which was due for completion by September 1973, was completed in January 1976 (cost paid upto March 1976: Rs. 37.16 lakhs).

For the existing water supply scheme, there is already a 36" diameter transmission main from Alwaye to Ernakulam which is capable of transmitting 16 m. g. d. of water and the pumps installed are capable of pumping 13.75 m. g. d. of water. An additional 42" diameter pumping main from the treatment plant to Thammanam and additional pumps of required capacity were proposed along with the increase in the capacity of the water treatment plant from 10.6 m. g. d. to 26.44 m. g. d. The pumping main has so far (March 1977) been laid only in one out of six reaches [details given in para (c) (ii) below]. In order to provide additional pumping capacity to match the capacity of the existing transmission main, an order for supply and erection of a pump with a discharge capacity of 3,750 gallons per minute (cost: Rs. 2.25 lakhs) was placed with a firm in January 1975. The pump is now reported to be under trial run (April 1977). Three more pumps (out of another four pumps required for the new treatment plant) for which orders were reported to have been placed in February 1977 are also to be received and installed. The transmission mains and the pumping capacity thus remain insufficient to cater to the additional capacity of the treatment plant. According to Government (December 1976), the additional transmission main is intended only for development gradually so as to convey and treat the ultimate capacity of water which the plant is capable of treating.

(c) *Delays in taking up/completion of works*

Brief details of some of the works sanctioned by Government in July 1971 which have not been taken up or have not been completed are mentioned below:

Particulars of works	*Remarks*
(i) Water Supply to Cochin Corporation area Estimate: Rs. 3.56 crores Expenditure Rs. 3.53 crores (upto March 1976)	Out of 55 working estimates sactioned, 32 works estimated to cost Rs. 2.23 crores only were completed (July 1976). Ten works estimated to cost Rs. 0.78 crore

Particulars of works	*Remarks*
	were in progress; and 13 works estimated to cost Rs. 0.55 crore remain to be taken up, so that only 13.75 m. g. d. are supplied against the first stage requirement of 113.75 m.g.d. and installed capacity of 26.44 m.g.d. at Alwaye.
(ii) Laying 16 km. long additional pumping main from Alwaye to Ernakulam (Thammanam) Estimate: Rs. 2.15 crores Expenditure: Rs. 1.70 crores (upto March 1976)	Out of 6 reaches, the 2nd reach (from Thammanam side) of laying the pumping main was completed in August 1974 at a cost of Rs. 78.92 lakhs. Works on three more reaches are reported to have been started and in the remaining reaches the works are yet to be taken up (March 1977).
(iii) Sewerage works—Ernakulam South Zone and allied works Estimate: Rs. 1.72 crores Expenditure: Rs. 1.10 crores (upto March 1976)	Against 90.10 kms. of sewers to be laid, ~~32.65~~ 33.2 kms. only have been laid till the end of February 1977. The Superintending Engineer observed (January 1976) that "the progress of sewerage works was extremely poor and everything had come to a stalemate because of poor planning in the execution".
(iv) Sewerage for Mattancherry and Fort Cochin Estimate: Rs. 2.84 crores	Not taken up so far (March 1977).
(v) Sewerage for Ernakulam North Estimate: Rs. 3.02 crores	

An expenditure of Rs. 2,80.12 lakhs upto March 1976 on items (ii) and (iii) above remains unfruitful.

(d) *Distribution works*

In the following cases, works already completed could not be put to use as complementary works were awaiting completion:—

Particulars of works completed	*Date of completion*	*Remarks*
(i) 24" (600 mm) transmission pumping main from Thoppumpady to Palluruthy Estimate: Rs. 13.16 lakhs Expenditure upto March 1976: Rs. 3.78 lakhs (including cost of pipes)	April 1975	Work on the 5 lakh gallon reservoir (pump) at Palluruthy to receive the water transmitted through the pumping main has not been taken up pending execution of works connected with stabilisation of sub-soil. The stabilisation work (estimate: Rs. 3.44 lakhs) arranged in June 1976 (after study by the Kerala Engineering Research Institute, Peechi) is scheduled for completion only in March 1977.
(ii) Laying of 700 mm. Premo pipes from Palarivattom to Thammanam—1.7 k. m. Estimate: Rs. 3.90 lakhs Expenditure upto March 1976: Rs. 5.68 lakhs	February 1973	The pipe line is to feed a proposed ground level reservoir at Thammanam as a temporary measure by tapping the existing 33" main from Alwaye at Palarivattom (pending completion of the 42" pumping main from Alwaye to Thammanam). The reservoir is yet to be constructed. The soil stabilisation work for the reservoir site was completed by August 1975 and settlement of soil is being watched (March 1977).

Particulars of works completed	*Date of completion*	*Remarks*
(iii) Ground level reservoir at Karuvelipady (Mattancherry). Estimate: Rs.17.10 lakhs. Expenditure upto March 1976: Rs. 21.66 lakhs.	August 1975	Erection of pumps and inter-connection works between the reservoir and pump house are yet to be completed (March 1977).
(iv) Pump house at Karuvelipady Estimate: Rs. 2.00 lakhs. Expenditure upto March 1976: Rs. 5.59 lakhs	October 1975	
(v) Booster Station at Tatapuram Estimate: Rs. 1.00 lakh Expenditure upto March 1976: Rs. 2.37 lakhs	September 1973	The pumpsets (cost: Rs. 0.60 lakh) received in May 1974 have been erected and pipe connection works completed in February 1977. Electric connection to be obtained after execution of a minimum guarantee bond is yet (March 1977) to be received. The transformer for operating the station has not been installed (March 1977) although Rs. 6,153 were deposited with the Kerala State Electricity Board in August 1974. For watching the pumps and the building Rs.20,342 were spent during October 1974 to March 1977 on three watchers engaged.

Particulars of works completed	*Date of completion*	*Remarks*
(vi) Water Supply Distribution system to Ernakulam Town (North Zone) Estimate: Rs. 14.43 lakhs Expenditure upto March 1976: Rs. 21.08 lakhs	May 1974	The distribution of water through the new pipe line in the area as per the design is possible only after commissioning the Booster Station at Tatapuram [referred to at item (v) above] and an overhead tank at Vaduthala for which 0.254 hectare of land was acquired in January 1972 at a cost of Rs. 0.79 lakh. An estimate for Rs. 1.60 lakhs for soil stabilisation (for construction of the overhead tank) was sanctioned by the Executive Engineer in July 1974 only. The work is yet to be arranged (March 1977).

In reply to paragraphs (c) and (d), Government have stated (December 1976) that there is no certainty about the actual allocation of funds without which precise time schedules of operation on the various components cannot be decided upon. Having regard to this and also the availability of materials, a number of short-term reappraisals of works in progress becomes inevitable, and during each such reappraisal an attempt is made to develop and obtain utility from such of those components as are most viable.

(e) *Extra expenditure*

(i) The construction of 3 overhead tanks taken up under the Ernakulam-Mattancherry Water Supply Scheme (which is to become part of the Greater Cochin Water Supply Scheme) was entrusted to a contractor in December 1964 on lumpsum contract for Rs. 16.40 lakhs. The contractor had submitted his own designs based on the general indications made in the tender notification. To ensure structural safety of the foundation, the department in December 1964—January 1965, arranged for testing of the soil at the sites of the three tanks by the Kerala Engineering Research Institute, Peechi. Based on the tests, the contractor was instructed (October 1965) to revise his designs and to provide R. C. C. pile foundations for all the three tanks as against two tanks proposed by him. Further, the length and the number of piles proposed were also required to be increased substantially. The agreement was executed in November 1965. The work was to be completed within a period of 12 months, but it was completed only in February 1970.

Owing to the changes in design, several extra items were found necessary in actual execution. Without settling the rates for these items as required under the conditions of contract, the contractor was allowed to proceed with the work. By March 1969, the total payments made to the contractor (Rs. 26.47 lakhs) exceeded the amount of contract by more than 60 per cent. The matter was not, however, reported to Government even at that stage for obtaining revised sanction as required under the rules.

According to the agreement, extra items were to be paid at "estimate rates plus 20 per cent", but no definition of the term "estimate rates" was given in the agreement. The department had been regulating interim payments for extra items based on departmental estimate rates (10 part bills were paid upto March 1969); but in July 1970 when the work was nearing completion, the contractor objected to the payments on the ground that the term "estimate rates" mentioned in the agreement (in consonance with his tender) was the estimate rates given by him to the Department for regulating the interim payments and not the departmental estimate rates. No decision on this was taken till November 1973, when the contractor preferred his claims before the Government Arbitrator for Engineering Contracts. In February 1974, the Arbitrator passed an award for the payment of Rs. 6.63 lakhs to the contractor (Rs. 3.63 lakhs towards extra items of work done on the basis of the contractor's claims and Rs. 3 lakhs to compensate the increase in costs and the loss sustained due to the delay in finalising design). The award was confirmed by the court in July 1975 and the amount together with interest at 6 per cent paid to the contractor in January 1977.

As this work was awarded initially to the contractor on lump sum basis on the basis of his own designs which were substantially modified, it was not possible to assess the reasonableness of the rates paid to the contractor particularly in view of the omission to settle the rates before hand. By allowing the contractor to proceed with the work and by interim payments without settlement of the rates, the Department was unable to resist the claims of the contractor and had to meet the amounts awarded in the arbitration.

(ii) The 700 mm diameter prestressed concrete premo pipes for the pipe line of 1,635 metres from Palarivattom to Thammanam [work referrred to at item (ii) of para (d) above] were to be supplied by a Government Company. As the company did not supply the required quantity of pipes of the specified diameter, 750 mm diameter cast iron pipes obtained in July 1972 from Public Health Central Stores were laid for a length of 330 metres and the work completed in February 1973. This entailed an extra expenditure of Rs. 0.88 lakh. As the reservoir to which the line is to be connected still (March 1977) remains incomplete, the urgency for executing this alternative arrangement was not evident. Government stated (December 1976) that it was thought more appropriate to complete the work by using cast iron pipes lest the contractors might claim compensation for delay in supply of materials.

(f) *Trend of establishment expenditure in comparison with works expenditure*

The establishment cost upto March 1976 amounted to Rs. 86.92 lakhs, which was 13.21 per cent of the expenditure of Rs. 6,57.92 lakhs on works (against 5 per cent contemplated in the Engineering Report of 1965). The annual work load for a division was assessed in the revised Project Report 1975 as Rs. 2,00 lakhs but the actual work load was far less. An analysis of the work load for the 3 years 1973-74 to 1975-76 and the percentage of establishment cost to works expenditure in the four divisions is given below:

Division	*Works expenditure (in lakhs of rupees)*			*Percentage of cost of establishment to works expenditure*		
	1973-74	1974-75	1975-76	1973-74	1974-75	1975-76
Division I	38.83	29.75	20.64	8.57	13.56	24.19
Division II	11.38	8.86	9.12	20.73	33.37	38.43
Division III	26.18	23.75	18.04	8.77	12.36	19.22
Division IV	28.81	23.15	69.95	10.63	15.95	6.22

Government stated (December 1976) that the high percentage was due to the fact that the divisions were also attending to investigation and design of the works and that, while the establishment expenditure had increased due to revision of pay and dearness allowance, the works outlay which was related to plan provisions remained more or less the same.

(g) *Other points*

(i) *Laying of underground electric cable*

For maintaining uninterrupted supply of power and for better security, it was decided to lay a new underground 11 K.V. feeder line to the head works at Alwaye. The cost of laying the feeder line was to be met by the Public Health Engineering Department and the work was to be got done by the Kerala State Electricity Board as a deposit work. An amount of Rs. 2.11 lakhs was accordingly deposited with the Electricity Board (Rs. 1.44 lakhs in October 1973 and Rs. 0.67 lakh in December 1974). But the work of laying this line remains to be taken up by the Board (February 1977).

(ii) *Idle tools and plant*

One Jessop Model ten tonne Road Roller (cost: Rs. 1.13 lakhs) purchased in February 1974 and one dewatering equipment (cost: Rs. 2.17 lakhs) purchased in January 1973 remained idle for long. Till March 1976, the road roller was used for 74 days only. In August 1975 (ie., within $1\frac{1}{2}$ years from the date of purchase), it was declared surplus to requirement. The road roller was later transferred to Water Supply Project Division No. I, Trivandrum in September 1976. The filter point dewatering pump (part of the dewatering equipment) was used for 84 days only till March 1976 and the jetting pump (another part) was used for 25 days till February 1976 when it was transferred to the Water Supply Project Division No. I, Trivandrum.

(7) *General remarks*

Against a target of supplying 40 gallons of water per capita as contemplated in the engineering report, the present supply is about 14.31 gallons. So far as improvements in sewerage are concerned [paragraph (6) (c) (iii)] though Rs. 1,09.66 lakhs have been spent and 30 k.m. of sewers laid till the end of 1975-76, only about 3 km. have been put to use. The slow increase in per capita supply was attributed by Government (December 1976) to increase in population of the city. As regards sewerage, it was stated that inter-connection of the lines with the treatment plant could not be completed due to the difficult nature of the work and obstacles such as cable lines, narrow roads, heavy traffic and high water table and that action was being taken to complete the inter-connections at the earliest.

4.4. Alleppey water supply scheme

(1) *Introductory*

Alleppey town is served by a water supply scheme commissioned in 1939 with a designed capacity of 1.44 m. g. d for a projected population of 1.10 lakhs in 1971. As the capacity proved grossly inadequate, a scheme for augmentation of water supply system in the town was drawn up by the Public Health Engineering Department in 1970 at the request of the Municipality. The works were to be carried out in two stages. The first stage is expected to supply 5.66 m.g.d of drinking water for a prospective population of 2.2 lakhs in 1986 at 25 gallons per capita per day. The second stage envisages provision of more tube wells, additional pump houses, service reservoirs, etc., for augmenting the supply further to 7.50 m.g.d in 2001 A. D.

The first stage of the scheme estimated to cost Rs. 1,50 lakhs was sanctioned by Government in July 1970. This was revised to Rs. 2,63 lakhs in July 1971 (mainly due to increase in cost of the distribution system to cover additional areas). The estimate was further revised to Rs. 3,30 lakhs in July 1974 due to increase in costs. This estimate is awaiting approval of Government. Expenditure upto end of March 1977 amounted to Rs. ~~3,01.99~~ 3,06·65 lakhs.

The cost of the scheme is to be shared between the Government and the Municipality on 50:50 basis. The scheme is financed to the extent of $66\frac{2}{3}$ per cent of the estimated cost by loans obtained by the Municipality from the Life Insurance Corporation of India, repayable over a period of 25 years. To the end of March 1976 the Municipality obtained a loan of Rs. 2,20 lakhs from the Life Insurance Corporation of India.

(2) A review of the scheme by Audit in June 1976 disclosed the following:

(a) *Water demand*

According to 1971 census, the population of Alleppey town and suburban areas expected to be served by the scheme was 2.96 lakhs. The water demand for this population even at the minimum of 25 gallons per capita per day recommended in the 'Public Health Engineering Manual and Code of Practice for water supply' would be 7.40 m.g.d. as against the expected supply of 5.66 m.g.d. on completion of first stage of the scheme. Assuming a decennial increase of 20 per cent in population (as adopted in the project report) the water demand would be about 9.62 m.g.d. by 1986.

(b) *Delay in execution*

Work on the first stage started in 1971-72 was scheduled to be completed by March 1974; but it has not been completed (March 1977). Against 12 tube wells planned in the I stage, 15 wells were taken up for construction and were completed by April 1973 at a cost of Rs.6.34 lakhs. The construction of pump-houses and erection of pumps also were completed in all the 9 zones by December 1976. The laying of distribution lines was nearing completion in all the 9 zones. Of the 8 service reservoirs, only 5 have been completed; the remaining 3 are reported to be nearing completion (March 1977). Pending commissioning of the completed reservoirs, the yield from the tube wells sunk is being partly utilised to feed the existing system to the extent required. The delay in completion of the scheme has been attributed by the Department to labour problems, paucity of funds, scarcity of cement, poor response to tender calls, heavy monsoons, revision of rates demanded by contractors due to increase in costs, etc.

(c) *Construction of service reservoirs*

(i) Out of 8 R.C.C. elevated service reservoirs proposed, five are of larger capacity (15.9 lakh litres each). The work of constructing these reservoirs was put to tender (on lump sum basis) in December 1971 according to which tenderers were to quote for their own design. Although the rules require that, for purposes of comparison, departmental design and detailed estimates should also be prepared for works awarded on lump sum basis, this was not done. The tenders were valid upto 6th April 1972. Of the two tenders received, the lower one was for Rs. 34.27 lakhs. The superintending Engineer, on 13th January 1972, forwarded the tenders to the Chief Engineer who in turn forwarded them to Government on 13th March 1972 for approval. On 25th March 1972, Government sought a clarification whether the tenderers had submitted designs and drawings, to which the Chief Engineer sent a reply on 7th April 1972, ie. after the expiry of the validity period. Attempts made by the department after 6th April 1972 to get the validity period extended by the tenderers did not succeed. The work was, therefore, retendered in July 1972. Four tenders were received; the lowest was for Rs. 35 lakhs from a Bangalore firm. In his report to Government (January 1973) the Chief Engineer had mentioned that this firm which had already failed to adhere to the time schedule for construction of a major reservoir for the Trivandrum Water Supply (Augmentation) Scheme, could not be relied upon for completing the battery of 5 reservoirs for the Alleppey Water Supply Scheme in time. However, after further negotiations with the firm, the tender was accepted by Government in June 1973. The work awarded in July 1973 and due for completion by 22nd March 1976 is now reported to have been completed (March 1977).

(ii) The firm to whom the construction of the 5 large size elevated reservoirs was awarded, represented to the department in February 1974 that on account of short supply of C. I. pipes they might be permitted to procure 10 guage thick M. S. sheets and fabricate them into double flanged down water pipes for the reservoir. This was agreed to by the Chief Engineer subject to the condition that M.S. pipes would be used for exposed portions only and the difference in cost between C. I. pipes and steel pipes would be recovered from the firm.

However, while communicating approval to the use of M. S. pipes to the contractor in November 1974, the Executive Engineer did not mention the recovery to be effected. The department proposed recovery of Rs. 89,535 in January 1975 computed on the basis of fabrication charges at the rate of 50 paise per kg. of the M.S. plates. But the firm objected to the recovery on the ground that they had not been informed about it earlier. The amount of proposed recovery was reduced by the Executive Engineer to Rs. 55,600 in June 1975 who simultaneously agreed to increase the cost of fabrication from Re. 0.50 to Rs. 1.00 per kg. This too was not acceptable to the firm. The Executive Engineer again recomputed (April 1976) the amount of recovery accepting the rate of fabrication charges at Rs. 4 per kg. claimed by the firm and recommended a token recovery of Rs. 600 only from the contractor. In July 1976 the Chief Engineer communicated to the Executive Engineer approved data rates for fabrication of M.S. plates into pipes (Rs. 9.45 per kg. for 150 mm dia; Rs. 3.45 per kg. for 300 mm dia, and Rs. 2.25 per kg. for 450 mm dia pipes). These rates are yet to be got accepted by the firm. Meanwhile, Rs. 21,200 have been recovered from part bills paid to the firm between August and December 1976. For the purpose of working out the recovery, the Department has adopted a market rate of Rs. 4,590 per tonne for M. S. plates (stated to have been assessed after local enquiry by the Superintending Engineer).

(iii) Construction of the three smaller reservoirs (one of 11.4 lakh litres capacity and two each of 4.55 lakh litres capacity) was put to tender in June 1972. As the only tender received (60 percent above estimate for two reservoirs and 58 per cent above the estimate for the third reservoir) was considered high, the work was retendered (January 1973) and, after negotiation, awarded (July 1973) at 49 per cent above the estimate rates to the only tenderer a local contractor, who was earlier considered as inexperienced by the Superintending Engineer. Selection notice was issued to the contractor on 6th September 1973. The draft agreement was signed by him on 12th December 1973 and the final agreement was executed on 26th February 1974 after approval by the Superintending Engineer. The sites were handed over on 1st March 1974 and the works were to be completed within 4/5 months thereof. As the contractor did not complete the work, extension of time was granted till the end of October 1976 after imposing a fine of Rs. 5,700 only although the terms of the contract provided for recovery of damages at the rate of one per cent of the estimated value of the contract for every day the work remained unfinished after the stipulated date. The works still remain to be completed (March 1977). According to the Executive Engineer, "the works were delayed solely due to the indifference on the part of the contractor".

(d) *Sinking of tube wells*

Drilling of 3 tube wells of 300 mm diameter was taken up departmentally and were completed between April 1971 and April 1972. As the rigs available with the department were not considered sufficient and purchase of new rigs would be costly, sinking of another 12 tube wells was awarded to an Engineering firm in July 1971 for Rs. 5.97 lakhs (estimate cost: Rs. 4.96 lakhs). Though the work was awarded in July 1971, the department placed orders in May 1972 for purchase of stores (brass jacketed strainers, G. I pipes, steel well casing pipes, etc.) costing Rs. 4.10 lakhs required for sinking the wells departmentally. The stores received between July 1972 and January 1973, were subsequently issued for other works (3-4 years after their purchase).

In the project report, an yield of 20,000 gallons of water per hour from each tube well was assumed. On actual execution the yield from six of the tube wells was found to be less than 15,000 gallons per hour. An enquiry was ordered by Government in December 1975 into the inadequacy of the yield of the tube wells already drilled. The Enquiry Officer (Executive Engineer, Designs) in his report of April 1976 attributed the low yield to the following probable causes:—

(i) Difference in characteristics of the water-bearing strata at the site of the tube wells,

(ii) The shrouding of tube wells had been done using $\frac{3}{8}''$ to $\frac{3}{4}''$ granite metal. This ought to have been done using rounded gravel of about $\frac{1}{4}''$ to $\frac{3}{8}''$ size (as per standard practice), the correct size being determined from the seive analysis of the water-bearing formation,

(iii) Developing of tube wells had not been done.

No report about the results of the enquiry was sent to Government, but instructions were issued by the Chief Engineer to the Executive Engineer in May 1976 to arrange for developing the wells already sunk. Developing of 13 out of 15 tube wells is reported to have been completed (March 1977).

It was noticed in audit that the tender specification for shrouding specified use of approved quality gravel of size to be determined after analysing the character of the water-bearing formation packed, but the firm in their tender had stated that packing material used would be granite metal of size $\frac{3}{8}''$ to $\frac{3}{4}''$, mixed with smaller sizes depending on the condition of the strata met with. In the selection notice issued in July 1971, the specification was given as approved quality gravel. Later, at the request of the firm, use of granite instead of gravel was approved by the Chief Engineer in July 1972 based on a report that packing with granite was working satisfactorily. According to the Chief Technical Examiner (October 1976), usage of granite metal is not permitted and the usage of granite metal instead of gravel and failure to determine the correct size of packing material might have contributed to the low yield.

Due to faulty execution of work, one of the wells drilled by the firm failed, the well pipe coupling separated and the lower portion containing the brass-jacketed strainers could not be recovered. The department undertook redrilling of the well (December 1973) and obtained an yield of 5,500 gallons per hour. The cost of rectification works undertaken by the department and the cost of the brass-jacketed strainers, etc., supplied by the department amounting to Rs. 0.81 lakh was proposed for recovery from the contractor. Recovery is yet to be made (March 1977).

(e) *Incorrect estimation in shoring in trenches for laying pipes*

Shoring is provided for supporting sides of trenches with wooden planks in the process of digging. Large variations were noticed between the actuals and the estimated quantities of shoring in trenches for laying distribution lines. In respect of 5 works in Zones II, V, VI and VII entrusted to different contractors, the actual quantity of shoring exceeded the estimated quantity (12,500 sq. m.) by 29,176 sq. m.

On noticing the excess quantity of shoring in respect of the work in Zone VI (where the quantity executed was 11,990 sq. m. against 1,200 sq. m. provided in the estimate), the Superintending Engineer inspected all the work sites and observed (September 1973) that the trench depth ranged from 1.5 m. to 2 m. only as against a depth of 4 m. assumed in the estimate. According to him the quantity of 12,000 sq. m. estimated by the Executive Engineer for Zone VI (1,200 sq. m. was reported to be a clerical mistake) and the rate of Rs. 9.80 sq. m. for shoring, (which was worked out based on an assumed trench depth of 4 metres), was not justified. He accordingly proposed that payments to the contractor should be made at the revised estimate rate of Rs. 5.60 per sq. m. based on the average depth of 2 metres of trenching actually done. The Executive Engineer who was in charge of the Division when the works were carried out, reported in November 1973 that, due to lack of experience in carrying out such works, the field officers had, during actual execution, allowed more depth for trenches as provided in the estimate and that on receipt of the Superintending Engineer's orders of September 1973, the Assistant Engineer was instructed to carry out the remaining work reducing the trench depth to 1½ to 2 metres. However, the Chief Engineer held (October 1974) that payment for work already done had to be made at full agreed rate as the depth of trenching was not specified in the agreement and that explanation of the officers concerned for preparation of defective estimate should be obtained. The Chief Engineer stated (November 1976) that the concerned Executive Engineer had been warned for not making a more realistic assessment of the extent of shoring required. Payment at agreed rate would entail an extra expenditure of Rs. 0.50 lakh on a quantity of 11,990 sq. m. shoring already done in Zone VI; the amount already paid in excess on a quantity of 8,452 sq. m. comes to Rs. 0.35 lakh.

DEVELOPMENT DEPARTMENT

4.5. Development of ports and habours

(1) *Introductory*

The State of Kerala has a coast line of about 570 kms. On this coast line are situated, besides the Major Port of Cochin, three intermediate ports at Calicut, Alleppey and Neendakara and nine minor ports at Trivandrum, Quilon, Ponnani, Badagara, Tellicherry, Cannanore, Azhikkal, Kasaragod and Azhikode.*

The intermediate and minor ports are administered by a separate Port Department of the State Government headed by a State Port Officer. The intermediate ports are under the charge of Port Officers and the minor ports under Port Conservators. A separate harbour engineering wing formed in the Port Department in 1969-70, initially for speedy investigation of projects and preparation of project reports, subsequently (October 1971) took over from the Irrigation wing of the Public works Department the responsibility for engineering works also.

(2) *Plan targets and achievements*

The financial targets and actual expenditure on development of intermediate and minor ports in the State during various plan periods are given below:

Plan period	*Targets* (*in lakhs of rupees*)	*Actual expenditure* (*in lakhs of rupees*)
Ist Five Year Plan (1951-56)	30.00	29.41
IInd Five Year Plan (1956-1961)	48.16	12.00
IIIrd Five Year Plan (1961-1966)	1,80.65	1,11.13
Annual Plans (1966-1969)	2,15.55	1,60.92
IVth Five Year Plan (1969-74)	6,82.40	2,98.27
Vth Five Year Plan (First two years 1974-76)	1,70.86	1,13.72
Total	13,27.62	7,25.45

* From December 1975.

Rupees 2,20.21 lakhs were received as assistance (loan) from the Government of India during the period 1953-54 to 1975-76 for the development of intermediate and minor ports. The bulk of the assistance was for the development of Neendakara (Rs. 88.72 lakhs) and Beypore (Rs. 65.56 lakhs) ports.

(3) *Working results*

The table below gives the year-wise details of expenditure and receipts of the intermediate and minor ports taken together for the last six years.

Year	*Capital expenditure on ports*	*Progressive capital expenditure to the end of the year*	*Revenue expenditure*	*Revenue receipts*	*Loss*
		(*in lakhs of rupees*)			
1970-71	15.31	2,62.12	18.28	8.23	10.05
1971-72	31.84	2,93.96	22.73	9.51	13.22
1972-73	1,05.92	3,99.88	22.89	9.64	13.25
1973-74	98.41	4,98.29	31.58	12.45	19.13
1974-75	59.26	5,57.55	33.93	13.40	20.53
1975-76	42.85	6,00.40	50.83	15.99	34.84
Total	3,53.59		1,80.24*	69.22	1,11.02

Year-wise details of the number of vessels calling and their tonnage and cargo handled are also given below:

Year	*Number and tonnage of vessels called at the ports*		*Cargo handled*
	Number	*Tonnage*	
		(*in lakhs of tonnes*)	
1970-71	1,324	5.19	3.32
1971-72	1,282	4.10	3.70
1972-73	1,025	3.30	2.59
1973-74	1,089	4.38	3.71
1974-75	902	2.58	3.90
1975-76	836	2.90	3.24

* Does not include depreciation and interest on capital.

The following observations are made in this connection:—

(a) It would be seen from the above that the ports have been working at a loss continuously and the losses have been rising.

(b) According to a Report (June 1970) of the Commission on Major Ports (appointed by the Government of India), bulk cargo had emerged as a dominant factor in India's foreign trade and shippers all the world over favoured the utilisation of larger capacity vessels. As a result of this and the dwindling coastal traffic (due to increasing competition from other modes of transport and the setting up of coastal refineries), the share of the minor ports in the total volume of trade had been either stationary or declining (based on figures for the period 1960-61 to 1968-69). The Commission had, therefore, recommended that further investments on minor ports should be made strictly on the basis of felt-need and proven liability.

It would be noticed from the above details that there has been substantial capital outlay (even after 1970-71) on improvement of the intermediate and minor ports; but there has been a steady decline in the number and total tonnage of ships calling at the intermediate and minor ports in the State and the quantum of cargo handled has continued to remain almost stationary.

(c) A comparison of the expenditure on pay and allowances of staff employed in the ports with the revenue receipts revealed that, in seven out of eleven ports, receipts did not cover even the cost of staff as shown below:—

Name of port	*Expenditure on staff during* 1970-71 *to* 1975-76	*Revenue receipts*
	(in lakhs of rupees)	
Intermediate ports		
Neendakara	5.61	21.76
Alleppey	12.20	8.99
Calicut	24.87	27.12
Minor ports		
Trivandrum	2.30	1.44
Quilon	1.26	3.65
Ponnani	0.86	0.17
Badagara	1.00	0.04
Cannanore	0.73	0.45
Tellicherry	1.97	0.49
Azhikkal	2.99	4.63
Kasaragod	0.32	0.07
Total	54.11	68.81

(d) An analysis of the utilisation of the cargo handling capacity of the ports revealed the following position:—

Name of port	*Percentage of average utilisation during* 1969-70 *to* 1975-76
Intermediate port	
Alleppey	9.72
Neendakara	23.99
Calicut	32.10
Minor port	
Ponnani	0.31
Tellicherry	1.85
Cannanore	2.38
Trivandrum	5.84
Azhikkal	7.31
Quilon	24.32

The decline in the cargo traffic at intermediate/minor ports has been attributed by the department to the following:

(i) Loading and unloading of cargo becomes hazardous during the monsoon and the operations have to be practically suspended during this season;

(ii) Traders are gradually shifting their activities to the fast developing Cochin port and they depend on road traffic for moving cargo which was transported by sea previously;

(iii) Handling of cargo at the minor ports is highly labour intensive and therefore, it is uneconomical;

(iv) The transport of cargo to ship is done by lighters of low capacity as only such lighters can be berthed alongside the open piers at the minor ports. The number of handlings increases as a result of this and cost becomes heavy;

(v) Minor ports lack amenities for supply of fuel and fresh water for the ships that call at the ports and this acts as a disincentive to the traffic.

In the case of Ponnani port, the low traffic was also attributed to lack of sufficient water at the bar and the channel due to siltation.

(e) There was no cargo traffic at the Badagara port since 1970-71 and at the Kasaragod port since 1973-74. This was attributed to merchants moving their cargo by road which they found more economical.

(4) Some further points noticed on a review of the Plan schemes relating to port development by Audit during March-August 1976 are given below:

(a) *Neendakara Port*

(i) Development of this port was a Centrally Sponsored scheme upto the end of 1969-70. From 1970-71 onwards it is a State Plan scheme. Central assistance (loan) aggregating Rs. 88.72 lakhs was received during the period 1961-62 to 1969-70. An expenditure of Rs. 1,40.06 lakhs has been incurred upto March 1976.

(ii) Mention was made in paragraph 36 of the Report of the Comptroller and Auditor General of India for the year 1972-73 regarding the slow progress of the work, "Stabilising and completing the construction of the breakwaters". The work started in December 1972, consisted of two parts viz., (1) rearranging and protecting the core materials with the armour stones and (2) concreting the top crest of the breakwater. The International Expert on littoral drift whose services were made available to the Government of India by the Swedish International Development Authority expressed the view (after a visit to the site in May 1975) that concrete capping of the breakwater was unnecessary. After the Chief Engineer, Harbour Engineering Works had discussed with the Director, Central Water and Power Research Station, Khadakwasla in April 1976, he issued instructions, during inspection in June 1976, that further work of concrete capping should be stopped. By then concrete capping of the top crest of the breakwater had been done partially. Expenditure on the work amounted to Rs. 1.78 lakhs against the estimated cost of Rs. 7.39 lakhs.

(iii) The Project Report envisaged the construction of wharves at the sides of the mineral sand factories in Chavara and the widening and deepening of Chavara canal at an estimated cost of Rs. 5 lakhs for providing adequate width and depth for the lighters bringing mineral sands from Koilthottam to Neendakara through the Chavara canal. In paragraph 51 of the Report of the Comptroller and Auditor General of India for the year 1970-71, mention was made *inter-alia* of some items of work (estimated cost: Rs. 0.24 lakh) having been left undone as no dredger was available. The Public Accounts Committee was informed by the department in March 1976 that, inspite of every attempt made, no dredger was available for completing the items left undone. It was, however, noticed in audit that the dredging could not be done as the old bridge on the National Highway at Neendakara was causing hindrance to entry of the dredger into the Ashtamudi lake and the Chavara canal. Tenders for disposal of the old bridge were invited by the Public Works Department only in May 1976 and the work awarded to a contractor in July 1976 although the new bridge at Neendakara on the National Highway 47 was opened for traffic in February 1972. Further developments are awaited. Pending the deepening of the canal, Rs. 4.46 lakhs spent upto February 1973 by the Irrigation Division, Quilon on construction of a 232 feet long wharf at Koilthottam and casting of pile beams etc., remain unfruitful (March 1977).

(iv) A wharf costing Rs. 2.88 lakhs and two transit sheds costing Rs. 4.56 lakhs at Asramam, Quilon completed in February 1965 and December 1965 respectively have not been put to the intended use so far (March 1977). This was attributed to the following reasons:

(1) the old bridge at Neendakara causing hindrance for safe navigation of tugs and barges;

(2) lack of sufficient depth in the navigational channel of the Ashtamudi Lake;

(3) inadequacy of cargo barges; and

(4) shipping interests being not willing to handle cargo at Ashramam wharf.

The transit sheds have been used from January 1966 for storing of stores materials of the Public Works Department and food grains of the Food Corporation of India.

(b) *Purchase of a dredger, "Meena Kerala"*

According to Government, the development of intermediate and minor ports in the State was being hampered by the absence of a dredging unit for dredging and maintenance of approach channels. Government, therefore, set up a Committee in May 1969, on the advice of the Government of India for drawing up/scrutinising the specifications of the dredger to be acquired. The dredging unit already available with the Department consisted of a 12 inch cutter suction dredger and a grab dredger with attendant craft which could be used for inner harbour dredging only. For outer harbour dredging, the Committee in its report (July 1969) pointed out that the Government of India was already having two dredging units which could be utilised by all maritime States on the basis of priorities to be determined by the Central Government. In addition to this, on grounds of economy it recommended *inter-alia* purchase of a non-self propelled cutter suction dredger (with an annual dredging capacity of 1.5 million cubic metres) in preference to a self-propelled sea going dredger. However, Government decided in August 1969 to purchase a sea-going self-propelled dredger. A self-propelled dredger (with maximum dredging capacity of 600 cubic metres per hour) with accessories was acquired in February 1974 from Messrs Mazagon Dock Limited, Bombay, at a negotiated contract price of Rs. 2,22.15 lakhs. The following points were noticed in this connection:

(i) The price quoted by the supplier company for the dredger with floating pipe lines (excluding spares) in March 1970 was Rs. 1,36.90 lakhs and this offer was valid for 90 days. A decision on the offer was, however, not taken by the department within the validity period. In March 1971 the company revised their price to Rs. 1,47.84 lakhs (excluding the cost of a Christmas tree arrangement for dredging in swells, costing Rs. 4.32 lakhs, subsequently ordered for). This was accepted by Government in July 1971 and the contract price fixed at Rs. 1,53.97 lakhs including the cost of the Christmas tree arrangement. The delay in accepting the offer thus led to. an extra expenditure of Rs. 12.75 lakhs.

(ii) Under the terms of the contract, the seller company (Messrs Mazagon Dock Limited) was to build and sell to the buyer (Government), the dredger with all component parts for the agreed price. Samples of laterite required for deciding the types of cutters to be fitted to the dredger were stated to have been sent in January 1972 (during the construction of the dredger) to the Dutch collaborators of the manufacturers. However, it was reported (January 1976) that the cutter supplied was not capable of cutting the hard laterite soil met with in Beypore port. Action is reported to be under way to obtain suitable cutters after considering the various aspects.

(iii) The dredger which arrived at Beypore port in February 1974, commenced work on 24th April 1974. The dredger was reported by the Dredging Superintendent (August 1976) to be capable of dredging 5,50,000 cubic metres per annum for single shift working for 220 working days of 5 hours each at an average rate of 500 cubic metres of soil per hour. However, the actual utilisation was far below the capacity as shown below:—

Year	*No. of days worked*	*Average no. of hours of dredging per day*	*Average out-turn per hour (cubic metres)*	*Quantity of dredging actually done (cubic metres)*	*Percentage of utilisation of the reported capacity*
1974-75	65	3.46	409.77	92,200	16.76
1975-76	68	4.88	522.77	1,73,560	31.56

The shortfall in the quantity dredged was attributed by the State Port Officer to staff shortage, bad weather, vacant posts, non-payment of off-shore and victualling allowances and shortage of repair facilities and skilled personnel for carrying out repairs.

(iv) According to an assessment made by the State Port Officer in November 1973, the working of the dredger was expected to result in a net profit of Rs. 38.40 lakhs per annum (based on a valuation of the expected out-turn at Rs. 5 per cubic metre) after meeting the interest on borrowed capital at 6 per cent and depreciation at 12½ per cent of the original cost. The actual results achieved, however, showed that the expenditure (excluding depreciation) amounted to Rs. 15.68 lakhs in 1974-75 and Rs. 15.78 lakhs in 1975-76 as against the estimated income of Rs. 4.61 lakhs in 1974-75 and Rs. 8.68 lakhs in 1975-76. In this connection, it was noticed that:

(1) The dredger which could work in three shifts was operating in single shift only. Proposals for working the dredger in two shifts were sent to Government only in June 1976 and additional staff for the purpose was sanctioned by Government in November 1976.

(2) The occurrence of frequent damages to pipe lines and consequent loss of dredging hours were reported in February 1976 by the Beypore Project Administrator.

(c) *Development of Beypore Port*

Based on a project report prepared by the State Port department in 1970, administrative sanction to a Centrally Sponsored scheme for developing the Beypore port at an estimated cost of Rs. 1,11.96 lakhs was accorded by Government in January 1973. The scheme mainly comprised dredging of an approach channel 80 metres wide and 6 metres deep for a length of 2 kilometres at sea and 100 metres wide and 5.5 metres deep for a length of 900 metres in the Beypore river with a turning circle of 200 metres diameter in the river basin midway between the wharf and the river mouth (estimated cost: Rs. 68.70 lakhs), besides provision of a tug (estimate : Rs. 12.00 lakhs), a pilot launch, a mooring boat, navigation aids, water supply, stream mooring buoys, chains including shackles etc. The approach channel for the cargo harbour was expected to serve also the fisheries harbour proposed to be located on the southern bank of the Beypore river. The department expected to complete the work within two years after arrival of a dredger. Rs. 58.18 lakhs were spent on the scheme upto the end of March 1976. The scheme has not been completed so far. The following points were noticed in audit:—

(i) For the dredging work, one "MOT Dredger" of the dredger pool of the Ministry of Transport which was being operated by the Shipping Corporation of India was taken on hire on terms and conditions agreed upon between the Ministry of Transport, Government of India and the State Government in July 1972. The dredger along with some auxiliary vessels and connected equipment was employed for dredging the Beypore channel from October 1973 to March 1974 and Rs. 22.59 lakhs were paid upto October 1975 against a total claim of Rs. 61.25 lakhs. The balance claim of Rs. 38.66 lakhs including Rs. 7.07 lakhs towards interest on outstanding claims upto March 1976 has not been paid pending scrutiny of bills and settlement of disputes (regarding delays, idle periods due to repairs, faulty dredger operation, unsatisfactory condition of pipe lines and equipment supplied etc.). The disputes have not been settled so far (March 1977).

(ii) Against 10.01 lakh cubic metres of dredging estimated, the total quantity dredged so far employing the "M. O. T." dredger and later on with the newly acquired dredger "Meena Kerala" is about 5 lakh cubic metres.

(iii) When dredging operation by the departmental dredger "Meena Kerala" was in progress in November 1974, the department decided to shift the centre line of the channel (which had been fixed by the Central Water and Power Research Station, Poona) by 20 metres north as it was noticed that a sand spit had formed on the southern side of the river mouth and it was crossing the channel. Dredging done in March 1975 was done along the revised centre line. Formation of a sand spit on the southern side recurred in 1975 monsoon also and the Harbour Engineering Wing proposed to shift the centre line by 10 metres more in November 1975 and by further 15 metres in April 1976. Orders on these proposals are awaited. To an enquiry by Audit, the Project Administrator stated (July 1976) that the expenditure incurred on dredging along the original alignment of the channel was not infructuous as stable condition at the channel would be achieved only after continuous efforts. However, a report of the Superintending Engineer, Harbour Engineering Wing (September 1975) indicates that because of lack of investigations based on hydrographic survey, and silt, salinity and current observations in the sea channel in monsoon conditions, a vital gap was yet to be covered in the data collected for the studies on Beypore port. Tracer studies to determine the directions of the materials movements of the estuary were proposed to be conducted with the assistance of the Central Water and Power Research Station, Poona during the monsoon season of 1976 but this has not been done.

(iv) The approach channel already dredged was formally commissioned on 26th April 1974. According to the Project Report, on completion of the Scheme, the total traffic in Calicut-Beypore port was expected to increase to 5.64 lakh tonnes (an increase of 2.97 lakh tonnes over the average annual traffic of 2.67 lakh tonnes for the 3 years 1966-67 to 1968-69) with a correspoding increase in revenue to the extent of Rs. 6.21 lakhs annually. However, the actual traffic was only 1.55 lakh tonnes in 1974-75 and 1.74 lakh tonnes in 1975-76. Despite an upward revision of the Port dues in February 1970, the revenue realised came to only Rs. 4.65 lakhs in 1974-75 and Rs. 5.71 lakhs in 1975-76 (against the average of Rs. 5.59 lakhs for the years 1966-67 to 1968-69).

(d) *Development of Azhikode (Cranganore) Port*

Sanction was accorded by Government in January 1976 to the State Port Officer for dredging the minor port at Azhikode with the dredger "Neendakara" available with the department at a cost of Rs. 9.52 lakhs. The target was to dredge about 60,000 cubic metres of material for forming an approach channel 45 metres wide, 3 metres deep and about 700 metres long and a silt trap of 70,000 cubic metre capacity. The dredger "Neendakara" was moved for the purpose from Neendakara to Azhikode in February 1976. But after trial dredging had been done for one hour on 28th February 1976, the dredger swayed excessively due to swells and some parts thereof got damaged. Immediately the dredging was stopped. No further attempts were made to dredge the channel using this dredger which was stated to be one designed to work in calm and sheltered basins only. According to the Special Secretary to Government (February 1976) this aspect had not been brought to Government's notice before. The dredger was taken to Cochin for repairs on 6th May 1976. A total expenditure of Rs. 0.52 lakh incurred by the department for the conveyance of pontoons, pipes, spuds etc., purchase of fuel, oil etc., and pay and allowances of the crew of the dredger and auxiliary vessels thus proved unfruitful. Dredging at this port is reported to have been resumed in December 1976 with the dredger "Meena Kerala".

(5) *Other points*

(a) The department is levying a surcharge on cargo handled at Alleppey port, the proceeds of which are meant to be utilised for giving subsidy to owners of cargo boats for repairing the boats operating in the port. Upto the end of the shipping season 1975-76 (May 1976), Rs. 2.74 lakhs were collected as surcharge and credited as departmental receipt. Out of this an amount of Rs. 0.19 lakh was paid to the District Co-operative Bank, Alleppey in December 1973 in terms of a guarantee for Rs. 50,000 given to it in September 1972 on behalf of a Co-operative Society of Port Workers which ceased to function from September 1974 after availing of a loan of Rs. 50,000 from the bank. The society is under liquidation from October 1975. A subsidy of Rs. 7,000 paid to the society by the Department in August 1974 is also stated to have not been utilised by the society for the purpose intended. Government stated (January 1977) that the possibility of recovering the amount from the society was being examined.

(b) Mention was made in paragraph 60 of the Report of the Comptroller and Auditor General of India for the year 1970-71 about the idling of two electric cranes costing Rs. 0.43 lakh at Tellicherry port. The Public Accounts Committee 1973-74, in paragraph 2.60 of its 17th Report, urged Government to consider transferring the cranes immediately to other ports where more crane facility was needed. Sanction was accorded by Government in June 1975 for shifting the two cranes with the connected staff to Neendakara port. As the cranes were not urgently needed at Neendakara, the development of that port awaiting World Bank assistance, revised orders were issued by Government in February 1976 to transfer the cranes and the staff to Alleppey in replacement of two old steam operated cranes already existing there. The cranes were, however, dismantled and transported to Alleppey only in February 1977. The delay has further cost (from June 1971 onwards) Rs. 0.36 lakh on pay and allowances of the crane staff, maintenance of cranes and electric current charges (till disconnection in November 1975).

PUBLIC WORKS DEPARTMENT

4.6. Bridge across Agalapuzha at Muthambi

The work estimated to cost Rs. 9.21 lakhs, sanctioned by Government in January 1970 and technically sanctioned by the Superintending Engineer for Rs. 9.80 lakhs in September 1970, was awarded to a contractor in December 1970 (amount of contract: Rs. 6.37 lakhs) and was to be completed by May 1972. In the design of the bridge enclosed with the tender and agreement for the work, the road level of the bridge was shown as 104.54 metres, allowing a clearance of 2 metres over the maximum flood level for allowing boat conveyance. In February 1972, while the work was in progress, the Irrigation wing of the Public Works Department pointed out that as the Agalapuzha river formed part of the Kerala Inland Navigation system, the bridge should satisfy the requirements of the Gokhalae Committee Report of June 1959, according to which road bridges were to have a minimum head room of 16 feet (4.88 metres) above high water level. The bridge had therefore to be redesigned in May 1972 raising the road level to 106.76 metres and the bottom deck level of the bridge by 2.07 metres. The change in design resulted in additional expenditure of Rs. 1.36 lakhs on cement concrete work done for deck slab consequent on allowing higher rates for increased lift and on account of increase in cost of materials and labour (departmental schedule of rate was revised from April 1972). The work on the bridge was completed in April 1973 at a cost of Rs. 7.2 lakhs.

Consequent on raising the road level of the bridge, the height of the approaches to be formed had also to be increased by 2.22 metres. As the land taken in advance possession in March 1971 based on the original height of the bridge was not sufficient for the approach roads with the increased height and acquisition of additional land (3.33 metres width on either side) would have involved delay, the Executive Engineer proposed (May 1973) to form the road to the increased height with $1\frac{1}{2}$: 1 side slope (ratio of slant height to vertical height) restricting the base width of formation by providing random rubble masonry retaining walls estimated to cost Rs. 1.67 lakhs. (The estimated cost of the alternative of forming the embankment with additional land was worked out by him as Rs. 1.61 lakhs). While forwarding the proposal, the Executive Engineer had requested the Superintending Engineer to verify the structural stability and suitability of the provisions, etc. The proposal was approved by the Superintending Engineer in June 1973.

The Chief Engineer, during an inspection while the work was in progress, observed (October 1973) that the huge retaining walls were necessitated as steps were not taken to acquire more width of land for providing a flatter embankment slope for approaches when the height of the bridge was increased and also called for explanations of the officers concerned. The approach works were, however, completed by June 1974 at a cost of Rs. 2.94 lakhs (expenditure incurred for retaining walls: Rs. 1.63 lakhs) and vehicles were allowed to ply over the bridge before it was officially opened for traffic.

In June 1974 itself cracks appeared in the retaining walls and some portions collapsed. Due to subsidence of the approach embankments, the approach slopes and parapets behind both the abutments also subsided by $\frac{3}{4}'$ to $1\frac{1}{2}'$. The Chief Technical Examiner who examined the work in August 1974 attributed the failure of the retaining walls to faulty design. He had also observed that the designed sections were not adopted for construction of the retaining walls, the section adopted was unsafe, and that the earth work for approach roads had not been adequately compacted to avoid subsequent subsidence. Government had, on 19th October 1974, directed the Chief Engineer to obtain and forward to Government within 15 days the explanation of the officers responsible for the faulty design and construction. Explanation of the officers who were in charge of the work during the proposal and construction stages were forwarded to Government by the Chief Engineer in November 1976 and the matter is pending with Government (March 1977).

The contractor who was required by the Department (in March 1976 and May 1976) to arrange for the rectification work had put in claim petitions (in April 1976) requesting fresh rates for all items to be done thereafter and had also put in an arbitration petition (in May 1976). Requisition for the additional land required for completion of the work had also been sent by the Executive Engineer to the Revenue authorities in June 1976. As the contractor failed to rectify the damages to the retaining wall, the contract was terminated by the Superintending Engineer in December 1976 at the risk and cost of the contractor. Action to rearrange the balance work is stated to be under way (January 1977). The total expenditure incurred on the work till November 1976 was Rs. 12.42 lakhs.

The facts mentioned in the paragraph were accepted by Government in December 1976.

4.7. Bridge at Parakamanna on Edavanna Areacode road

Construction of a bridge at km. 5/200 of Edavanna—Parakamanna—Areacode Road was sanctioned by Government in July 1971 at an estimated cost of Rs. 7.60 lakhs. The estimate for the work was sanctioned by the Superintending Engineer in September 1971 on the basis of the general design and drawings received (December 1970) from the Chief Engineer. The work (bridge and approach road excluding culverts) estimated to cost Rs. 6.50 lakhs was put to tender in December 1971 and entrusted to the lowest tenderer in February 1972 (at 31 per cent below the estimate). No structural design was obtained before inviting tenders for the work.

The contractor commenced the work in February 1972 and completed all works upto pier cap level according to the general design. However, in June 1972, the work came to a stand still for want of design for the superstructure and bearings. The designs for the sub-structure and R. C. C. bearing were approved by the Chief Engineer in August 1972 and the detailed design of the superstructure (decking) in October 1972. The detailed structural design involved *inter alia* raising the road level by 0.420 metre and reduction in the depth of the beams at supports from 2,750 mm., to 2,600 mm., thereby reducing the estimated quantity of concreting for the decking from 2,78,000 cubic decimetres to 2,64,000 cubic decimetres. When the contractor was instructed to carry out the work as per the revised design, he pointed out (December 1972) that the centering materials already collected by him could not be used and demanded that the item of concrete for decking as per the revised designs should be paid for as extra item. The Executive Engineer, recommended (April 1973) that the contractor was entitled to extra payment on account of the additional centering materials (poles and runners) and the difference in form work necessitated by the change in design. The cost of the additional work necessistated by the change in design was estimated by the division as Re. 0.36 per ten cubic decimetres of concrete and an estimate rate of Rs. 3.44 was accordingly recommended by him against the original estimate rate of Rs. 3.08. The Superintending Engineer, however, decided (June 1973) that in terms of the Madras Detailed Standard Specifications forming part of the agreement (which stipulated *inter alia* that the contract unit rate would include complete execution of the work in accordance with the specification, addendum specifications, if any, and contract drawings) the contract rate could not be made applicable for this item due to change in the contract drawings and as such the item was to be paid for as extra. Accordingly, the estimate rate for this item was revised to Rs. 6.35 per ten cubic decimetres based on the revised schedule of rates (effective from 1st April 1972) and the work of 2,53,506 cubic decimetres of concreting actually done for decking was paid for at a rate 106 per cent higher than the original estimate rate. The extra expenditure on account of the delay in finalisation of the design thus amounted to Rs. 0.51 lakh.

The work on the bridge was completed in March 1974. Expenditure incurred till the end of March 1977 amounted to Rs. 6.94 lakhs (final payment not made).

Due to heavy rains and consequent floods in July 1974 the completed work suffered severe damages. The approach road on either side of the bridge and the approach slabs had subsided by about 8 centimetres and the toe wall and revetment around the upstream side quadrant on Edavanna side had slipped along with the earth partially. The Executive Engineer assessed the cost of the damages at Rs. 0.13 lakh.

The bridge was then inspected in August 1974 by the Chief Technical Examiner who observed that the river portion of the sloping revetment along with the supporting retaining walls had collapsed, practically cutting off the bridge from high approach banks. A check of the design of the retaining walls had revealed that they were unsafe under submerged and wet conditions. The Chief Engineer reported to Government (July 1976) that action was being pursued on the explanations obtained from the officers responsible for the faulty design. Further developments are awaited (March 1977).

Rectification works to restore traffic over the bridge were stated to have been done by the contractor at his cost. The collapsed retaining wall has not been reconstructed. However, to prevent further damages to the embankment, urgent protective works costing Rs. 0.22 lakh were done by the Department during March 1976.

The facts mentioned above were accepted by Government in December 1976.

4.8. Gothuruthu bridge

(1) Construction of a bridge in Ernakulam District across the Periyar river connecting Gothuruthu island to the mainland at Vadakkumpuram with approach roads and cross-drainage works was administratively sanctioned by Government in October 1969 for Rs. 8 lakhs. Even before the structural designs and drawings were approved, and without initiating land acquisition proceedings, the work viz., construction of bridge and formation of approaches estimated to cost Rs.5.81 lakhs was put to tender by the Superintending Engineer in January 1971 (According to the Public Works Department Manual, in no case should tenders be invited before making sure that the land required would be ready for being handed over to the contractor to start work in time). Land acquisition proceedings were initiated in June 1971 and the work was entrusted to a contractor in July 1971 for Rs.5.45 lakhs (Bridge: Rs. 4.24 lakhs; formation of approaches and cross-drainage works: Rs. 1.21 lakhs). Technical approval for the whole work (based on a general design of the bridge) was also given by the Superintending Engineer in July 1971. The design for R. C. C. piles was approved by the Chief Engineer only in November 1971. The work, started in November 1971, was due for completion by May 1973. Extension of time was given by the Department on three occasions, the last extension being upto 25th March 1975.

(2) The bridge work was completed by the contractor in March 1975 at a cost of Rs. 4.61 lakhs. In July 1975, the contractor preferred an arbitration petition before the Government Arbitrator for Engineering Contracts claiming *inter alia* compensation for loss sufferred by him on account of delays on the part of the Department in making available the site, the departmental pile driving equipment and materials, etc. The Arbitrator awarded (December 1975) payment to the contractor towards losses sufferred by him in executing the works during the extended period of contract (Rs. 18,000) and several other extra claims (Rs. 20,683). The amount of Rs. 38,638 (together with interest at 6 per cent) was paid in February 1976.

(3) Consequent on delay in acquisition of land, the work on approach roads was not started. Against 0.6166 hectare of land required for forming approaches, requisition for 0.5788 hectare only was sent to the Revenue Department in June 1971. A shift in alignment of approach road was decided subsequently and requisition for an additional area of 0.0388 hectare was sent in November 1972. The land required was handed over by the Revenue Department in bits at different times, the last bit of 0.0592 hectare being handed over in August 1975. Meanwhile, considering the delay in getting the land, the Superintending Engineer relieved the contractor in February 1974 from the responsibility of executing the approach road work. The work was retendered and entrusted to another contractor in April 1975 for Rs. 2.22 lakhs (as against Rs. 0.87 lakh according to the rates of the first contractor) and was completed in December 1976. The alternate arrangements made resulted in an extra expenditure of Rs. 1.37 lakhs to the Department.

(4) The facts mentioned above were accepted (January 1977) by Government. Government also stated that if action to invite tenders for the work had been delayed till land acquisition was over in all respects, the cost of the work would have been considerably more.

4.9. Avoidable expenditure on a road work

The work of widening and upgrading the Mangalore-Cheruvathoor coastal road-Miles 14/4 to 18/2—(estimated cost: Rs. 1.16 lakhs) was entrusted to a contractor in October 1962 (Agreement executed in February ~~1968~~ 1963) for Rs. 0.84 lakh with due date of completion fixed as October 1963. Due to delay in land acquisition, a portion of the site was handed over to the contractor only in September 1965. While the work was in progress, in November 1966, the department directed the contractor to carry out the work of providing laterite stone revetment for the slope of embankments (found essential after concluding the agreement) as an extra item at rates based on the schedule of rates of 1961-62. As per agreement conditions the contractor was bound to carry out all extra items of work not provided in the agreement but found necessary during execution of the work and the rates for such extra items should have been worked out based on the then current(1965) schedule of rates decreased or increased by the tender percentage. The contractor expressed (December 1966) his unwillingness to do the work, unless a reasonable rate was given. The department decided in March 1969 to finalise the rate for this extra item based on the 1965 schedule of rates, but the contractor declined to take up the work at the rates offered (which according to him were unworkable as the schedule had again been revised in 1967). The contract was therefore terminated (January 1970) at the risk and cost of the contractor. By this time the road already formed and which remained unprotected by revetment work had eroded in several places. On the basis of fresh tenders invited (May 1970) the balance work (probable amount of contract: Rs. 0.63 lakh, based on 1969 schedule of rates), comprising the revetment work and the additional earth work for repairing the eroded portions of the road, was awarded (September 1970) to the same contractor. The work was completed by him in March 1971 (cost: Rs. 0.60 lakh including Rs. 0.19 lakh towards additional earth work for the eroded portion of the road). While making the final payment in March 1971 an amount of Rs. 0.35 lakh was deducted by the Department towards loss incurred by Government on the rearrangement of the extra item of work.

The contractor took the case to arbitration (January 1972) and the Arbitrator ordered (November 1972) the release of the withheld amounts to the contractor. The amount of Rs. 0.35 lakh was accordingly paid to him in August 1973. It was observed by the Arbitrator that the department had not offered the contractor the eligible rates for the extra item to enable him to execute the work.

The delay on the part of the Department in settling the rate for the extra item of work based on the current schedule of rates resulted in an extra expenditure of Rs. 0.35 lakh on the extra item of revetment (computed with reference to the rate as per the 1965 schedule offered to the contractor belatedly) and additional earth work for the eroded portion of the road.

The facts mentioned in the paragraph were accepted (October 1976) by Government.

4.10. Extra expenditure due to delay in finalisation of design

Construction of a foot bridge across Bharapuzha at Katcherikadavu in Aralam village in Cannanore District (estimated cost: Rs. 1.65 lakhs) was sanctioned by the Superintending Engineer in March 1972 in anticipation of Government sanction to the work. This was ratified by Government in May 1972. Technical sanction (based on a general plan) was accorded by the Executive Engineer in April 1972 and the work was awarded (May 1972) to a contractor (lowest tenderer) for Rs. 1.66 lakhs with due date of completion fixed as 31st March 1973. Action for getting approval of the Chief Engineer to the design of the bridge was, however, initiated by the Executive Engineer only in December 1972 and in the absence of the design details (which were approved by the Chief Engineer in October 1973), no work, except collection of materials, could be done by the contractor by the stipulated date for completion of work. In June 1973 the contractor demanded enhanced rates due to increase in cost of materials and labour. After starting work on the foundation in December 1973, he stopped all work in June 1974 after executing work costing Rs. 0.39 lakh. In September 1974 he notified his inability to continue the work without revision of the rates. As the contractor did not resume the work despite repeated requests, the Executive Engineer terminated the contract (February 1975) at the risk and cost of the contractor.

The estimate for the work was revised in April 1975 to Rs. 2.30 lakhs (based on revised schedule of rates which came into force from 1st July 1974) and was sanctioned by the Superintending Engineer in September 1975 for Rs. 2.28 lakhs. The balance work (estimated amount : Rs. 1.98 lakhs) was entrusted (June 1975) to another contractor (the only tenderer) for Rs. 2.67 lakhs (at 50 per cent above estimate rate) with due date of completion fixed as July 1976. By December 1976 only 75 per cent of the work was completed (amount paid: Rs. 1.83 lakhs). The delay was attributed (January 1977) by the Executive Engineer mainly to scarcity of required size of mild steel rods.

Against the order terminating the contract at his risk and cost, the original contractor referred the case to arbitration. The Arbitrator ordered (October 1975) that the arrangement of the balance work should not be at the risk and cost of the contractor. The Arbitrator also ordered payment of $12\frac{1}{2}$ per cent increase in the value of work done and 6 per cent interest on the value of work executed but not paid. This amounted to Rs. 0.03 lakh. The final payment to the original contractor was accordingly made in December 1975. The extra expenditure to Government due to rearrangement of the balance work necessitated due to delay in approving the design of the bridge would be Rs. 1.45 lakhs with reference to the amount of the second contract. The actual extra expenditure could be assessed only after completion of the work and final payment.

The facts mentioned in the paragraph were accepted by Government.

4.11. Delay in completion of work and recovery of dues from a contractor

The works of "construction of culverts", and "earth work and metalling" forming part of the work "Improvements to Beypore-Cheruvannur Road" (estimate: Rs. 0.83 lakh) were entrusted to a contractor in October-November 1964 with stipulation for completion in three months. As the contractor failed even to commence the works in spite of several notices and extension of time granted, the contracts were terminated in November 1965 after forfeiting the earnest money and security deposits (Rs.1,450).

The works were retendered in December 1965 and entrusted to another contractor in May 1966 (amount of contract: Rs. 0.51 lakh) and were to be completed within four months. According to the conditions of the contract the Department was to hand over the site within two months from the date of execution of the agreement. In December 1966 the contractor informed the Department that he could not start work as the coconut trees, buildings etc., on the site had not been removed by the Department (the buildings and trees were disposed of between July 1968 and September 1969 only) and that on account of increase in costs he could not do the work at the quoted rates. The Department on the other hand held that there was sufficient land available for starting the work even before the trees and buildings were removed and inspite of instructions issued several times the contractor did not turn up to start the work. The contract was thereupon terminated by the Executive Engineer in February 1970 at the risk and cost of the contractor.

The estimte for the entire work was revised to Rs. 2.73 lakhs (mainly due to revision of schedule of rates) and was sanctioned by Government in January 1972. The works were again tendered and entrusted to a third contractor in March 1972 at 51 per cent below the estimated rates (amount of contract: Rs. 0.82 lakh). The works were completed in March 1974 at a cost of Rs. 0.99 lakh. The extra expenditure to Government due to the rearrangement of the work amounted to Rs. 0.48 lakh. Although final payment to the third contractor was made in April 1974, notice for recovery of the extra expenditure from the second contractor was served on him only in May 1976. The delay in fixing the liabilities and initiating action for recovery was attributed by the Department to protracted correspondence with the contractor. No recovery was, however, effected till the end of December 1976. Earnest money deposit and security deposit amounting to Rs. 2,100 only are available with the Department.

According to the general instructions issued by Government in December 1972, liability due to rearrangement of work in such cases should be fixed and recovery made within a period of not more than one year from the date of settling the alternate arrangement for the work based on the tendered amount in the retender and the agreed rates of the original contractor without waiting for the completion of the work and settlement of the accounts in respect of the alternate arrangement made. The estimated extra expenditure in this case (ie. Rs. 0.31 lakh representing the difference between the accepted tendered costs of the second and third contractors)should, therefore, have been got made good by March 1973 pending recovery proceedings for the balance (Rs. 0.17 lakh) under the conditions of the contract.

The facts mentioned in the paragraph were accepted (December 1976) by Government. Government also stated that further action to realise the amount could be taken only after a decision was taken by the Chief Engineer (Arbitrator) before whom the contractor had filed an arbitration petition in November 1976.

WATER AND POWER DEPARTMENT

4.12. Extra expenditure on a canal work due to incorrect estimation of quantities of work

The work "Pamba Irrigation Project—Formation of Right Bank Main Canal between Ch. 3444 M and 4206 M —Reach III" for which a working estimate for Rs. 3.64 lakhs was sanctioned by the Superintending Engineer in May 1971, was awarded to the lowest of four tenderers in September 1971 (probable amount of contract: Rs. 2.97 lakhs) and was completed at a cost of Rs. 3.16 lakhs and final payment made in March 1973.

It was noticed in audit (June 1973) that in respect of one item of "earth work filling and forming embankment of the canal etc." (item 7 in the Agreement schedule)for which the contractor had quoted a very low and unworkable rate of 10 paise per ten cubic metres (against the estimate rate of Rs. 30.18

per ten cubic metres) the quantity actually executed was only 8,473 cubic metres against the estimate quantity of 26,500 cubic metres. As the total value of this item was of large magnitude, according to the instructions in the Kerala Public Works Department Manual (Paragraph 15.7.7) tenders with such unworkable rates (rates one fourth or less than the estimate rates) should not have been accepted. The large variation between the estimated quantity and executed quantity was explained (October 1976) by the Superintending Engineer to be mainly due to reduction in bed width of the canal (from 4.00 m to 2.90 m) during execution.

The large variation had actually vitiated the *interse* competitive position of the tenderers. On the basis of the quantities actually executed for all items, the second lowest tenderer (who had quoted Rs. 30 per ten cubic metres for item 7) would have been the lowest and the cost of the work would have been less by about Rs.0.33 lakh.

The matter was reported to Government in September 1976, their reply is awaited (March 1977).

HIGHER EDUCATION DEPARTMENT

4.13. ~~4.14.~~ Extra expenditure due to post-tender substitution of a condition of agreement

The work of construction of three blocks of the Government College, Madappally (estimate: Rs.13.02 lakhs) put to tender by the Superintending Engineer in June 1972 and awarded to a contractor in November 1972 at 25 per cent above estimate, was completed by him in June 1974. During the execution of the work some extra items of work which could not be foreseen and provided for in the estimate had to be executed. According to the conditions of contract as stipulated in the tender notice, extra items were to be paid for on the basis of departmental data rates current at the time of ordering their execution after applying the tender reduction. But tender excess, if any, was not to be allowed. However, in the agreement executed with the contractor in January 1973 a new set of conditions (prescribed by Government in May 1972 but not included in the tender notice) applicable for extra items were incorporated. According to these conditions, in the case of percentage rate of contracts, the rates for extra items were to be arrived at by applying the percentage of tender variation (excess or deduction) to the departmental data rates as per the original schedule of rates (based on which the tenders were invited). On noticing the mistake, the Superintending Engineer proposed to correct the relevant clause in the agreement and requested the contractor (July 1973) to attest the corrections. The contractor declined and took up the matter for arbitration with the Government Arbitrator for Engineering Contracts in September 1973. The Arbitrator awarded (May 1974) settlement of claims of the contractor as per the substituted condition in the agreement. A decree in terms of the award was passed by the court in February 1975. The award was accepted by the Chief Engineer in August 1975 as it was felt that there was no scope for appeal and payment made to the contractor in September 1975. The extra payment on account of inclusion of the wrong clause in the agreement amounted to about Rs. 0.24 lakh.

The Chief Engineer stated (August 1976) that he had moved the Government for a Vigilance enquiry. Further developments are awaited.

The matter was reported to Government in October 1976; their reply is awaited (March 1977).

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, etc.) for 1975-76 is given below:—

Department	*Stores*	*Opening balance on 1st April 1975*	*Receipts*	*Issues*	*Balance on 31st March 1976*
			(*in lakhs of rupees*)		
AGRICULTURE DEPARTMENT					
Agriculture	Plant protection materials and equipment, agricultural implements and appliances, fertilisers, manures, seeds, grafts and other farm produce	1,91.08	4,72.57	2,13.32	4,50.33
Forest	Felled timber and other forest produce, other stores, livestock, etc.	11,34.38	31,34.55	28,29.43	14,39.50
Dairy Development	Milk cans, milk and ghee bottles, aluminium foil, livestock, cattle feed, etc.	3.04	13.03	8.38	7.69

Department	*Stores*	*Opening balance on 1st April 1975*	*Receipts*	*Issues*	*Balance on 31st March 1976*
			(in lakhs of rupees)		
EDUCATION					
Government Presses	Consumable stores, types and type materials, binding materials, publications, forms, etc.	76.64	1,37.19	1,04.14	1,09.69

(i) Arithmetical mistakes in computing value of publications held in stock in the Central Press, Trivandrum (resulting in inflation of value of closing stock by Rs. 0.56 lakh) were noticed during test check of the accounts. The department stated that a thorough check would be made and errors rectified in the accounts for the year 1976-77.

(ii) Physical verification of types and type metals at Government Central Press, Trivandrum, as on 31st March 1973 by special staff sanctioned by Government in September 1973 (completed in March 1975) revealed deficiency of 8,459.339 kilogram in book balance. Responsibility for the deficiency has not been fixed so far (March 1977).

(iii) Excesses/deficiencies noticed during verification conducted in 1969 in the Government Press, Shoranur and excess of types to the extent of 917.460 kilogram as on 31st December 1974 in Government Press, Ernakulam, have not been incorporated in the stock accounts. Government stated (January 1977) that necessary instructions were being issued to incorporate the excesses/deficiences in the stock accounts for 1976-77.

Stationery Stores Trivandrum, Ernakulam, Shoranur and Kozhikode	Paper, boards, books and envelopes, binding materials, ink, ribbon, machines, spares, etc.	77.75	1,24.57	96.19	1,06.13

The value of purchases made during 1975-76 exceeded the actual requirements by Rs. 28.38 lakhs and the value of stock at the end of the year was 36.5 per cent more than the value of stock held at the beginning of the year.

Department	*Stores*	*Opening balance on 1st April 1975*	*Receipts*	*Issues*	*Balance on 31st March 1976*
		(*in lakhs of rupees*)			
HOME DEPARTMENT					
Jails					
(i) Maintenance Section	Dietary articles, garden produce, clothing and bedding, medicines, surgical instruments, arms and ammunition, etc.	4.59	41.99	40.74	5.84
(ii) Manufactory Section	Raw materials, finished goods, tools and plant, etc.	7.52	22.46	19.51	10.47

(i) The value of livestock maintained in the prisons is not included in the stock accounts.

(ii) The cost of arms and ammunition held in stock in Central Prison, Viyyur is not incorporated in the stock accounts pending assessement of the value by a committee constituted for the purpose.

INDUSTRIES DEPARTMENT					
Industries Department	Raw materials, equipment, machinery, etc. in different units	15.31	1.50	12.64	4.17

(i) The closing balance does not include value of 33.692 kilogram of ivory valued at Rs. 0.17 lakh found (June 1975) to have been stolen from the Research-cum-Design Centre, Trivandrum. The theft was not reported to Government and the Accountant General as required under Article 297 of Kerala Financial Code, Volume I.

(ii) Test audit of the stock accounts of the Research-cum-Design Centre, Trivandrum revealed omissions and defects in their maintenance such as absence of noting of the cost of each item of material, absence of certificate of carrying forward of all outstanding items from the previous ledger to the new ledger, omissions in carrying forward items from the old ledgers to the new ledgers, non-indication of work-order numbers, non-attestation of entries in stock register and absence of entries regarding physical verification and its results.

Department	*Stores*	*Opening balance on 1st April 1975*	*Receipts*	*Issues*	*Balance on 31st March 1976*
		(*in lakhs of rupees*)			
LOCAL ADMINISTRATION AND SOCIAL WELFARE					
Public Health Engineering Stores	Pipes and other sanitary fittings, building materials, etc.	2,86.39*	48.12	2.29	3,32.22

(i) The divisions under the Public Health Engineering Department have not switched over to the revised system of accounts envisaged in the Kerala Public Works Account Code (1972 edition). Pending the switch-over, the old system is being continued.

(ii) Fifteen divisions were operating on stock during the year. The preparation of half-yearly register of stock required to be maintained under the old system was in arrears in eight divisions (Public Health division, Trivandrum from April 1973, Public Health division, Quilon from October 1973, Public Health division, Trichur from October 1974, Public Health Central Stores division, Cochin and Public Health division, Kottayam from April 1975, Public Health divisions, Alleppey and Palghat and Water Supply Project division No. I, Trivandrum from October 1975).

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* The opening balance has been revised adopting the balance as per the divisional accounts.

(iii) Annual physical verification of stock due in 1975-76 was not done in fourteen divisions though there is a sub-division directly under the Chief Engineer for this purpose (last verification conducted in 1971 in one division, in 1973-74 in four divisions and in 1974-75 in eight divisions. Physical verification not conducted in one division since its formation in July 1974).

In Public Health division, Ernakulam, 85 items (value:Rs. 0.03 lakh) were found short and 77 items (value: Rs. 0.24 lakh) were found in excess during the physical verification conducted in May 1973. Information regarding regularisation of these shortages and excesses is awaited (March 1977).

(iv) In Public Health Central Stores division, Cochin, the value of stock held on 31st March 1976 exceeded the reserve limit of stock (Rs. 2,00 lakhs) by Rs. 1,89 lakhs. The excess was due to storage of large quantity of materials for several water supply schemes sanctioned consequent on the grant of financial assistance by the Life Insurance Corporation of India.

In the case of other divisions, the reserve limit ranged from Rs. 2 lakhs to Rs. 9.5 lakhs. In twelve divisions the stock held (Rs. 1,86.36 lakhs) on 31st March 1976 exceeded the reserve limit by Rs. 1,23.86 lakhs, the excesses ranging from Rs. 0.42 lakh to Rs. 33.71 lakhs.

(v) Minus balances were noticed in two divisions (Public Health division, Trivandrum and Water Supply Project division No. I, Trivandrum). This was mainly due to delay in the adjustment of debit advices/delay in making payments for supplies already received.

(vi) In ten divisions (Public Health divisions, Kottayam, Badagara, Cannanore, Ernakulam, Alleppey, Trichur and Trivandrum, Water Supply Project division, Malappuram, Water Supply Project division No. I, Trivandrum and Public Health Central Stores division, Cochin) valuation of stores at the end of the financial year with reference to market rates and adjustmens of profit/losses as required under the rules was not done.

(vii) In the Public Health division, Palghat, 12,215 kilograms of M.S. rods valued at Rs. 0.27 lakh despatched from Public Health Central Stores during the period August 1973 to April 1974 were reported to have not been received.

(viii) In the Public Health Central Stores, Rs. 46.65 lakhs representing advance payments made for supply of materials were pending adjustment as at the end of March 1976.

Department	*Stores*	*Opening balance on 1st April 1975*	*Receipts*	*Issues*	*Balance on 31st March 1976*
		(*in lakhs of rupees*)			
PUBLIC WORKS DEPARTMENT					
(Buildings and Roads and District Stores)	Building materials	44.44*	1,63.59	73.29	1,34.74

(i) The Public Works divisions have not switched over to the revised procedure for maintenance of stock accounts envisaged in the Kerala Public Works Account Code (revised in 1972).

(ii) Fourteen divisions and nine Public Works District Stores were operating on stock during the year. The preparation of half-yearly register of stock was in arrears in eight divisions and four District Stores. The arrears related to the period from April 1972 onwards in Buildings and Roads division, Calicut, from April 1975 onwards in District Stores, Kottayam and District Stores (Palghat), Malampuzha.

(iiii) Annual physical verification due to be conducted in 1975-76 was not conducted in three divisions. In Medical College division, Kottayam physical verification was last conducted in February 1974.

(iv) In eleven units, (Buildings and Roads divisions, Alleppey, Kottayam, Moovattupuzha, Trivandrum, Quilon and Trichur, Buildings divisions, Trivandrum and Trichur and Special Buildings division, Calicut and the District Stores, Trivandrum and Alwaye) the value of stock held exceeded the reserve limit (Rs. 76.50 lakhs) by Rs. 1,10.29 lakhs. The excess was substantial in three divisions, (1) Buildings and Roads division, Quilon where the value of the excess stock held was Rs. 31.32 lakhs while the reserve limit was fixed as Rs. 4 lakhs; (2) Buildings and Roads division, Trivandrum where value of excess stock held was Rs. 22.43 lakhs while reserve limit was Rs. 4 lakhs and (3) Buildings and Roads division, Kottayam where the value of excess stock held was Rs. 19.01 lakhs while reserve limit was Rs. 3.5 lakhs. The excess in the above three divisions was stated to be due to increase in the price of bitumen and its non-issue to works which were held up for want of funds.

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*The opening balance has been revised adopting the balance as per the divisional accounts.

(v) Minus balances were noticed in six divisions (Buildings and Roads divisions, Cannanore, Trichur, Trivandrum and Calicut, West Coast Roads division, Tellicherry and Medical College division, Kottayam). This was mainly due to (a) non-adjustment of cost of supplies, (b) non-adjustment of differences between cost price and issue rate of materials and (c) double credit given to stock.

(vi) In twelve divisions and six District Stores, valuation of stores at the end of the financial year with reference to market rates and adjustment of profits/losses, as required in the rules, was not done.

Department	*Stores*	*Opening balance on 1st April 1975*	*Receipts*	*Issues*	*Balance on 31st March 1976*
			(in lakhs of rupees)		
WATER AND POWER DEPARTMENT					
Irrigation and Projects	Building materials	26.26*	56.31	39.73	42.84

(i) The irrigation and project divisions have not switched over to the revised system of maintenance of stock accounts envisaged in the Kerala Public Works Account Code (revised in 1972).

(ii) The preparation of half-yearly register of stock was in arrears in twelve out of twenty divisions maintaining stock accounts. The arrears, related to the period from April 1973 in Minor Irrigation division, Ernakulam, from October 1974 in Chitturpuzha Project division, Chittur, Project division, Thanneermukkom and Irrigation division, Trivandrum.

(iii) Annual physical verification of stock due to be conducted in 1975-76 was not conducted in six divisions (Minor Irrigation divisions, Ernakulam and Cannanore, Irrigation divisions, Trichur and Trivandrum and Mechanical Engineering divisions, North Region, Malampuzha and South Region, Alleppey). Physical verification was last conducted in 1971-72 in Irrigation division, Trivandrum and in 1972-73 in Irrigation division, Trichur and Minor Irrigation division, Ernakulam.

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* The opening balance has been revised adopting the balance as per the divisional accounts.

(iv) In seven divisions, value of stock held on 31st March 1976 exceeded the sanctioned reserve limit (total reserve limit for the seven divisions was Rs. 37 lakhs) by Rs. 56.07 lakhs. In four divisions (Kanhirapuzha Project division No. I, Kanhirapuzha, Kuttiadi Irrigation Project division No. I, Perambra, Pazhassi Irrigation Project division No. I, Mattannur and Project division, Thanneermukkom) the excesses were Rs. 12.27 lakhs, Rs. 10.88 lakhs, Rs. 10.59 lakhs and Rs. 7.96 lakhs respectively. While in the case of Project division, Thanneermukkom, the excess was due to procurement of materials not immediately required in the division, in the other three divisions the excess was due to purchase of large quantities of cement without significant issue subsequently.

(v) In seven divisions (Irrigation division, Malampuzha Dam, Pamba Irrigation Project division No. I , Pathanamthitta, Kallada Irrigation Project division No. I, Thenmala, Minor Irrigation division, Ernakulam, Pamba Irrigation Project division No. II, Chengannur, Kallada Irrigation Project division No. II, Kottarakara and Periyar Valley Irigation division No. I, Perumbavoor) the stock accounts showed minus balances. This was stated by the divisions to be mainly due to non-adjustment of cost of supplies and in Pamba Irrigation Project division No. II, Chengannur, due to high issue rates fixed for cement and steel.

(vi) In thirteen out of twenty divisions, valuation of stores at the end of the financial year with reference to market rates and adjustment of profits/losses as required under the rules, was not done.

Department	*Stores*	*Opening balance on 1st April* 1975	*Receipts*	*Issues*	*Balance on 31st March* 1976
		(in lakhs of rupees)			
TAXES DEPARTMENT					
Central Stamp Depot, Trivandrum	Stamps	3,62.54	9,56.15	6,95.66	6,23.03

(i) The closing balance includes Refugee Relief stamps worth Rs. 8.78 lakhs and Special Adhesive stamps worth Rs. 0.36 lakh which are not current. Sanctions of the Government of India and the Board of Revenue respectively for disposal of the two types of stamps are awaited (March 1977).

(ii) The closing balance also includes Rs. 0.06 lakh being the value of stamps found short during physical verification of the stock in Stamp Depot at Ernakulam (now defunct) in 1970. Information regarding recovery/write off of the value of the shortage is awaited (February 1977).

Department	*Stores*	*Opening balance on 1st April* 1975	*Receipts*	*Issues*	*Balance on 31st March* 1976
			(in lakhs of rupees)		
TAXES DEPARTMENT					
Non-postal stamps (held in Treasuries)	Judicial and non-Judicial stamps	26,09.00	51,21.19	21,81.25	55,48.94
			(in kilogram)		
Board of Revenue (Excise)	Opium	67.32	70.00	49.33	87.99
	Ganja	61.71	..	0.70	61.01

(b) The stock accounts for 1975-76 were not furnished to Audit by the departments mentioned below. The revised stock accounts relating to earlier periods in respect of some departments, which were not furnished to Audit are also indicated below:—

Department to which the stock account pertains	*Officer from whom the stock account is due*	*Details of stock accounts not furnished to Audit*
DEVELOPMENT	State Port Officer	Revised stock accounts for 1973-74 and 1974-75 and stock accounts for 1975-76.
	Director of Fisheries	Revised stock accounts for 1974-75 and stock accounts for 1975-76
	Director of Harijan Welfare	Stock accounts for 1975-76
HEALTH		
Government Medical Stores, Trivandrum and District Medical Stores	Director of Health Services	Revised stock accounts for 1974-75 and stock accounts for 1975-76
Employees' State Insurance Scheme	Administrative Medical Officer, Employees' State Insurance Scheme	Revised stock accounts for 1974-75 (Stock accounts for 1975-76 received in December 1976 could not be audited as revised stock accounts of previous year were not furnished)

(c) Stock accounts for 1975-76 furnished by the following departments were defective and revised stock accounts for 1975-76 are awaited (March 1977).

Department to which the stock account pertains	*Officer from whom the stock account is due*	*Remarks*
AGRICULTURE		
Animal Husbandry	Director of Animal Husbandry	Revised stock accounts called for in August 1976
HEALTH		
Indigenous Medicine	Director of Indigenous Medicine	Revised stock accounts called for in November 1976
Health Transport wing of the Department of Health Services	Director of Health Services	Revised stock accounts called for in November 1976
HOME		
Police	Inspector General of Police	Revised stock accounts called for in January 1977

LOCAL ADMINISTRATION AND SOCIAL WELFARE DEPARTMENT

5.2. Purchase of motor boats for use in water supply schemes

For providing necessary floating plant needed for construction and maintenance works under the water supply programmes in the water logged areas like Vypeen and Kuttanad, aided by financial assistance from the Life Insurance Corporation of India, the Chief Engineer, Public Health Engineering Department placed orders in October 1971 with the Kerala Fisheries Corporation for the supply of three motor boats of "Central Institute of Fisheries Technology design dimensions" at their quoted rate of Rs. 0.65 lakh each, with sales tax extra. The boats, which were to be supplied within four months from the date of the order were delivered in February 1973, two to the Kuttanad Water Supply Project Division, Thiruvalla, and the third to the Public Health Division, Alleppey.

The Executive Engineer, Kuttanad Water Supply Project division, Thiruvalla reported in May 1973 that the two boats supplied to his division were of the fishing boat type and were too big for use in Kuttanad waters and were having a draft of 3 or 4 feet as against the specification of 2'9" given in the supply order and this draft would have to be reduced to about 2 feet if the boats were to be of use in the Kuttanad area. The Superintending Engineer, Public Health Construction Circle, Cochin also reported to the Chief Engineer in August 1973 that one of these boats (which was transferred to the Public Health Construction division No. I, Cochin in June 1973) had certain defects in construction and that the boat would not be of much use in any of his divisions. The two boats were then drydocked for repairs and rectificatory works in the Corporation's Boat yard at Sakthikulangara from August 1973 and October 1973 respectively. One of these boats was reported to have been received back in November 1976 after repairs and the other boat is yet to be received back (January 1977).

The third boat was reported (April 1973) by the Executive Engineer Public Health Division, Alleppey to be unstable when in movement with a tendency for overturning while crossing other boats or while somebody moved from one side to the other or when taking a curve. Its body was also reported to have been built in such a way that visibility from inside the cabin was very poor. The boat, after repairs in July 1973, was used for 13 days in the Alleppey division between August and October 1973, and was then transferred (November 1973) to the Kuttanad Water Supply Project division, Thiruvalla where it was put to use for 129 days between November 1973 and May 1975 (7 days on an average per month). It was later sold to the Kerala State Construction Corporation Limited in June 1975. But the price claimed by the department (Rs. 0.67 lakh) has not been accepted by the Corporation as the boat, according to them (September 1975), needed rectification of the inherent defect of excessive rolling in bad weather conditions, and also required a lot of repairs (for which a price reduction of Rs. 0.15 lakh was sought by them). A decision on the request is yet to be taken (March 1977).

The expenditure incurred till August 1976 on acquisition of the three boats amounted to Rs. 1.63 lakhs (final payment not made) and on maintenance Rs. 0.18 lakh (including pay and allowances of crew).

In a reply to Audit, the Chief Engineer stated (February 1976) that the decision to purchase the boats was taken on the basis of a broad assessment of requirements and that normally in such matters where an overall assessment of departmental requirements was made, the subordinate officers were not being individually consulted, but that such matters were considered at departmental conferences, personal discussions, etc. Government stated (November 1976) that though there were provisions in the supply conditions for periodical and frequent inspection of the boats by the officers of the department at the various stages of construction, the defects which actually occurred could not be detected by them during the stage of construction as they had no experience in boat design and construction and it was proposed to make good the cost of repairs of the two boats and the reduction in price obtained by the Kerala State Construction Corporation Ltd. for the third boat, from the suppliers.

PUBLIC WORKS DEPARTMENT

5.3. Extra expenditure due to defective tender notice

With a view to evolving a legally sound procedure in the matter of submission of tenders and their acceptance and to effectively prevent contractors from backing out of their tenders or failing to execute a work after the tender is accepted, Government, in September 1970, prescribed a modified form of 'Notice inviting tenders for works' providing for issue of tender notices in the name of the Governor of Kerala and incorporating a clause stipulating that failure on the part of the tenderer to honour the tender conditions would make him liable for recovery of loss, if any, caused to Government (The form of tender notice which was in vogue earlier contained provisions only for forfeiture of earnest money deposit and also security deposit, if furnished on receipt of selection notice).

The Assistant Engineer, in charge of the District Stores, Trichur, invited tenders in February 1974 (in the old form) for conveyance of mild steel materials, cement, etc., from Trichur railway station to the District Stores during 1974-75 (estimate: Rs. 1.59 lakhs). The only tender received (3 per cent below estimate) was accepted (March 1974) but the tenderer did not turn up to execute agreement. The work was, therefore, retendered in April 1974. The lowest out of seven tenders received was 55 per cent above the estimate and this was accepted under orders of Government (August 1974). The contractor was paid in May 1975 Rs. 0.58 lakh for work done under the contract, which, when computed with reference to the rates of the first tenderer who backed out, was more by Rs. 0.22 lakh. The Chief Engineer decided (May 1975) to absolve the first tenderer from the liability for the extra expenditure. According to him, the provisions and conditions pertaining to the recovery of loss sustained by the department, mentioned in the tender notice, were not binding on the tenderer as the tender notice was not issued in the name of the Governor. The earnest money deposit (Rs. 3,200) of the tenderer, which was forfeited to Government, was also later (June 1976) ordered to be refunded to him.

According to the Assistant Engineer, no intimation regarding revision of the form of tender notice was received in his office and the omission (to use the correct form) was also not pointed out to him at any stage by higher authorities. The Executive Engineer, Public Works Department, Central Stores (who is in overall charge of the District Stores), had also reported (January 1976) to the Chief Engineer that the Government orders of September 1970 were not communicated to the District Stores as the orders were not received in his office.

The facts mentioned in the paragraph were accepted by Government as correct (March 1977).

HEALTH DEPARTMENT

5.4. Equipment remaining unused

Equipment and machinery worth Rs. 1.43 lakhs procured during 1972-73 and 1973-74 and a gas plant purchased in March 1973 (90 per cent cost paid: Rs. 0.20 lakh), for use for Post Graduate training and research in Pharmacy in the Ayurveda College, Trivandrum remain unused (December 1976) as no electrician had been appointed to operate the machinery (proposals were sent to Government in May 1975) and no burners had been fitted to the gas plant. The building to house the gas plant was completed only in May 1976 and the gas plant erected in June 1976.

Rupees 0.44 lakh have been spent till December 1976 on pay and allowances of three Technical Assistants (required to attend to the machinery) appointed in November 1973. The Project Officer stated (September 1975) that one of the Technical Assistants was attending to the duties of a peon and the other two were attending to the upkeep of machines and helping the pharmacy staff in preparation of special medicines required by the research students for preparation of their thesis. Government stated (December 1976) that the delay in the appointment of electrician was due to delay in finalising the special rules governing qualifications for the post and that action for fitting burners to the gas plant erected in June 1976 was in progress.

CHAPTER VI

COMMERCIAL ACTIVITIES

6.1. General

This chapter deals with the results of audit of departmentally managed Government commercial/*quasi* commercial undertakings.

On 31st March 1976 there were three departmental commercial undertakings in the State as below:

(i) Text Books Office, Trivandrum.

(ii) Public Works Department Engineering Workshops, Chackai and

(iii) State Water Transport Department, Alleppey.

Pro forma accounts for the year 1975-76 have not been received so far from any of these undertakings (February 1977). A synoptic statement showing the summarised financial results of the Public Works Department Engineering Workshops, Chackai for the year 1974-75 is given in Annexure (page 195).

The Text Books Office, Trivandrum has not prepared its *pro forma* accounts for the year 1974-75 also (February 1977). Some of the points noticed during the audit of the accounts of this undertaking are mentioned in the succeeding paragraph.

GENERAL EDUCATION DEPARTMENT

6.2. Text Books Office

(1) *Introductory*:

In 1949, the printing and publication of text books prescribed for schools in the State was taken up by the Education Department and a Text Books Office was formed in 1950 for this purpose; it was declared commercial in October 1952. The Department attends to procurement of printing paper, and printing, stocking and distribution of text books. In June 1974 it also took up distribution of paper and cover paper for note books for the school students. By 1975-76, the Department enjoyed monopoly over the printing and distribution of school text books in the State except for a few, 'non-detailed' books (books not meant for detailed study) which were purchased from private publishers for distribution.

(2) *Organisational set-up*

The Text Books Office has been functioning under a Text Books Officer under the overall control and supervision of the Director of Public Instruction. In May 1974, the State Government appointed a Deputy Director to arrange distribution of paper for making note books and selling them to students. However, the Director of Public Instruction placed the officer in overall charge of the Text Books Office from 28th May 1974.

Distribution of text books is arranged through three central stores at Trivandrum, Ernakulam and Shoranur and 28 depots situated in the educational districts of the State. The note books are distributed by the Assistant Educational Officers in 147 centres.

(3) *Accounts*

According to the Accounting Manual, *pro forma* accounts of the Text Books Office are to be finalised and made available to Audit by 30th June of the succeeding year. Delay of 6, 8 and 19 months was noticed in finalisation of the *pro forma* accounts for 1971-72, 1972-73 and 1973-74 respectively. The accounts for 1974-75 and 1975-76 due in June 1975 and June 1976 respectively, have not been finalised (February 1977).

(4) *Working results*

The Department has been working on profit since it was declared commercial in October 1952. The table below summarises the working results of the Department for the three years upto 31st March 1974.

	1971-72	1972-73	1973-74
		(in lakhs of rupees)	
Receipts:			
(a) Sale of books (net)	87.95	1,12.93	1,47.62
(b) Miscellaneous income	1.23	2.26	1.43
(c) Increase in stock (text books and paper)	18.40	14.09	5.04
Total	1,07.58	1,29.28	1,54.09
Expenses:			
(d) Cost of paper consumed	48.77	45.46	71.18
(e) Printing and incidental charges	14.62	26.16	34.93
(f) Cost of books purchased	2.99	4.36	2.44

		1971-72	1972-73	1973-74
		(in lakhs of rupees)		
(g)	Remuneration to authors, illustration charges and scrutiny fee	0.18	0.53	0.65
(h)	Establishment and distribution charges	8.20	9.01	10.06
(i)	Depreciation	0.52	0.49	0.45
(j)	Interest on capital	5.67	7.79	8.06
	Total	80.95	93.80	1,27.77
(k)	Profit	26.63	35.48	26.32

The decrease in net profit in 1973-74, as compared to 1972-73, has been attributed (December 1976) by Government to increase in printing, transportation and establishment charges, increase in the cost of paper, etc.

(5) *Printing of text books*

(a) Text books are got printed in Government presses and private presses (on the basis of tenders). The State Government formed (October 1969) a Committee, consisting of the Director of Public Instruction, the Superintendent of Government Presses, the Text Books Officer and the Director of Printing and Stationery (from June 1970), to scrutinise the tenders received from the private presses and to decide the quantum of work to be entrusted to Government and private presses. The table below indicates the details of books printed in Government and private presses for the three years up to 1975-76:—

Year	*Number of text books printed*			*Percentage of text books printed in Government presses*
	Total	*In Government presses*	*In private presses*	
		(in lakhs)		
1973-74	1,30.75	46.51	84.24	35.6
1974-75	1,34.19	65.13	69.06	48.5
1975-76	1,76.77	41.72	1,35.05	23.6

Printing charges payable to private presses are regulated with reference to the 'basic rates' (comprising cost of composing, striking and binding) prescribed by Government in 1956 and subsequently revised in 1967 and 1974. The rates quoted by the private presses are linked to the basic rate. Printing charges for Government presses are computed on the basis of hourly rate of wages and overhead charges fixed by the State Government from time to time.

A comparative cost statement prepared (April 1976) by the Superintendent of Government presses in respect of two text books showed that the cost of printing in Government presses was higher than the cost of printing in private presses, vide the details given below:—

Kerala Reader English—Standard VI 4,44,000 *copies*

	Cost in Government presses		*Cost in private presses*	
	Total (*in rupees*)	*Unit rate* (*in paise*)	*Total* (*in rupees*)	*Unitrate* (*in paise*)
1. Composing	19,575	4.40	2,027	0.46
2. Printing	1,30,866	29.47	34,194	7.70
3. Binding	2,03,256	45.78	27,572	6.21
Total	3,53,697	79.65	63,793	14.37

Kerala Padavali Malayalam—Standard X 3,17,000 *copies*

	Cost in Government presses		*Cost in private presses*	
	Total (*in rupees*)	*Unit rate* (*in paise*)	*Total* (*in rupees*)	*Unit rate* (*in paise*)
1. Composing	22,613	7.13	2,452	0.77
2. Printing	1,56,839	49.47	40,950	12.92
3. Binding	2,17,148	68.50	32,809	10.35
Total	3,96,600	125.10	76,211	24.04

In respect of copies of 34 books printed in Government presses and analysed by Audit, there has been an extra expenditure of Rs. 24.21 lakhs, *vide* the details given below:

Year	*Number of books*	*Number of copies printed in Government presses*	*Amount paid to Government presses*	*Printing charges for the books computed at basic rates payable to private presses*	*Extra expenditure*
			(*in lakhs of rupees*)		
1973-74	16	29,99,200	13.70	2.68	11.02
1974-75	10	26,00,000	10.77	3.31	7.46
1975-76	8	16,00,000	7.56	1.83	5.73
				Total	24.21

Government stated (December 1976) that the private sector was entrusted with the work only at a time when the Government establishment could not satisfy the demand of the Education Department in addition to other printing work. It was further stated that Government were proceeding with the work of establishing a printing unit at Thrikkakara for becoming self-sufficient in the field of printing.

(b) *Extra expenditure in printing*

The Department entered into contracts (after inviting quotations) with 39 private presses between November 1973 and June 1974 for printing 55.15 lakh copies of text books. According to the contracts, printing charges were to be paid at the 'basic rates' fixed in 1967 by the State Government or rates quoted by the presses, whichever were lower. There was no provision in the contracts for any payment at rates above the basic rates. The presses supplied 39.58 lakh copies of books (71.8 per cent of the total quantity ordered) by July 1974 when the State Government enhanced the 'basic rates' by about 37 per cent. The presses were then paid at the enhanced rates under direction from Government in respect of the above contracts finalised before the revision of rates, resulting in an extra expenditure of Rs. 2.81 lakhs.

Government stated (December 1976) that the contracts with the private presses were concluded taking into account the basic rates prescribed and when the basic rate was revised, the benefit of revision was given to all contractors.

(6) *Pricing policy*

(a) Up to 1975-76, the prices of text books were being fixed at 50 per cent above the cost of production in Government presses. The State Government directed (February 1976) the Department to keep the price of text books at the minimum, taking into account the cost of production. The Department, accordingly, evolved a new formula of price fixation on the basis of the average of standard cost of production per page of text book in Government and private presses, with an addition of 50 per cent margin. As the printing of text books in private presses was cheaper, the revision of the formula resulted in a general reduction of selling price. For example, in respect of Malayalam Readers, the reduction in price varied from 3.7 to 26.3 per cent.

Private presses have generally been found to respond poorly to printing of books for which limited copies are required. In such cases, the printing is entrusted to Government presses. Fixation of the sale price on the basis of the formula mentioned above was found to cover not even the printing charges levied by Government presses, apart from the cost of paper, in the instances shown below:—

Name of book	*Number of copies*	*Printing charges per book (without cost of paper)*	*Price fixed per book*	*Total anticipated sale proceeds*	*Printing charges paid*	*Short recovery*
		Rs.	Rs.	Rs.	Rs.	Rs.
Teachers Hand Book Standard III	500	15.01	2.40	1,200	7,507	6,307
Kannada Reader Standard X	1500	4.16	2.60	3,900	6,244	2,344
Kannada Reader Standard X	1500	5.03	2.60	3,900	7,552	3,652
Total						12,303

Government stated (December 1976) that, as a matter of policy, the price of a particular book printed in different media was fixed to be the same irrespective of the number of copies printed or pages contained in the book and hence it was not practicable to evolve a pricing policy with profitable return in each individual item.

(b) *Loss due to incorrect fixation of selling price*

With effect from April 1976, the prices of text books were computed on the basis of the formula referred to above at 1.05 paise per page rounded to the nearest 10 paise. A test check by Audit (October 1976) showed that in one case, there has been a loss of revenue of 20 paise per book due to incorrect fixation of price with reference to the number of pages in the book. On this basis, the total loss on 1,44,231 copies of the book sold up to December 1976 amounted to Rs. 0.29 lakh vide the details below:

Name of book	*Total number of copies*	*Number of pages*	*Price to be fixed on the basis of pages*	*Price actually fixed*	*Loss per book*	*Number of copies sold*	*Total loss*
			(in paise)				*(in rupees)*
Chemistry Standard VIII (Malayalam)	2,76,500	120	130	110	20	1,44,231	28,846

Government stated (December 1976) that the price of the book was fixed taking into account the number of pages in the English version of the book as the reprint of the Malayalam version was not available. It was further stated (February 1977) that the selling price of the book in stock would be revised before commencing sales for the year 1977-78.

(7) *Distribution of text books and note books*

(a) *Distribution of text books*

Up to 1974-75, the Department has been distributing text books through authorised private licensees and recognised school co-operative societies on a commission of 10 per cent on the selling price (to cover handling and transportation charges from depots). From 1975-76, distribution of books in high schools and training schools has been entrusted to Headmasters, while in the case of primary schools the respective Assistant Educational Officers were entrusted with the work. The Headmasters, who draw (usually in May/June every year) their requirements of text books from the district depots, are allowed a commission of 10 per cent of the selling price. The commission (10 per cent of selling price) for distribution of text books to primary schools is shared between the Headmasters of primary schools and the Assistant Educational Officers, at rates fixed by the latter in consultation with the Headmasters taking into account the local conditions like transport charges, labour charges, distance to school, etc. The schools, usually reopen in June and the books are sold to the students on cash basis. The Headmasters/Assistant Educational Officers are required to remit the sale proceeds positively on the same day or the next day. In no case the remittance should be delayed beyond 2nd July. The unsold books, if any, should be returned on 3rd July. However, at the time of audit (September 1976) the Department had no details regarding the number of books sold by the Headmasters / Assistant Educational Officers, the amount, if any, pending remittance by them and the stock held by them, in respect of the transactions for 1975-76. Government stated (December 1976) that control over the accounts maintained at the District Text Book Depots was being exercised by the Directorate of Public Instruction.

An instance of unsatisfactory maintenance of accounts and delay in remittance of sale proceeds is given below:—

One Assistant Educational Officer (Munnar) did not hand over the stock of text books held by him when he relinquished charge (August 1975) on transfer. A verification conducted (May 1976) by the Department revealed that the unsold stock was handed over by the Officer only after 10 months (May 1976) of his transfer. It was also noticed that out of the total remittance of Rs. 91,387, Rs. 70,397 were remitted (between 5th July 1975 and 8th May 1976) by him after the last date fixed for payment (2nd July 1975). This included a sum of Rs. 28,800 remitted by him on 8th May 1976. Government stated (December 1976) that disciplinary action was being pursued against the officer. Further developments are awaited (February 1977).

(b) *Distribution of note books*

With a view to supplying note books to school children at economic rates, the unit distributed 70,391 reams of paper during 1974-75 (cost: Rs. 21.37 lakhs) to the District Educational Officers, who, in turn, supplied the paper to the Headmasters/Assistant Educational Officers. These officers were to make 80 pages note books with the assistance of teachers and students and sell them to the students at 45 paise per note book. They were required to remit 35 paise per note book towards cost and were allowed to retain 10 paise for meeting the incidental charges.

During 1975-76, the Department issued 1,29,303 reams of paper (cost: Rs. 32.32 lakhs) to a private press for making note books of 200 pages each. The Department also procured (February 1975) 39.69 lakh note books (80 pages each) for distribution during the academic year 1975-76 at a cost of Rs. 13.18 lakhs. These note books were distributed to the school children through the Headmasters and Assistant Educational Officers who were allowed five per cent and one per cent commission respectively on sale price to cover handling and incidental charges.

As preparation of *pro forma* accounts for 1974-75 and 1975-76 is in arrears, the Department has not assessed the financial results of distribution of note books (February 1977).

(8) *Inventory control*

(a) *Paper*

The table below indicates the comparative position of consumption and stock of paper for the three years up to 1973-74.

Year	*Consumption*		*Stock at the close of the year*	
	Quantity (in lakhs of reams)	*Value (in lakhs of rupees)*	*Quantity (in lakhs of reams)*	*Value (in lakhs of rupees)*
1971-72	0.94	48.77	1.32	61.03
1972-73	1.25	45.46	1.36	77.66
1973-74	1.36	71.18	0.91	55.08

The closing stock of paper (quantity) represented 17 months', 13 months' and 8 months' consumption respectively for the three years. The Department has not fixed the minimum and maximum limits of stock of paper to be held. Details of consumption and stock of paper for the period subsequent to 1973-74 have not been worked out (February 1977). Government stated (December 1976) that the stock of paper as at the end of each year would be substantial as the purchase of paper for printing text books was usually made from September to March every year.

(b) *Text books*

The table below indicates the comparative stock of saleable books for the three years upto 1973-74:—

Year	*Opening stock (in lakhs)*	*Number of copies of books printed and purchased (in lakhs)*	*Number of books sold (in lakhs)*	*Closing stock Number (in lakhs)*	*Closing stock Value (in lakhs of rupees)*
1971-72	81.24	1,33.46	90.17	1,24.53	74.87
1972-73	1,24.53	1,30.78	1,31.78	1,23.53	89.02
1973-74	1,23.53	1,37.00	1,46.04	1,14.49	94.02

The three central stores at Trivandrum., Ernakulam and Shoranur, receive the printed text books directly from presses on the basis of allocation made by the Text books Officer and distribute them to sub-depots as per their requirements. Paper is supplied by manufacturers direct to presses/central stores based on instructions of the Text Books Officer from time to time. The Text Books Officer has not assessed the requirements of text books to be held in central stores and depots to avoid accumulation of stocks. The Text Books Officer stated (October 1976) that the requirements of text books could not be assessed scientifically and that every effort was being made to keep the stocks to the minimum.

Government stated (December 1976) that before commencing the distribution of text books every year, the requirement of each educational district was being ascertained and books intended for each district depot were being supplied from the three central stores and that additional supplies were being effected when demanded by District Educational Officers.

Physical verification of text books has not been conducted (February 1977) in 16 out of 31 units and the delay ranged between 8 and 20 months.

(c) *Obsolete books*

The number of copies of text books to be printed each year is fixed on the basis of the student strength, books in stock, currency of syllabi, etc. Details of text books declared obsolete during the three years upto 1975-76 are given below:—

Year	*Number of copies (in lakhs)*	*Value at selling price (in lakhs of rupees)*
1973-74	5.9	4.13
1974-75	6.46	6.04
1975-76	2.5*	3.53*

A test check by Audit (September 1976) showed that in the case of four guide books intended for teachers, the percentage of books declared obsolete was large, *vide* the details below:—

Name of book	*Total number of books printed*	*Currency of syllabus (years)*	*Number of obsolete books*	*Percentage of obsolete books to the total number of books printed*	*Loss due to obsolescence (in lakhs of rupees)*
English guide book V(i)	37,000	5	19,569	52.9	0.36
English guide book V (ii)	37,000	5	24,740	66.9	0.58
English guide book VII (i)	30,000	3	21,854	72.8	0.32
English guide book VII (iii)	30,000	3	21,752	72.5	0.23
Total	1,34,000	..	87,915	..	1.49

*Provisional

This would indicate that the estimates for printing text books in these cases were not as realistic as they could have been. Government stated (December 1976) that the response from teachers for these guide books was not encouraging.

(9) *Other points of interest*

(a) *Wastage allowance of paper for printing text books*

For printing text books, one per cent wastage of paper is allowed to the private presses and two per cent to the Government presses. Computed with reference to the average cost of procurement of paper, the extra wastage allowed to Government presses resulted in additional expenditure of Rs. 1.02 lakhs (approximately) for the five years upto 1975-76, as shown below:—

Year	*Wastage allowed to Government presses at two per cent* (Reams)	*Wastage when computed at one per cent* (Reams)	*Extra expenditure* (Rupees)
1971-72	740	370	15,642
1972-73	564	282	14,949
1973-74	941	470	25,318
1974-75*	821	410	21,997
1975-76*	900	450	24,084
Total			1,01,990

At the instance of Audit (May 1976) Government decided (June 1976) to reduce the percentage of wastage of paper in Government presses also to one.

(b) *Non-return of paper supplied for printing*

The Department entered into an agreement (October 1970) with a local private press for printing and supplying 5 lakhs copies of a book. In terms of the provisions of the agreement, the contractor remitted Rs. 1,600 (5 per cent of the estimated value of the contract) as security deposit. The agreement also provided for recovery of damages due to non-fulfilment of contractual obligations, through Revenue Recovery proceedings. The Department supplied (October 1970) 3,247 reams of white paper and 3,89,000 tinted covers for

*Figures are provisional pending finalisation of accounts.

printing the books. The books were to be printed and supplied by 31st January 1971. Upto July 1971, the press supplied only 1,70,200 copies of the book and returned 1,89,000 cover papers retaining 1,227 reams of white paper and 29,800 cover papers. Efforts made by the department to recover the cost of paper not returned by the press through Revenue Recovery proceedings, initiated in January 1972, were not successful as the contractor had no assets to be proceeded against. As there was no system of verifying the solvency of the contractor up to October 1972, the department suffered a loss of Rs. 24,400 in this deal. Government stated (December 1976) that the solvency certificates were now being insisted.

(c) *Internal audit*

According to the Accounting Manual approved (January 1971) by Government, internal audit should cover scrutiny of tender tabulations, pre-audit of payments, scrutiny of receipts, verification of stock accounts, etc. However, the internal audit is at present confined to scrutiny of annual accounts and physical verification of stock in central stores and depots. The audit of the accounts for 1975-76 due for completion in June 1976 is in arrears in 28 out of 31 units (February 1977). Government stated (March 1977) that arrangements were being made to take up the audit of accounts of these units.

ANNEXURE

Summarised financial results of Government commercial undertakings

(Figures in columns 3 to 10 are in lakhs of rupees)

Name of concern	*Year of commencement*	*Government capital* 1st April 1974	*Government capital* 31st March 1975	*Mean capital*	*Block assets*	*Depreciation*	*Net loss (—)*	*Interest charged added back*	*Total return (columns 8+9)*	*Percentage of return on mean capital*
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Public Works Department Engineering Workshops, Chackai, Trivandrum	1969	28.64	28.74	28.69	28.74	17.71	(—)5.39	3.22	(—)2.17	..

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, receipts and expenditure of bodies and authorities substantially financed by grants and loans from the Consolidated Fund are to be audited by the Comptroller and Auditor General. Again, where any grant or loan is given for any specific purpose from the Consolidated Fund, Section 15 of the Act provides for scrutiny by the Comptroller and Auditor General, of the procedure by which the sanctioning authority satisfies itself about the fulfilment of the conditions subject to which such grants and loans were given.

Government were requested (during May—September 1976) to furnish the accounts for 1975-76 in respect of 115 bodies/authorities which received grants and loans of Rs. 5 lakhs or more from Government; accounts of 26 institutions are yet to be received (March 1977). Information on grants/loans given to 3 bodies/authorities and their accounts (out of the 40 mentioned in paragraph 61 of the Report for the year 1974-75) are also still awaited (March 1977).

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

AGRICULTURE DEPARTMENT

7.2. Collective farms

(1) *Introductory*

In May 1971, Government, in the context of rehabilitation of landless agricultural labourers, appointed a committee to explore the possibility of setting up 'collective farms' to eliminate fragmentation of holdings, to prevent alienation of land assigned to agricultural labourers and to facilitate adoption of scientific methods of cultivation and mechanisation of farming.

Based on the recommendation of the committee and project reports prepared by the Agriculture Department, Government decided (in September 1972 and November 1973) to establish two farms at Illithode (Alwaye taluk, Ernakulam district) and at Koothali (Quilandy taluk, Kozhikode district). The responsibility for organising and managing the farms was entrusted to two co-operative societies viz., Co-operative Collective Farm (CFI) No. 1 Manjapra, registered in March 1973 with 504 members (252 families) and share capital of Rs. 2,540 and Co-operative Collective Farm (CFI) No. 1, Koothali, registered in January 1974, with 389 members and paid up capital of Rs. 1,945. The societies which started functioning on 9th April 1973 and 4th January 1974 respectively have been managed by Boards of Directors nominated by Government and have officials of the Agriculture Department in the rank of District Agricultural Officers functioning as paid secretaries. The Illithode society was superseded in September 1976 and an Administrator appointed to manage its affairs.

One thousand one hundred and seventy six hectares of reserve forest lands with existing tree growth were handed over to the Agriculture Department for the setting up of the two farms—538 hectares (including 63 hectares of teak plantation and 34.70 hectares of rocky land) for the Illithode farm and 638 hectares for the Koothali farm. Land was assigned free of cost to the societies while value of tree growth (Rs. 14.30 lakhs in respect of 905 hectares only; value of tree growth in the remaining 271 hectares awaited) was treated as interest free loans. In addition, the scheme envisaged provision of financial assistance to the societies in the form of interest free advances (Rs. 5.60 lakhs) for payment of guaranteed minimum wages to members, interest bearing loans (Rs. 1.80 lakhs) towards working capital and grants (Rs. 4.00 lakhs) for the construction of temporary housing facilities, soil conservation works and managerial assistance. As against Rs. 25.70 lakhs contemplated in the project reports, financial assistance paid by Government to the two societies to end of 1975-76 amounted to Rs. 33.55 lakhs, as indicated below:

	Loans		*Grants*	*Total*
	Interest free	*Interest bearing*		
		(in lakhs of rupees) *Actuals/Estimate*		
Co-operative Collective Farm (CFI) No. I, Manjapra	11.30	4.59	5.17	21.06
	11.30	1.00	1.00*	13.30
Co-operative Collective Farm (CFI) No. 1, Koothali	7.48	2.46	2.55	12.49
	8.60	0.80	3.00	12.40
Total	18.78	7.05	7.72	33.55
	19.90	1.80	4.00	25.70

* Does not include provision for soil conservation works and managerial assistance.

(2) The following table gives year-wise details of loans and grants paid to the societies and expenditure incurred by them:—

Name	*Year*	*Loans*	*Grants*	*Total*	*Expenditure*
		(*in lakhs of rupees*)			
Illithode Farm	1973-74	12.88	3.06	15.94	6.34
	1974-75	0.42	1.00	1.42	6.91
	1975-76	2.59	1.11	3.70	5.03
Koothali Farm	1973-74	0.04	0.66	0.70	0.70
	1974-75	9.90	0.97	10.87	5.07
	1975-76	..	0.92	0.92	8.36

Some of the points noticed during audit of the accounts of the Illithode farm for 1973-74 and 1974-75 and those of Koothali farm for 1974-75 taken up under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 and of the records relating to utilisation of loans and grants paid during 1973-74 to 1975-76 under Section 15 ibid are mentioned below:—

(a) While sanctioning the establishment of the farms, Government anticipated that financial assistance from institutional agencies like Agricultural Refinance Corporation, nationalised banks, etc., would be forthcoming for the development of the farms within six months of their establishment. Detailed schemes prepared in June 1974 and May 1976 for obtaining long term loans from banks for the cultivation of perennial crops like coconut, pepper, cashew etc., in 315 hectares in Illithode farm and 238 hectares in Koothali farm respectively are under consideration of the prospective financing banks/ Government (March 1977). Owing to the delay, the anticipation of securing institutional finance has not materialised and Government had to advance additional loans and grants amounting to Rs. 7.85 lakhs to the societies for payment of guaranteed minimum wages (Rs. 4.09 lakhs) and managerial assistance (Rs. 3.76 lakhs) respectively.

(b) Pending clearance of the detailed schemes, perennial crops have been raised in 55 hectares—(coconut: 38 hectares; cashew: 12 hectares; rubber: 5 hectares) in Illithode farm at a cost of Rs. 1.82 lakhs and in 140 hectares (coconut: 88 hectares; cashew 40 hectares; cocoa: 8 hectares; pepper: 4 hectares) in Koothali farm at a cost of Rs. 2.91 lakhs. The cost of labour input per hectare was found to be excessive compared to the assumption made in the project reports of May 1972 and July 1973, in respect of these crops as indicated below:-

crop	*Cost of labour input per hectare estimated in the project report*	*Actual*
	Rs.	Rs.
Illithode farm		
Coconut	1,080	3,303
Cashew	716	1,204
Rubber	..	1,538
Koothali farm		
Coconut	640	1,891
Pepper	721	1,649
Cocoa	1,131	1,931

Government stated (April 1977) that because of difficult terrain, destruction by wild boars, intensive weed growth, etc., cost of labour input was high and that low productivity of labour was due mainly to 'tendency on the part of members to do less work' and 'negligent attitude of members.' The Audit Board, required to be established under the bye-laws of the societies to undertake quarterly assessment of the quality and quantity of work turned out by members, has not been constituted in Illithode farm (March 1977); the Board constituted in Koothali farm in January 1976 did not start functioning and was wound up consequent on the formation of the new Board of Directors and a new Audit Board is reported to have been constituted in November 1976. The rules contemplated in the byelaws of the societies to ensure full and most rational use of labour power have not been framed in the case of Illithode farm, while the rules framed in the case of Koothali farm do not provide how payment for piece work should be regulated.

(c) The farms were to grow annual crops like banana, tapioca, paddy, etc., as inter-crops in larger areas so as to earn reasonable income in the initial stages till the perennial crops started yielding. Agricultural operations relating to such annual crops (excluding bananas raised in 2 years and wet paddy and tapioca raised during 1975-76, harvest of which was incomplete) resulted in losses aggregating Rs. 1.97 lakhs during 1974-75 and 1975-76.

The secretaries of the societies attributed the loss to low labour efficiency, low productivity caused by inadequate application of fertilisers (this was attributed to lack of funds) subsidised sale of farm produce to members (this was not contemplated in the scheme, the subsidy paid amounted to Rs. 0.34 lakh in Illithode farm and Rs. 0.80 lakh in Koothali farm) and attack of wild animals.

The agricultural operations (relating to annual crops) in Illithode farm during 1973-74 as well, when no perennial crops were raised, resulted in a deficit of Rs. 0.29 lakh (receipts: Rs. 1.30 lakhs; expenditure: Rs. 1.59 lakhs).

(d) Expenditure incurred during 1974-75 and 1975-76 on repairs to temporary residential sheds constructed in 1972-73 and 1973-74 (Rs. 1.17 lakhs: Illithode—Rs. 0.62 lakh and Koothali—Rs. 0.55 lakh) far exceeded the actual cost of construction (Rs. 1.06 lakhs: Illithode—Rs. 0.51 lakh and Koothali—Rs. 0.55 lakh).

(e) According to the project reports approved by Government, technical and managerial assistance was to be provided to the societies for three years on a tapering basis, full cost of establishment and contingencies being met by Government during the first year, two-thirds during the second year and one-third in third year. However, Government have met the entire cost during the second and third years resulting in excess payment of Rs. 1.32 lakhs (Rs. 1.07 lakhs and Rs. 0.25 lakhs for Illithode and Koothali farms respectively), as managerial assistance. Government stated (November 1976) that, as the financial position of the societies was not sound, they were not in a position to reimburse the charges incurred until their position improved and that till then, the full cost of establishment and contingencies would have to be met by Government.

(f) The following further points have also been noticed in respect of Illithode farm:—

(i) Under the bye-laws, each member was entitled to wages either on time or piece work basis in accordance with the quantity and quality of labour contributed by him subject, however, to the guaranteed minimum rate of Rs. 25 per week. No records showing the nature, extent and quality of work done by members were, however, maintained. Computed with reference to work attendance and leave details available with the society, wages payable to members during April 1973 to June 1976 should not have exceeded Rs. 15.10 lakhs (computed at the rate of Rs. 25 per week of six working days) against Rs. 16.62 lakhs actually disbursed as guaranteed minimum wage. Government stated (November 1976) that the "members were reluctant to accept the concept that their work has to be supervised by the Government officials", that they refused to give normal out-turn of work and because of growing indiscipline, the society had been superseded and an administrator appointed and that wages would be paid on piece work basis only 'as per package proposals made to Government by the Director of Agriculture'.

(ii) Cashew seedlings planted in 12 hectares during 1975-76 at a cost of Rs. 0.15 lakh were destroyed in a fire accident, reported to have been caused by the negligence of a member. The Board of Directors suspended the member and recommended his expulsion from the society; but the general body (April 1976) did not ratify the action. Government stated (November 1976) that the case was under investigation by the Police.

(iii) With the approval of the Director of Agriculture, 568 acres of farm land were leased out during April-September 1975 to 245 families for independent cultivation of paddy and tapioca on an annual lease of Rs. 200 per acre payable to the society. Each family was also paid an advance of Rs. 100 to be repaid within one week of harvest. Out of the lease amount of Rs. 1.54 lakhs, Rs. 0.52 lakh remained to be collected at the end of October 1976. Government stated (November 1976) that bulk of the outstanding dues pertained to tapioca cultivation (Rs. 0.46 lakh) and that the same would be realised as soon as the crop was harvested. Leasing of lands for private cultivation was not in accordance with the bye-laws of the society constituted "to strengthen and develop in every way the common enterprise to raise labour productivity and efficiency of common production".

(iv) Right of collection of tree growth in the forest land (12 blocks) assigned to the society (value of which was treated as non-interest bearing advance to the society) was auctioned in 12 lots, and, with the approval of Government, was settled in favour of twelve contractors for Rs. 8.80 lakhs in December 1973. One contractor, whose bid of Rs. 1.01 lakhs for block No. 12 was accepted, complained about alteration of boundaries of the block (area 30.71 hectares) after the date of auction and requested the Secretary of the society to have the block demarcated correctly and to restore the original area of the block. On the society declining to take action, he backed out. After forfeiting his earnest money deposit (Rs. 10,000), the block was reauctioned in June 1974 and the right of collection allotted to another contractor for Rs. 0.61 lakh. The second contractor was not permitted by the Secretary of the society (January 1975) to complete the work on the plea he had violated the terms of agreement; the contractor was reported to have removed timber and firewood in excess of the limits stipulated in the agreement, according to which he could remove $\frac{1}{4}$ of tree growth on payment of $\frac{3}{4}$ bid amount and the balance quantities on payment of full bid amount. Aggrieved by the decision, the contractor challenged the order in the High Court. On the direction of the High Court, the Divisional Forest Officer, Chalakudy, conducted a spot enquiry and reported (March 1975) that the area of the block actually available to the contractor for exploitation was 5.96 hectares only against the notified area of 30.71 hectares. The Divisional Forest Officer also reported that the total quantity of timber and firewood available in the block allotted to the contractor (including that standing in the block and that already removed) was about 84.018 cubic metres of timber and 219.11 tonnes of firewood against estimated quantities of 471.72 cubic metres of timber and 809 tonnes of firewood. Based on the recommendation of the Divisional Forest Officer, the contract was treated as having been settled (April 1975) on the contractor depositing Rs. 0.41 lakh towards the value of timber and firewood removed till then. No enquiry was conducted by the department to find out whether the reported reduction in area of block No. 12 resulted in any unintended benefit to the contractors who had exploited the tree growth in adjacent blocks. The question arises whether the action of the society in rejecting, without enquiry, the request of the first contractor for block No. 12 (whose bid of Rs. 1.01 lakhs was accepted in the first instance) for getting the boundaries of block No. 12 rechecked, did not result in a loss of Rs. 0.50 lakh. Government stated (November 1976) that the society had not reported the case to Government earlier and that the matter was being investigated.

HIGHER EDUCATION DEPARTMENT

7.3. Direct payment of salaries to teaching and non-teaching staff of private Arts and Science colleges

(1) Prior to April 1962, Government was not granting any financial assistance to private colleges other than those covered by a scheme for improvement of salaries of private Arts, Science and Training Colleges introduced by the University Grants Commission in 1957-58. A scheme for payment of grants-in-aid to private college managements was introduced with effect from 1st April 1962; the rules (called Grant-in-aid Code) provided for payment of teaching grant based on the receipts and expenditure of the institution during the previous financial year and was not to exceed 60 per cent (raised to 80 per cent with effect from 1st April 1966) of the excess in the approved recurring expenditure over the income from tuition fees at standard rates (being the fees levied in Government Colleges) in the previous year. The pattern of non-teaching staff was directed to be brought at par with Government colleges with effect from February 1970. This scheme was discontinued from the academic year 1972-73 and Government sanctioned (in August 1972) a system of direct payment of salaries to teaching and non-teaching staff of private colleges according to which salary of staff from 1st September 1972 onwards would be disbursed directly by Government and that for the period from 1st June 1972 to 31st August 1972 already disbursed by the management would be reimbursed to them. A unified fee structure was also introduced in all colleges (Government and private) simultaneously and the fees realised were to be credited to Government.

In paragraph 65 of the Report of the Comptroller and Auditor General of India for the year 1973-74 (Civil) mention was made about payment of teaching grants aggregating Rs. 1,45.05 lakhs to 37 private Arts and Science Colleges during 1972-73 even though those grants were inadmissible as salaries to staff were paid by Government directly from 1st June 1972.

(2) The direct payment system was implemented in 1972-73 in 103 out of 104 private colleges in the State, after the managements had executed the prescribed agreement; the 104th college was brought under the scheme in 1973-74. The payments are treated as grants to the colleges and expenditure during the four years ended with March 1976 amounted to Rs. 26.07 crores.

3(a) The rules for the implementation of the scheme issued in October 1972 and Government orders issued in November 1973 contemplated that the number of teachers for each of the affiliated colleges should be fixed by the universities on the basis of hours of work according to the time-table as on the closing date of admission and pattern of teaching staff approved by Government. Only teachers who came within the strength so fixed and whose appointments had been approved by the two universities would be eligible to be considered for direct payment of salary and until fixation of staff as proposed was made, the teaching staff and rate of pay approved by the universities for 1971-72 for the purpose of assessing teaching grant of 1972-73 (under the old grant-in-aid code) should be treated as the approved teaching staff for effecting direct payment with effect from 1st September 1972 (excluding those who had either retired or left service due to other reasons). This stipulation was modified in September 1973 when Government, pending fixation of teaching staff strength of colleges, directed that all teaching staff (excluding staff employed in leave vacancies) who were in the employment of private colleges on 1st September 1972, irrespective of whether or not their appointments and posts had been approved by the universities, should be brought under the direct payment system and that such of those who were later found to be in excess of the approved staff strength should continue to be retained till they were absorbed against future regular vacancies or they retired or resigned from service. Government also directed that recruitment against future vacancies should not be made until all supernumeraries were absorbed. In November 1973, Government directed that the Director of Collegiate Education or the officer authorised in this behalf should ensure that the number of teaching posts in the colleges did not exceed that sanctioned by the universities.

(b) The pattern and number of teaching staff which might be accepted for the purpose of direct payment of salary was approved by Government in July 1974 and, as intimated by the Director of Collegiate Education (in September 1976), during November 1973-August 1976, 292 staff strength statements were approved by the two universities and another 123 cases were pending as indicated below:—

Academic year	*No. of colleges brought under the direct payment system*	*No. of staff strength statements approved (and period during which approval was given)*	*No. of pending cases*	*No. of colleges where staff had been employed in excess of approved strength (and number of surplus staff)*
1972-73	103	103 (November 1973— December 1975)	..	95(391)
1973-74	104	97 (January 1975— July 1976)	7	81(410)
1974-75	104	84 (January 1975— August 1976)	20	76(381)
1975-76	104	8 (January 1975— June 1976)	96	8(18)

The Director of Collegiate Education stated (September 1976 and February 1977) that reasons for non-fixation of strength in certain cases were being ascertained from these universities which had been fixing the staff strength by virtue of powers vested in them and that detailed instructions had been issued (in June 1976) for absorption of surplus staff.

(c) In 34 out of the 41 colleges, the accounts of which were audited (between September 1975 and December 1976) under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, it was noticed that the staff employed exceeded the permissible strength determined with reference to either the approved fixation statement or the guidelines of June 1973/July 1974 laid down in that connection (where fixation had not been effected). The salary paid to such surplus staff during 1972-73 to 1975-76 (computed with reference to the pay of the junior most staff working in the concerned department and without taking into account the effect of revision of pay scales introduced from 1st July 1973 and enhanced dearness allowances paid from time to time in respect of staff of 28 colleges) amounted to Rs. 22.03 lakhs.

(4) When the system of direct payment of salary was introduced with effect from 1st September1972 only, the non-teaching staff that would have been admitted for the year 1971-72 (for the purpose of assessing the teaching grant of 1972-73 had the Grant-in-aid Code remained in force) and who were in service on 1st September 1972, should have been brought under the direct payment system. However, Government decided (May 1973) to pay directly salary to all non-teaching staff who were on the rolls of colleges on 31st March 1972. Subsequently, between July 1974 and March 1976, the Director of Collegiate Education refixed the strength of non-teaching staff on the basis of student strength during 1974-75 (this was ratified by Government in September 1975); non-teaching staff strength so fixed was to remain in force for three years, viz., 1974-75 to 1976-77. It was noticed that non-teaching staff employed in 70 colleges exceeded the permissible strength (based on the student strength during 1974-75) by 179, of which 56 were absorbed in subsequent vacancies and 28 excluded from the direct payment system; 95 staff members have been retained in 46 colleges as supernumeraries and paid for by Government (September 1976). In 16 colleges (out of the 41 colleges mentioned in the preceding paragraph) extra expenditure during 1972-73 to 1975-76, amounted to Rs. 2.73 lakhs; in 9 other colleges (not audited under Section 14) the extra expenditure, according to the details furnished by the Director of Collegiate Education, amounted to Rs. 1.45 lakhs reckoned at the minimum of the pre-revised scales of pay.

(5) The salary bills of private college staff are pre-checked and countersigned by the Zonal Deputy Directors of Education before payment at treasuries; the Zonal Deputy Directors also check locally the accounts of colleges. According to the information furnished by Government (January 1977), these inspections relating to 1975-76 and earlier years were in arrears to the extent indicated below:—

Year	*Quilon region*		*Tripunithura region*		*Calicut region*		*Grand total*	
	No. of colleges	*No. not inspected*	*No. of colleges*	*No. not inspected*	*No. of colleges*	*No. not inspected*	*No. of colleges*	*No. not inspected*
1972-73	37	22	32	nil	34	4	103	26
1973-74	38	29	32	18	34	17	104	64
1974-75	38	32	32	28	34	29	104	89
1975-76	38	34	32	29	34	33	104	96

The Director of Collegiate Education stated (September 1976) that arrears had accumulated as the staff sanctioned for local check (1 Junior Superintendent, 1 U. D. Clerk, 2 L. D. Clerks and 1 L. D. typist in each zone) were engaged on other items of work like scrutiny of accounts and disbursement of grants, fixation of pay and scrutiny of arrear bills, etc.

(6) The erstwhile Government of Travancore granted (in 1819) certain properties known as 'Munro Island' as 'Anubhogam' (right to enjoy) for the maintenance of the Church Missionary Society College, Kottayam (formerly known as Syrian College, Kottayam) subject to the payment of 250 'Fanams' (a fanam was equal to $\frac{1}{7}$th of the then existing rupee) per annum as 'Thirumulkkazhcha'. The properties were resumed in 1929 and Government

agreed to pay the society an annuity of Rs. 5,000 in perpetuity. This annuity constituted an income of the college to be utilised on its maintenance. Payment of this annuity continued to the end of 1964-65 and thereafter it was discontinued. In March 1974, Government (in the Revenue Department), after consultation with the society, extinguished the latter's right to receive the annuity by payment of a lump sum compensation of Rs. 74,000; arrears of annual grant pertaining to the period April 1965 to February 1974 amounting to Rs. 52,500 were also paid to the society.

According to Rule 18 of the 'Grant-in-aid Code' the 'teaching grant' was considered supplementary to the income of the college from fees, subscriptions, donations and other sources. Rule 14, *ibid*, stipulated that no aided institution should be allowed to spend any portion of its income for purposes other than educational purposes of the institution. Thus the annuity of Rs. 5,000 should have been treated as income of the college while fixing the quantum of teaching grant. However, this was not done and the college received during April 1962 to May 1972 teaching grants in excess of what was admissible under Rules, the excess grants aggregating Rs. 0.36 lakh during April 1962 to March 1972. Consequent to the introduction of direct payment of salaries system, the right to receive the annuity was extinguished automatically since the society had been relieved of the responsibility to pay salary to staff. Therefore, capitalised value of Rs. 0.74 lakh paid in March 1974 would appear unjustified and the excess grants of Rs.0.36 lakh paid during April 1962 to March 1972 should have been adjusted from the arrears of annuity amounting to Rs. 0.53 lakh paid in March 1974. Government in the Higher Education Department stated (February 1976) that compensation and arrears were paid in March 1974 after the introduction of direct payment of salaries system and in the absence of any provision in the agreement, no adjustment was possible.

(7) Under the agreement executed by managements, the principals are responsible for collection of fees and fines, if any, from students and to remit the same to the credit of Government within the time limit prescribed by Government.

Remittance of fees to Government by the principals is heavily in arrears, according to the information furnished by the Department (May-June 1976); out of Rs. 8.17 crores due to Government pertaining to these colleges in respect of the years 1972-73 to 1975-76, Rs. 7.28 crores were remitted leaving a balance of Rs. 0.89 crore at the end of March 1976 as indicated below:—

Year		*Fees and fines due to Government (in lakhs of rupees)*	*Amount of arrears*
1972-73		1,82.86	28.65
1973-74		1,97.18	21.82
1974-75		2,08.30	19.19
1975-76		2,29.07	19.38
	Total	8,17.41	89.04

The remittance is in arrears mainly due to delay in collection of fees from students. Government stated (January 1977) that the Director of Collegiate Education has strict instructions to realise the arrears.

(8) Special fees like admission fee, registration fee, library fee, laboratory fee, stationery fee, sports fee, audio-visual education fee, calendar fee, magazine fee, etc., realised from students are to be utilised on specified purpose. To ensure compliance, the agreements executed by private college managements provided that such fees would be remitted into the treasury in a separate personal deposit account to be opened in the name of the principals. Subsidiary instructions issued by the Director of Collegiate Education in July 1973 and January 1974 provided, *inter alia* for maintenance of detailed accounts for each item of special fees by the principals and a consolidated account for all categories of special fees for the purpose of reconciliation with personal deposit account balances. However, these accounts have not been maintained in the manner prescribed by the Department in any one of the 41 colleges the accounts of which were audited, during the academic years 1972-73 and 1973-74; six colleges started maintaining such accounts during 1974-75 and seven colleges during 1975-76 though not in the prescribed form. Test check of available records showed that:—

(a) Unspent balance under each category of special fees as on 1st June 1972 had not been carried over to the registers nor had the balances worked out in the registers been reconciled with the balance of personal deposit accounts opened in treasuries.

(b) In 8 colleges, admission fee and registration fee amounting to Rs. 1.60 lakhs realised during 1973-74 to 1975-76 were transferred to managements and not utilised for the purposes intended.

(c) In 14 colleges, special fees amounting to Rs. 2.46 lakhs were applied for meeting expenditure on contingencies, maintenance expenses, expenses of management and capital items.

(d) The stock account of laboratory equipment, chemicals, sports goods and audio-visual equipment purchased out of the special fees collected have not been maintained by 9 colleges.

(c) Receipts relating to breakages of laboratory equipment realised from students, sale of old news papers etc., were to be credited to the personal deposit account. The managements of 11 colleges appropriated these receipts during 1974-75; the amount involved in respect of 6 colleges, information in respect of which was available, amounted to Rs. 0.82 lakh.

Government stated (January 1977) that all the institutions have been directed to write up the registers in the prescribed form from 1st June 1972 and to get the amounts recouped/credited to the Personal Deposit Accounts, where diversions have been noticed.

7.4. Regional Engineering College, Kozhikode

(1) Under a scheme launched by the Government of India during the Second Five Year Plan period (1956-1961) to create institutional facilities for providing under-graduate education and training in different branches of Engineering, the Regional Engineering College, Kozhikode was established in 1961. The college is managed by a society, Regional Engineering College (Kozhikode) Society, registered under the Literary, Scientific and Charitable Societies Registration Act of 1860. Under the scheme, the State Government had to provide 250 acres of developed land free of cost, while capital expenditure on college buildings and equipment, staff quarters and hostel buildings was to be met out of loans and grants paid by the Government of India. Recurring expenses have been shared by the two Governments in the proportion of 1:1. Total assistance received by the society to the end of 1975-76 amounted to Rs. 4,17.56 lakhs, of which Rs. 1,33.78 lakhs were paid by the Government of Kerala and the balance (Rs. 2,83.78 lakhs) by the Government of India as loans (Rs. 59.54 lakhs) and grants (Rs. 2,24.24 lakhs). The Examiner of Local Fund Accounts of the State has audited the accounts of the College upto 1974-75.

(2) The details of the grants and loans received by the college from the Government of India and the State Government during the four years from 1971-72 to 1974-75 were as given below:—

Year	*Government of India Grant*	*Government of India Loan*	*State Government Grant*	*Total*	*Total expenditure of the college during the year*
	(in lakhs of rupees)				
1971-72	28.21	3.55	11.60	43.36	30.07
1972-73	24.54	..	12.44	36.98	45.58
1973-74	18.07	..	14.20	32.27*	43.90
1974-75	17.50	1.25	18.00	36.75	41.18
Total	88.32	4.80	56.24	1,49.36	1,60.73

* There was unutilised balance of grant and loan amounting to Rs. 15.63 lakhs at the beginning of 1973-74.

Audit of accounts of the Society for these years under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, brought to notice the following points:—

(a) The Memorandum of Association and Rules of the Society require that its annual accounts including balance sheet shall be prepared in such form as may be prescribed by the State Government. The forms have not been prescribed (February 1977). The Receipts and Expenditure account prepared by the society incorporated the cash transactions of a year and did not bring out the financial position of the society.

(b) The State Government handed over 288 acres of land (cost of acquisition and development being Rs. 9.12 lakhs and Rs. 17.41 lakhs respectively) during 1961-62 to 1974-75 against about 250 acres as mentioned earlier. The society has put to use 188 acres only; the cost of unutilised land amounted to Rs. 3.16 lakhs of which Rs. 1.2 lakhs represented the cost of land made over in excess of 250 acres. Government stated (November 1976) that as the future development of the college could not exactly be envisaged, land was acquired in excess, that the master plan prepared for the college has not been implemented completely and that the entire land would be required for future development, which could be implemented only according to availability of funds.

(c) Rent realised from students and staff in occupation of hostels and staff quarters respectively is required to be utilised in full for repayment of loans paid by the Government of India. Against Rs. 5.95 lakhs realised from students and staff during the period April 1971-March 1975, repayments of loans, however, totalled Rs. 3.83 lakhs only. Government stated (November 1976) that on a few occasions when recurring grants were not received in time, funds had to be diverted to make inevitable payments.

(d) Electricity is supplied to the college campus from a low tension line and is charged by the Kerala State Electricity Board at Industrial general tariff rates. To avail of the facility of reduced rates applicable to high tension consumers, the society installed a 250 KVA/11 KV transformer in the college campus (in September 1969) at a cost of Rs. 0.25 lakh. Thereafter, till March 1973, the matter remained under correspondence with the Electricity Board and the Electrical Inspector, Calicut who approved the plan in March 1973. The latter, after inspection, pointed out in May 1973 certain defects for rectification. An estimate of Rs. 0.19 lakh was prepared in July 1974 and execution was entrusted to a contractor in August 1975; the work which was scheduled for completion within one month, has not been completed. Consequently, the transformer has not been commissioned and an annual saving of Rs. 14,000 anticipated by conversion of the low tension line into high tension line has not materialised even after 7 years had elapsed (March 1977). The society had also received a grant of Rs. 0.25 lakh for the work from the State Government in March 1976. Government stated (November 1976) that the delay was due to administrative and other reasons which were unavoidable in such technical matters.

Besides, recovery for electricity supplied to hostels and staff quarters was made at Re. 0.30 per unit (plus 10 per cent surcharge) against Re. 0.38 (plus 10 per cent surcharge) paid to the Kerala State Electricity Board; this resulted in the grant of indirect subsidy of about Rs. 15,000 a year to staff and students. Government stated (November 1976) that the college authorities realised cost of electricity supplied to hostels and staff quarters at the rate at which the Electricity Board was supplying electricity for domestic consumption and that the question was being examined further to ascertain the authority therefor and also the circumstances in which the lower rate was fixed and collected.

INDUSTRIES DEPARTMENT

7.5. Coir development Scheme

(1) Among the traditional industries of Kerala, coir industry occupies a unique place; the industry is estimated to provide direct and indirect employment to 10.5 lakhs people in the coastal areas of the State. Coconut husks which are available in plenty in the State constitute the main raw material of the industry. During the last two to three decades, falling prices due to acute competition from other natural and synthetic fibres and rising costs have caused a slump in the industry. Revitalisation measures initiated by the State Government since 1951 have envisaged, in the main, development of the industry, with financial assistance (loans and grants) extended by Government, on co-operative basis with workers' participation so as to bring the means of production within the hands of workers and to secure for the co-operatives command over production, thereby generating in them necessary bargaining power and competitive strength against private trade.

(2) A survey carried out by the State Government during 1968 brought out that almost all the 543 primary co-operative societies organised to the end of 1967-68 with financial assistance extended by Government and aggregating Rs. 2,70.49 lakhs (loan: Rs. 2,45.46 lakhs and grants: Rs. 25.03 lakhs) were either dormant or languishing. In 1969, a study group appointed by the Planning Commission recommended reorganisation of existing societies into viable units so as to enable them to draw funds for working capital from institutional sources. Based on the recommendations of the study team and after further discussions with the State Government, the Government of India directed the State Government (January 1974) to prepare a detailed project report for the restructuring of societies. The project report submitted by the State Government (February 1974) provided for an outlay of Rs. 12.42 crores out of budgetary finance and Rs. 19.02 crores out of institutional finance

during the three year period from 1973-74. The State Government also formulated a more comprehensive scheme envisaging an outlay of Rs. 86.39 crores (Rs. 32.39 crores of budgetary finance and Rs. 54 crores of institutional finance) to be implemented during the Fifth Five Year Plan period. Following a proposal to dovetail the two programmes during the Fifth Five Year Plan period, a rephased programme envisaging an outlay of Rs. 41.72 crores from budgetary finance besides pumping in Rs. 1,07.80 crores from institutional sources (the latter was to be released gradually from Rs. 2.18 crores in the first year (1974-75) and rising to Rs. 35.41 crores in the fifth year (1978-79) was drawn up and forwarded to the Government of India in December 1974. Approval of the Government of India to the project report of February 1974 and the rephased programme of December 1974 has not been received (February 1977).

During 1973-74 to 1975-76, however, the Government of India, based on the recommendations of the Planning Commission which has approved (July 1975) special Central assistance of Rs. 4.31 crores for restructuring viable and potentially viable societies during the Fifth Five Year Plan period, have paid loans and grants aggregating Rs. 3,00 lakhs (loan: Rs. 2,55.24 lakhs and grant: Rs. 44.76 lakhs).

(3) Expenditure during the three years ended 1975-76 was Rs. 2,77.81* lakhs of which Rs. 1,99.27 lakhs were met out of the financial assistance extended by the Government of India and the balance from the State Government funds. Government of India had permitted (October 1976) the State Government to utilise during 1976-77 the unspent amount of Central assistance paid during 1975-76 amounting to Rs. 1,00 lakhs (loan: Rs. 80 lakhs; grant: Rs. 20 lakhs). The unspent balance of Rs. 0.73 lakh (out of grant received in 1973-74) has not been refunded (February 1977).

(4) *Progress of implementation of schemes during* 1973-76

(a) Under the scheme of restructuring existing (viable and potentially viable) societies, primary societies were converted into production-cum-sale units. Against 80,593 workers [employed by 22 viable (8,942 workers) and 174 potentially viable (71,651 workers) societies] reported to have been

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* This does not include financial assistance given to Kerala State Coir Corporation Ltd., and expenditure on Model Coir Factory, Beypore (since taken over by the former company).

covered by the conversion scheme by the end of February 1976, the number of workers effectively benefited i.e., workers provided with employment during the co-operative year 1975-76 was 38,671 only. Government stated (December 1976) that all worker-members could not be provided with employment due to several reasons like non-availability of retted husk to the extent required, inadequacy of finance (against the optimum working capital of Rs. 5.25 crores required by the societies for providing continuous employment to all worker-members, the amount of working capital provided was only Rs. 1.47 crores), etc.

(b) During 1974-75 and 1975-76 yarn produced by the 196 societies referred to in sub-paragraph (a) was 5,516 tonnes and 13,013 tonnes which worked out to 14 and 23 per cent respectively of targeted production. Computed with reference to the total production of yarn in the State, contribution by the co-operative sector was 4 per cent in 1974-75 and 8.4 per cent in 1975-76; the object of securing for the co-operative sector a position of primacy in the field of coir production and of providing societies with adequate bargaining power remains largely unfulfilled.

Analysis of production performance of certain societies in Ponnani and Trichur Project areas brought out the following points:—

(i) Eight societies (with a membership of 3,231) in Ponnani project area were paid Rs. 6.46 lakhs (loan: Rs. 5.29 lakhs; grant: Rs. 0.36 lakh; share capital contribution: Rs. 0.81 lakh) during 1973-74 to 1975-76.

Against the expected annual production of 32,310 quintals of yarn, production by seven societies during 1975-76 was 1,101 quintals of yarn (value: Rs. 2.19 lakhs) and 2,063 quintals of fibre (value: Rs. 3.01 lakhs): The eighth society which received assistance amounting to Rs. 0.87 lakh. (loan: Rs. 0.72 lakh; grant: Rs. 0.03 lakh; share capital contribution: Rs. 0.12 lakh) has not started production of yarn (October 1976); the society refunded unutilised loan assistance of Rs. 0.62 lakh in January/February 1976. The department stated (October 1976) that as the working of the society was not satisfactory, a departmental officer has been appointed as administrator (June 1976) to manage its affairs and that the feasibility of amalgamating it with another society was being examined.

(ii) Seventeen societies in Trichur project area were paid Rs. 9.73 lakhs as assistance (loan : Rs. 7.51 lakhs; grant: Rs. 0.72 lakh; share capital contribution: Rs. 1.50 lakhs) during 1973-74 to 1975-76. Of these, five societies were producing yarn since 1972-73, quantity and value of production of these societies during 1972-73 being 3,157 quintals and Rs. 5.75 lakhs respectively. During 1974-75 eleven societies (including the five which were producing yarn since 1972-73) produced 5,350 quintals of yarn (value: Rs. 11.68 lakhs); the remaining six societies started production during 1975-76 only.

The department attributed (October 1976) the shortfall in production to difficulties in procuring husk at the notified prices and time taken in retting the procured husk (raw husk takes 9 to 10 months to get retted), inadequate working capital and lack of experience on the part of the members in the production of yarn.

(c) One of the objectives of the process of re-organisation and revitalisation of societies was that every worker should get the notified minimum wage ranging from Rs. 3.50 to Rs. 4 per day of 8 hours whereas the real wage of a worker during 1974-75 was less than Re. 1 per day and about Rs. 1.50 per day during 1975-76. The Director of Coir Development stated (August 1976) that though the workers of societies were paid the notified minimum wages, the average daily wage earned by each worker happened to be less as the workers could not be employed round the year on a continuing basis. It was noticed that during the co-operative years 1974-75 and 1975-76 the societies procured 11.23 crores and 19.20 crores of husks respectively against their estimated annual requirement of 26.45 crores and 45.12 crores of husks, notwithstanding the regulatory measures taken by Government since September 1973. Government stated (November 1976) that short procurement was due to stiff resistance from husk dealers to supply husks at notified prices.

(5) Certain points relating to the implementation of Coir Development Scheme were mentioned in paragraph 116 of the Audit Report 1968 and paragraph 85 of the Report of the Comptroller and Auditor General of India for the year 1971-72. Examination of records of the sanctioning authority for payment of financial assistance brought to notice the following points:—

(a) *Institutional finance*

Viable societies were to avail of finance for working capital from District Co-operative Banks, the banks being placed in funds by the Reserve Bank of India through the State Co-operative Bank against guarantees issued by the State Government.

In the project report of February 1974, it was anticipated that viable societies would obtain institutional credit to the tune of Rs. 5,48.19 lakhs and

Rs. 11,70.86 lakhs during 1974-75 and 1975-76 respectively. Government issued guarantees aggregating Rs. 3,75 lakhs only during January-May 1975 apparently on the assumption that maximum credit limit might not exceed Rs. 8,00 lakhs. Credits actually availed by these societies during each of the years 1974-75 and 1975-76 did not, however, exceed Rs. 1,57 lakhs (Rs. 1,25.10 lakhs in 1974-75 and Rs. 1,56.90 lakhs in 1975-76). Government attributed (November 1976) the shortfall to credit limits being sanctioned by the Reserve Bank of India on ad-hoc basis and non-extending of credit facilities to 55 societies by the Reserve Bank of India.

(b) *Working capital loans*

According to the rules for issue of working capital loans to potentially viable coir primary co-operatives, framed by Government in March 1974, the amount of loan has to be fixed with reference to six months' requirements for retting husk and conversion of retted husk into coir yarn and three months' requirements for spinning operations. The societies were to utilise the loans within a period of one year and the unutilised portion was to be refunded within a month after expiry of the period of utilisation.

The period prescribed for utilisation of loans has not been observed by a number of societies. Out of 174 societies which received loan assistance totalling Rs. 80.96 lakhs during 1973-74 (no working capital loan was disbursed during 1974-75), 75 societies (which received loans aggregating Rs. 32.05 lakhs) did not utilise within the stipulated period i.e., before the close of March 1975, Rs. 15.32 lakhs (including Rs. 3.71 lakhs received by 10 societies which did not utilise any portion of the assistance); the loan amounts lying unutilised with 23 of these societies at the end of 1975-76 totalled Rs. 12.44 lakhs. The delay in utilisation was attributed by Government (February 1976) to non-availability of raw husks at the notified rate and absence of full time paid Secretaries.

Working capital loans, which are linked to production requirements of societies, have not been correlated with their licensed capacity (as indicated in the licences issued under the 'Coconut Husks Control Order, 1973') with the result loans have been disbursed in excess of requirements. In respect of 55 societies, information in respect of which was available with the department and which received loans aggregating Rs. 36.74 lakhs, raw material (husk) requirements were taken as 12.56 crore husks against 6.12 crore husks mentioned in their licences; the quantity of husks processed by these societies during 1974-75 and 1975-76 was 2.68 crores and 3.64 crores respectively.

Government stated (November 1976) that the quantum of loan was assessed on the basis of the number of workers without taking into account the retting or licensed capacity of the societies and that some societies took licences long after starting 'retting operations' and 'several societies obtained retted husk to start production without waiting for the raw husks to get retted'.

According to the rules, societies have to maintain necessary cover by way of stock-in-trade and/or cash at least equal to the amount of loans outstanding at any time and in the event of coverage being less than the outstanding loan amount, the societies have to repay the proportionate amount of loan. A survey carried out by the department during April—August 1976 (on a suggestion made by Audit in November 1975), showed that as on the 31st March 1976, 48 societies against whom Rs. 51.43 lakhs were outstanding as loan, the coverage was less by Rs. 7.85 lakhs. The societies have not repaid the proportionate amount of loan. Government stated (November 1976) that the societies have been instructed to make good the deficit through collection of additional share capital.

Working capital loans carry interest at 2.5 per cent per annum which was fixed in 1952-53 when the borrowing rate of Government was 3.5 per cent. Since 1952-53, Government's borrowing rate has gone up to 6.5 per cent and lending rate in respect of loans granted to co-operative institutions (other than coir societies) has also been raised to rates ranging from 4 per cent to 10.25 per cent per annum. Even loans received by the State Government from the Government of India for financing coir development schemes during 1973-74 to 1975-76 carry interest ranging from 5 to 5.5 per cent per annum. On this being pointed out in audit (November 1975), Government enhanced (October 1976) the rate of interest on working capital loans to coir societies from 2.5 to 5 per cent per annum. The additional financial burden on the State Government occasioned by the delay in the revision of interest rate could not, however, be assessed.

(c) *Share capital contribution*

Government decided (March 1974) to participate in the share capital of coir societies to the extent of 15 per cent of optimum resources required by them. Investment in marketing and manufacturing societies at the end of June 1975 exceeded the prescribed limit of 15 per cent by Rs. 44.74 lakhs (marketing societies: Rs. 14·98 lakhs; manufacturing societies: Rs. 29.76 lakhs).

While ordering conversion of outstanding working capital loans to the extent of 70 per cent into share capital, Government decided (February/

March and December 1975) to treat a part of the balance amount (of outstanding working capital loan) as block loan to societies, the rest being refunded by societies in lump. Accordingly, a sum of Rs. 35.28 lakhs was treated as block loans to 34 viable and 55 potentially viable societies and Rs. 47.57 lakhs were ordered (February/March 1975 and February 1976) to be recovered in lump. A sum of Rs. 15.33 lakhs, has been refunded by the viable societies from the bank credit received by them. Government stated (November 1976) that the potentially viable societies would refund Rs. 32.24 lakhs due from them as and when bank credit was extended to them. Repayment schedule of block capital loans has not been worked out by Project Officers in any case nor has action been taken by them to raise demands against the societies for their recovery (August 1976).

(d) *Managerial subsidy*

According to the rules issued by Government in March 1974, coir societies where workers-cum-small producers formed at least 93 per cent of total memebership are entitled to receive managerial subsidy for appointment of secretary and business manager, on a graduated scale depending on the nature of society and strength of membership.

During 1973-74 to 1975-76, subsidy payments to 210 primary and 11 manufacturing societies aggregated Rs. 11.69 lakhs, of which Rs. 4.03 lakhs were paid in 1973-74, Rs. 1.66 lakhs in 1974-75 and the balance (Rs. 6 lakhs during 1975-76.

Analysis of subsidy paid to 174 societies during 1973-74 (Rs. 4.03 lakhs showed that:—

(i) Rupees 0.75 lakh were paid to 19 ineligible societies where the ratio of worker-cum-producer members to total membership according to the details available in the application submitted by the societies for claiming subsidy was less than the prescribed minimum of 93 per cent;

(ii) Rs. 2.79 lakhs were paid to 124 societies which had not appointed secretary and business manager. In the case of 70 societies (subsidy paid: Rs. 1.58 lakhs) out of the 124 societies, the delay in the appointment of paid secretary and business manager ranged between 6 to 20 months with the result that the societies had an unutilised subsidy of Rs. 0.85 lakh when a further sum of Rs. 1.02 lakhs was paid as second year subsidy. On the delay in the utilisation of first year subsidy being pointed out in audit, Government directed (April 1976) the societies to refund unutilised amount of Rs. 0.85 lakh, which the societies did during April—October 1976.

During 1975-76 as well 8 societies which had not appointed secretary and business manager received subsidies totalling to Rs. 0.26 lakh.

(e) *Price Fluctuation Fund*

With financial assistance from Government, coir co-operative marketing societies undertaking outright purchase of coir yarn and coir products from primary societies and from mats and mattings societies were to create 'Special Price Fluctuation Fund' for compensating the loss arising from price fluctuation. According to the rules issued in December 1974, Government's contribution to the fund in a year was fixed as five and ten per cent of the value of outright purchase of yarn/mats/mattings during the preceding co-operative year for internal and export trade respectively, provided that the societies also contributed ten per cent of their profit to the 'Fund'.

Government have not laid down the procedures for verification of fulfilment of the conditions for release of Government contribution to the fund. The societies should not dispose of stock at rates lower than the floor price and the value of coir yarn or coir products bought outright from a primary society during a particular period should not exceed the production of the society during the period. There were no records available in the department to show that such verification was done before release of Government contributions aggregating Rs. 11.06 lakhs during 1974-75 and 1975-76. Government stated (November 1976) that contribution was sanctioned after the project officers had verified whether the claims were in accordance with the rules. It was, however, seen that against 6,202 tonnes of yarn shown as purchased outright during 1974-75 from primary societies by marketing societies (for claiming contribution to price fluctuation fund), the actual production by the former during that period was 5,516 tonnes only. Further, contribution of Rs. 3.08 lakhs paid during 1974-75 was met out of the assistance given by the Government of India but the latter has not approved this item of expenditure.

(f) *Assistance given to a society*

Financial assistance of Rs. 10.83 lakhs (loans for working capital: Rs. 10.36 lakhs and share capital contribution: Rs. 0.50 lakh) was paid by Government in June and August 1973, to the Darragh Smail Coir Mats and Matting Co-operative Society [a society of the workers of the Alleppey factory of Darragh Smail Co. (India) Ltd., registered in February 1972]. The society acquired (September 1973) the assets and liabilities of the coir business of the company.

The Director of Coir Development, while recommending the grant of loan to the society, observed (August 1972) that the society would be able to make a profit of Rs. 1 lakh with a turn-over of Rs. 20 lakhs per annum. The actual turn-over which was Rs. 17.74 lakhs during 1973-74 came down to Rs. 7.83 lakhs in 1974-75 and to Rs. 6.89 lakhs during July 1975—February 1976, the losses suffered by the society during these periods being Rs. 0.81 lakh, Rs. 4.90 lakhs and Rs. 1.32 lakhs respectively. Government stated (November 1976) that under instructions from the Department, the society was implementing a programme to reduce cost and to improve profitability.

(g) *Working of societies*

During the co-operative year 1974-75, 22 viable primary societies, 4 marketing societies and 11 manufacturing societies on which Government have invested Rs. 1,09.92 lakhs (share capital) and advanced loans totalling Rs. 2,11.04 lakhs suffered losses aggregating Rs. 17.46 lakhs (as compiled by the department).

The loss suffered by potentially viable primary societies (Rs. 10.59 lakhs) was attributed by the Department to meagre turn-over which did not yield sufficient trade profit to cover the cost of establishment and contingencies. It was, however, noticed that cost of establishment as a percentage of turn-over was 5.4 per cent against 3 per cent prescribed by the Department in July 1974.

The department attributed (February 1977) the loss suffered by marketing societies to narrow margin of profit, stiff competition from private trade, etc., and the loss suffered by manufacturing societies to inadequate trade profit to meet establishment and contingent charges and inadequate turnover. It was noticed that a very large proportion of yarn produced by the co-operative societies was marketed/sold through agencies other than marketing/manufacturing societies and the latter also purchased yarn from outside agencies during 1974-75; primary societies sold over 45 per cent of their production, valued at Rs. 68 lakhs to agencies other than marketing and manufacturing societies while the latter societies purchased yarn worth Rs. 1,31.56 lakhs (44 per cent of total purchase) and Rs. 19.13 lakhs (58 per cent of total purchase) respectively from outside agencies. The Director of Coir Development stated that during off season the primary societies sold yarn to outside agencies since marketing societies were not in a position to pay promptly for the yarn offered for sale to them and the primary societies could not also wait for long till market conditions improved and that, on occasions, primary societies could not supply yarn of required quantity and quality to marketing/manufacturing societies and the latter had to purchase yarn from outside agencies in order to honour their commitments.

(6) Certain other points noticed in audit are mentioned below:—

(a) *Default in repayment of loans*

As per the Demand, Collection and Balance statement for the quarter ended 31st March 1976, Rs. 55.48 lakhs (principal: Rs. 44.18 lakhs; interest: Rs. 11.30 lakhs) were overdue for recovery from 309 societies. In addition, out of the loan of Rs. 10 lakhs paid to the Kerala State Coir Corporation in May 1972 under a scheme for distress relief purchase of coir yarn, Rs. 8.50 lakhs towards principal remained to be recovered from the company (February 1977), even though the loan of Rs. 10 lakhs was to be repaid in full by May 1973.

(b) *Dormant societies*

Nineteen societies which received loans (upto March 1973) from Government are dormant, the amount outstanding for recovery from them at the end of March 1976 was Rs. 3.45 lakhs (principal : Rs. 2.69 lakhs; interest : Rs. 0.48 lakh; penal interest : Rs. 0.28 lakh).

(c) *Societies under liquidation*

Information furnished by the department showed that 145 societies which have been advanced working capital loans (in 1972-73 and earlier years) were under liquidation, the balance due from them at the end of March 1976 being Rs. 24.73 lakhs (principal : Rs. 18.71 lakhs; interest : Rs. 6.02 lakhs).

7.6. Kerala State Engineering Technicians, (Workshop) Industrial Co-operative Society Ltd. (ENCOS)

(1) The Kerala State Engineering Technicians' (Workshop) Industrial Co-operative Society Limited (ENCOS) was registered under Section 10 of Travancore Cochin Co-operative Societies Act, 1952 in September 1968 with the object of organising and running industries in areas specified in the bye-laws of the society and expansion of market for industrial products.

(2) The society was registered with an authorised capital of Rs. 1.51 crores (raised to Rs. 5 crores in June 1974) and its bye -laws provided for two classes of members— A Class members consisting of primary industrial societies formed by technically qualified people, State and Central Governments, State and Central Government Corporations etc., and B Class members who should be technically qualified i.e., should have passed engineering degree/diploma/certificate or equivalent examination. The bye-laws also provided for allotment of shares (of value not exceeding 10% of capital)

to sympathisers. The paid-up capital of the society as on the 30th June 1976 was Rs. 1.54 crores of which Rs. 0.73 crore and Rs. 0.41 crore were contributed by the State Government and Kerala Employment Promotion Corporation (KEPCO) (a company fully owned by the State Government) respectively and the balance of Rs. 0.40 crore by 2,420 persons of whom 1,520 were employees of the society (1,361 technically qualified persons and 159 non-technical) and the balance 900 were non-employees who have subscribed share capital at the rate of Rs. 10 per share.

The following grants and loans were paid to the society by the Government to the end of 1975-76:—

Year	*Grant*	*Loan*	*Total*
		(in lakhs of rupees)	
1970-71	0.09	..	0.09
1971-72	0.45	..	0.45
1972-73	1.08	..	1.08
1973-74	1.04	..	1.04
1974-75	8.68	..	8.68
1975-76	1.00	49.00	50.00
Total	12.34	49.00	61.34

In addition, the society received a loan of Rs. 29.92 lakhs from KEPCO in May 1975.

(3) The accounts of the society are audited by the Registrar of Co-operative Societies who has completed audit upto 1974-75 accounts. Accounts of 1975-76 (July 1975-June 1976) have not been prepared (November 1976).

(4) Examination of records of sanctioning authorities and the audited accounts of the society available in the office of the sanctioning authority revealed the following position:—

(a) Employment, based on share capital participation, has been the concept behind the activities of ENCOS and for its capital requirements the society has relied on member employees, State Government and its agencies. Any technically qualified person who could furnish the prescribed capital (Rs. 5,000, Rs. 3,500 and Rs. 2,500 by a degree, diploma and I.T.I Certificate holder respectively) was assured that he would be called for stipendiary training within six months (average rates of stipend ranged between Rs. 96 in 1970-71 and Rs. 173 in 1975-76 per mensem) and that, after 18 months of training, would be employed on permanent basis. Further, non-technical employees of acquired units were retained in service provided they agreed to contribute towards the share capital of the society at varying rates ranging from Rs. 1,500 to Rs. 5,000. Consequently, persons were enrolled by the society as member-employees without linking it to the employment needs in its production activities. According to a survey conducted by the society (in October 1975, in the context of effecting improvements in the working of the society) 656 employees (654 technical and 2 others) out of 1,520 member employees on the rolls (1,361 technical and 159 non-technical) were not employed on any work whatsoever. Government stated (March 1977) that for want of adequate facilities in the units it was not possible to give productive employment to all the employees on the rolls of the society. Payment of wages and salaries to surplus employees was stopped in December 1975 (as directed by Government in October 1975) and payment to surplus staff till then amounted to Rs. 13·17 lakhs as intimated by Government in December 1976.

(b) No contribution towards the share capital of the society as envisaged was made by Government during 1968-69 and 1969-70 since the decision to participate in the share capital of societies organised by technically qualified persons was taken in January 1971 only and the connected rules were framed a year later in January 1972; under these rules Government's contribution, to share capital was to be limited to 3 times the share capital raised by societies from their members and it (Government contribution) would be tied up with specified projects. Accordingly, a sum of Rs. 72.75 lakhs was invested by Government in the share capital of ENCOS during 1970-71 to 1973-74. Because of the capital intensive nature of projects taken up by ENCOS, the society has reported to Government (August 1975) that the methods followed by it to raise resources were inadequate and unworkable and suggested that Government contribution to the share capital should be enhanced from the existing limit of 3 times the share capital. While the question of raising Government contribution to 7 times the share capital contributed by other members was under consideration, Government advanced loans aggregating Rs. 49 lakhs to ENCOS during the period from September 1975 to June 1976. Of this, Rs. 33 lakhs were intended for Alleppey Scooter Project, which was reported to have commenced sale of Lambretta-Vijay Scooters (manufactured in collaboration with Scooters India Limited, Lucknow) in January 1977.

(c) Since July 1969, the society has been managed by a Board of Directors nominated by Government. The first board of 5 Government

Officers and 4 public men was reconstituted in July 1974 to include 4 employees of the society, the number of Government officials and public men was simultaneously reduced to 3. An Officer of the Indian Administrative Service is functioning as paid Managing Director-cum-Secretary of the Society since January 1974.

(d) In January 1976, Government appointed a high level committee to examine in detail the organisational and other changes required in the existing set up of ENCOS in order to evolve a viable organisation. The Committee reported (April 1976) that the new industries taken up for implementation by the ENCOS being capital intensive, were outside its financial capabilities, that the products of ENCOS production units would be priced out of the market because of high production costs and overheads and that Government support in the form of preferential purchases and prices (of ENCOS products) might not be possible if the prices were not reasonable in comparison to alternative products available in the market. Accordingly, Government decided (in June 1976) to liquidate ENCOS and its three affiliated societies (which were formed in June—July 1975 to take over some of the units from ENCOS). An Ordinance was promulgated in March 1977, dissolving ENCOS and vesting in Government the undertakings of ENCOS with effect from 17th March 1977; the Ordinance, *inter-alia*, provided for the termination of the services of all officers and employees of the societies without payment of compensation, refund of share capital to the members and reversion of deputationists to the parent organisations.

(e) Owing to the inability to raise finances, the society had no programme of action during the first two years (1968-69 and 1969-70) and it was dormant. Loss suffered during these years amounted to Rs. 0.18 lakh. During the next four years, the society acquired five existing units (viz. Scooter Division, Trivandrum; Tool Room Unit, Umayanalloor, Quilon; West Coast Electro-plating Unit, Cochin; Foundry Unit, Ottappalam and Menco Electricals, Olavakkot) at a cost of Rs. 19.75 lakhs (in respect of four units only, the society has not paid the purchase consideration in respect of the fifth unit, viz., Tool Room unit, Umayanalloor taken over from Government) and started four new ventures (viz. Housing Unit, Trivandrum; Boat Building Unit, Kalamassery; Automobile Repairing Unit, Cochin and Encotronix Industrial Estate, Olavakkot), the estimated outlays on which were Rs. 1,77 lakhs.

The working results of the society for the three years ended 1974-75 were as given below:—

	1972-73	1973-74	1974-75
		(in lakhs of rupees)	
Opening stock	14.41	19.49	25.91
Purchases	16.99	24.16	18.51
Establishment and Contingencies	20.71	37.57	47.41
Trade charges	0.73	0.86	0.67
Interest	1.46	2.83	4.24
Depreciation	5.28	5.42	5.71
Other charges	1.43	1.63	2.18
Total	61.01	91.96	1,04.63
Sales	22.68	29.48	37.08
Other receipts	1.39	2.24	11.70
Closing stock	19.49	25.91	23.78
Total	43.56	57.63	72.56
Loss during the year	17.45	34.33	32.07
Progressive loss to the end of the year	25.64	59.97	92.04

The accumulated loss of Rs. 92.04 lakhs at the end of 1974-75 formed more than 60 per cent of the paid up capital as on 30th June 1975.

The losses were attributed by the society (in a report submitted to Government in August 1975) to its inability to implement projects owing to inherent defects in its capital structure and methods of raising capital, employment of staff much in excess of requirements, under-utilisation of installed capacity due to inadequacy of working capital and low productivity of labour who were either trainees or/and inexperienced. Government pointed out (March 1977) that all the technically qualified member employees had no previous industrial experience whatsoever and, therefore, the productivity of the units was practically nil.

(f) On the plea that a sophisticated and modern engineering industry based on an indigenous design would provide impetus to the growth of a large number of ancillary industries which in turn would generate substantial employment, the society acquired (in December 1970) a letter of intent held by the Kerala State Industrial Development Corporation for the manufacture of scooters eventhough the society had earlier purchased in August 1970 a manufacturing facility at Trivandrum from a private firm for Rs. 5.57 lakhs.

The report for the new project prepared by a firm of private consultants in March 1972 (fees paid: Rs. 1.57 lakhs) envisaged an outlay of Rs. 3.33 crores and an annual production of 2,400 scooters in the first year raising to 24,000 at the end of the sixth year. The proto-type of the scooter developed in June 1972 passed the road-worthiness test at Vehicle Research and Development Establishment, Ahmadnagar during February 1974 but the project was not pursued owing to the inability of the society, to raise required resources from institutional sources and also in view of the fact that the society had, in the meantime, entered into an agreement (January 1974) with M/s Scooters India Limited, Lucknow to manufacture Lambretta-Vijay scooters at Alleppey. However, with a view to employ technicians already enrolled as members, the society continued with the production of the model manufactured and marketed by the Unit (before its take over by ENCOS) and additional machinery for this production were also provided at a cost of Rs. 19·05 lakhs during 1970-71 to 1974-75. The production of this model was stopped in December 1975. Out of 167 scooters manufactured during August 1970 to December 1975, 128 scooters were sold during the same period for Rs. 3.24 lakhs fetching an average price of Rs. 2,531 per scooter, while expenditure on account of salary and stipends to technical and non-technical member employees alone worked out to Rs. 22,296 per scooter. The Trivandrum facilities have been transferred to an affiliate of ENCOS—Kerala Auto Industrial Co-operative Limited—in June 1975 and are expected to be utilised in the manufacture of 3 wheelers in collaboration with a company in the private sector.

The Alleppey Scooter Project which was started to manufacture scooters in technical collaboration with Scooters India Limited has been transferred to another affiliate of ENCOS—Co-operative Scooters Limited, Alleppey—in June 1975 and commenced production in September 1976. The expenditure incurred on this project to the end of February 1977 amounted to Rs. 79.27 lakhs against the anticipated outlay of Rs. 3,40 lakhs.

(g) In November 1970, ENCOS acquired for Rs. 1.75 lakhs a private foundry unit (at Ottappalam) with an installed capacity of 20 metric tonnes a month to manufacture light household castings such as C.I. pans, dosa plates, stay plates, sanitary grills, etc. Three project reports for expansion of the foundry prepared in December 1972, March 1974 and December 1975 envisaging an outlay of Rs. 81 lakhs, Rs. 40 lakhs and Rs. 34 lakhs respectively have not been followed up owing to the society's inability to raise required resources. Consequently, fees paid to the consultants amounting to Rs. 0.35 lakh and an additional amount of Rs. 3.8 lakhs spent on civil works to house the expanded unit have remained unfruitful.

The unit which was proposed to be transferred to an affiliate of ENCOS—Co-operative Foundries Limited, Ottappalam—registered in July 1975 has not been transferred (March 1977); the unit stopped production in June 1976 due to lack of working capital and heavy accumulated losses (Rs. 8.47 lakhs upto 30th June 1975).

(h) A private firm at Olavakkot was taken over by ENCOS in January 1972, the purchase consideration paid being Rs. 10.19 lakhs. From the date of takeover, the managing partner of the vendor company was appointed as the sole selling agent of the unit's products for a period of five years, the rate of commission payable to him being 31 per cent of realised value of products sold through him and 2½ per cent on the value of products sold otherwise. The selling agency agreement (entered into in December 1971) was terminated in March 1975, on mutual consent. It was noticed that goods worth Rs. 14.07 lakhs were sold otherwise than through the sole selling agent and on such sales the agent was entitled to a commission of about Rs. 0.35 lakh (computed at the rate of 2½ per cent stipulated in the agreement) against which he was paid Rs. 0.50 lakh. Government stated (December 1976 and March 1977) that commission was paid at 3½per cent as mutually agreed between the society and the selling agent in October 1972 with a view to recapture the lost market and liquidate the accumulated stock. It was also seen that advertisement charges amounting to Rs. 1.45 lakhs were paid to the selling agent in March 1975 on the strength of a 'certificate ' furnished by the agent to the effect the charges had been incurred; it was stated in reply to an audit enquiry (August 1976) that the agent declined to furnish vouchers in support of the expenditure and that the agreement with him did not bind him to do so. A sum of Rs. 70,060 was found to have been paid as interest to the selling agent owing to the delay in the settlement of his commission claims; according to the agreement, commission was payable at the end of each quarter on realised value and interest at the rate of 12 per cent per annum was payable on belated payments.

LOCAL ADMINISTRATION AND SOCIAL WELFARE DEPARTMENT

7.7. Financial assistance to panchayats

(1) During 1974-75 and 1975-76 Government disbursed loans and grants aggregating Rs. 3,35.96 lakhs to panchayats for several purposes like creation

of remunerative assets, maintenance of minor irrigation works, maintenance of roads, etc., as detailed below:—

Nature and purpose of assistance	*Year of payment*	*Number of panchayats*	*Amount (in lakhs of rupees)*	*Period prescribed for utilisation*
Grants				
Maintenance of minor irrigation works	1974-75	806	13.23	1year
	1975-76	827	15.09	
Maintenance of roads	1974-75	966	44.18	2 years
	1975-76	944	59.50	
Block grants	1974-75	287	19.80	1 year
	1975-76	235	15.63	
Special grants	1974-75	251	27.09	1 year
	1975-76	263	29.40	
Other grants	1974-75 } 1975-76 }	967	41.93	Upto 2 years
			55.52	
Loans				
Creation of remunerative community assets	1974-75	17	4.64	1 year
	1975-76	19	9.00	
One lakh houses scheme	1974-75	19	0.95	1 year
Total			3,35.96	

The assistance was to be utilised within the period prescribed in each sanction. On 1st January 1977, certificates of utilisation of grants amounting to Rs. 1,81.60 lakhs paid during 1973-74 (Rs. 1,66.81 lakhs) and 1974-75 (Rs. 14.79 lakhs) were due. The Director of Panchayats stated (July 1976) that utilisation of grants was watched by the District Panchayat Officers and that utilisation certificates could be furnished only after audit of accounts of the Panchayats was completed by the Examiner of Local Fund Accounts.

(2) Block and special grants which formed 32 per cent and 26 per cent of the total grants disbursed during 1974-75 and 1975-76 respectively were intended mainly for the execution of public works and general development activities. No rules, however, have been framed to regulate payment of these

grants. Government stated (January 1977) that the draft rules were awaited from the Director of Panchayats. Similar grants paid during 1971-72 to 1973-74 amounted to Rs. 1,57.95 lakhs (40 per cent of the total grants paid during these years).

(3) Petty irrigation works (works benefiting five acres and less) are constructed and maintained by panchayats. Panchayats are also responsible for the maintenance of all Class-II minor irrigation works (costing upto Rs. 2 lakhs and expected to benefit a command area of less than 200 acres in each case) constructed by Government and transferred to them for maintenance.

Government assist panchayats in the maintenance of all minor irrigation works entrusted to them by payment of grant at the rate of Rs. 2.50 per acre of land benefited by the works. According to Government orders of June 1961 and February 1967, panchayats have to apply for assistance by furnishing every year names of minor irrigation works and area benefited by each work and these lists, after verification by District Panchayat Officers, form the basis for determining the quantum of grant payable. Complete details of minor irrigation works under the control of each panchayat and area under the command of each work are not, however, available in the office of the Director of Panchayats, who scrutinises the verified lists received from District Panchayat Officers and makes recommendations to Government. A test check of the lists which formed the basis for the release of grants during 1974-75 and 1975-76 and connected records in the administrative department of Government and Directorate of Panchayats brought to notice the following points:—

(a) In respect of sixteen works in respect of which details were available and for the maintenance of which grants were paid, the area reported as benefited in each case exceeded the limit of 200 acres, as detailed below:—

District	*Panchayat*	*Year*	*Area benefited (acres)*
Trivandrum	Kanjiramkulam	1975-76	680
Alleppey	Veliyanad	1974-75	640
	Cheriyanadu	1975-76	250
	Champakulam	1975-76	270
Kottayam	Vellavoor	1974-75	500
		1975-76	500
	Poonjar	1974-75	300
	Thekkekkara	1975-76	300

District	*Panchayat*	*Year*	*Area benefited (acres)*
Idukki	Konnathady	1975-76	1,895
	Vattavada	1975-76	300
Ernakulam	Choornikara	1974-75	250
		1975-76	600
	Udayamperoor	1975-76	2,000
Trichur	Nattika	1974-75	640
		1975-76	640
Malappuram	Kuzhimanna	1974-75	300
		1975-76	300
Kozhikode	Edacherry	1974-75	220
		1975-76	220
Cannanore	Pappinissery	1974-75	280
	Madai	1974-75	500
		1975-76	500
	Elayavoor	1975-76	1,000

The Department stated (November 1976) that the discrepancies were under investigation.

(b) In three panchayats during 1974-75 and four panchayats during 1975-76 the area reported to have been benefited by the minor irrigation works exceeded the total area of the panchayats themselves.

District	*Name of panchayat*	*Year*	*Total area of panchayat (acres)*	*Area reported to have been benefited by minor irrigation works (acres)*
Ernakulam	Edavanakad	1974-75	2,560	10,000
Quilon	Clappana	1974-75	2,464	3,750
		1975-76		3,750
	Devikulangara	1974-75	3,359	3,371
		1975-76		3,419
	Karunagapally	1975-76	4,608	5,000
	Oachira	1975-76	3,584	7,000

Grant was paid for the entire area reported to have been benefited; excess payment computed with reference to the total area of each panchayat worked out to Rs. 0.35 lakh. The Department stated (November 1976) that in the case of Edavanakad panchayat the benefited area was only 1,000 acres and that the grant paid in excess was recovered/adjusted in March 1976. As regards other cases, it was stated that the excess grant paid would be recovered after verification.

(c) In 108 panchayats, wide fluctuations in the number of works maintained and area benefited were noticed during the two years. Twelve cases where the conspicuous fluctuations have been noticed are given below:—

		1974-75		1975-76	
District	*Panchayat*	*No. of works*	*Area benefited (in acres)*	*No. of works*	*Area benefited (in acres)*
Trivandrum	Aryanad	8	1,000	9	100
	Aryancode	63	1,980	62	4,512
Quilon	Pathanam-thitta	8	50	9	500
Alleppey	Muhamma	11	2	11	1,635
Idukki	Konnathady	2	60	1	1,895
Ernakulam	Kodungallur	5	270	4	1,282
Trichur	Chowannur	9	1,500	7	500
	Pazhayannur	13	470	13	2,500
Malappuram	Tanalur	2	100	2	1,000
	Angadipuram	5	1,200	4	1,000
	Edakkara	4	120	4	1,200
Cannanore	Chokli	5	201	6	1,560

(d) In 41 out of 827 panchayats assisted during 1975-76, the benefited area declined sharply from 42,085 acres (in 1974-75) to 20,640 acres (in 1975-76) while number of works remained more or less the same. Of these (41) panchayats, in 12, while the number of works was the same (63), benefited area declined from 14,991 acres to 4,275 acres while in another 8, the number of works increased from 82 to 95, but the benefited area dropped from 5,997 acres to 3,428 acres in 1975-76.

(4) Panchayats maintain village roads with financial assistance (grant from Government, the rates of grants varying according to the nature of road and from year to year. As in the case of minor irrigation works, grants for maintenance of village roads are sanctioned by Government on the basis of proposals (indicating the length of roads maintained by each panchayat) submitted by the Director of Panchayats, who in turn relies on the data furnished by panchayats through District level officers. Complete lists of roads owned and maintained by panchayats are not available with the Directorate.

Comparison of data furnished by District level officers for release of grants during 1975-76 with the corresponding data of 1974-75 showed that in several panchayats length of roads maintained by them has come down appreciably during 1975-76 as indicated below:—

Category	*No. of panchayats where difference in length has been noticed*	*Length of roads at the end of March 1974*	*Length of roads at the end of March 1975*	*Decrease (kilometre)*
		(kilometre)		
Black topped and metalled	217	1,805	298	1,507
Gravelled	93	3,195	1,389	1,806
Earthen	106	4,934	3,601	1,333

The Department explained (July 1976) that reduction in length might be due to transfer of panchayat roads to the control of State Public Works Department for maintenance. Details of roads so transferred are not available with the Department nor has the Department taken action to ascertain whether any excess payment has been made to the panchayat during 1974-75 after verifying the factual position from panchayats. It was, however, seen from the details furnished by eight (out of eleven) Public Works (Buildings and Roads) Divisions, that length of panchayat roads transferred to the Public Works Department was 54.27 kilometres during 1974-75 and 63.38 kilometres during 1975-76. Information from the remaining three Public Works Divisions is awaited (March 1977).

Government stated (January 1977) that the Director of Panchayats has been requested to maintain complete and up-to-date list of existing panchayat roads, roads transferred to the Public Works Department or got transferred from the Public Works Department and roads newly constructed by panchayats etc., so as to avoid discrepancy in the length of various roads maintained by panchayats and in the distribution of grants to them.

During 1974-75, five panchayats were paid (village road maintenance) grants totalling Rs. 0.32 lakh on the strength of Director's Report that there were 448.10 kilometres of roads (black topped and metalled: 10 kilometres; others: 438.10 kilometres) within their jurisdiction at the end of March 1974. The length of roads in these panchayats at the end of 1973-74 was only 40.96 kilometres (black topped and metalled: 4 kilometres and others: 36.96 kilometres) according to reports submitted by panchayats and verified by District level officers. Computed with reference to the figures reported by the panchayats, a sum of Rs. 0.28 lakh was overpaid. The Director of Panchayats reported in November 1976 that the discrepancies were being verified.

(5) Loans for creation of remunerative community assets are to be utilised within one year of disbursement. Out of Rs. 4.64 lakhs paid to 17 panchayats during 1974-75, eight panchayats to whom Rs. 1.67 lakhs were paid have not utilised any part of the assistance till the end of March 1976; non-utilisation of loan amount was attributed to delay in the preparation of revised estimate, delay in arranging the works and want of sanction to revised estimate. In another case, the work for the execution of which Rs. 0.40 lakh were given as loan in March 1975, was completed in November 1975 at a cost of Rs. 0.26 lakh; loan paid in excess (Rs. 0.14 lakh) was refunded in November 1976.

7.8. After care homes

(1) As part of the programme for social and moral hygiene and after-care services launched during the Second Five Year Plan, six after care homes were started, one each at Trivandrum, Trichur, Kottayam, Tellicherry, Calicut and Quilon between March 1957 and March 1967 for the rehabilitation of persons discharged from correctional and non-correctional institutions. The homes were managed by committees approved by Government with financial assistance from Government till July 1976. An officer of Jails Department (Social Welfare Department from September 1975) functioned as ex-officio Secretary of each committee. The homes were taken over by Government in July 1976. Grants paid to the committees during 1973-74 to 1975-76 amounted to Rs. 10.15 lakhs. Expenditure incurred during the same period amounted to Rs. 9.69 lakhs, of which Rs. 3.13 lakhs (about 32 per cent of the total expenditure) were spent on the maintenance of inmates and the balance expenditure of Rs. 6.56 lakhs was on account of establishment and administrative charges. The unspent balance at the end of March 1976 was about Rs. 0.27 lakh after taking into account inter-home adjustments and refunds.

The disproportionately low expenditure on maintenance of inmates was attributed to low rate of occupancy. During the three years ending 1975-76, against the optimum capacity of 100 members in each home fixed in accordance with the all-India pattern, the occupancy varied from 40 to 52 in four homes (Kottayam, Tellicherry, Calicut and Quilon) while in the remaining two homes (Trivandrum for men and Trichur for men-habituals) the average occupancy was 12 to 13. The low occupancy in the homes was attributed (October 1976) by the Department to: (i) absence of sufficient number of volunteers due to lack of awareness amongst potential inmates of the service rendered by the homes (admission to homes is on voluntary basis); and (ii) low rate of maintenance charges (the per capita maintenance grant was Rs. 40 per month till April 1976 when it was raised to Rs. 75). Till September 1975, when the homes were under the Jails Department, the co-ordination between the correctional institutions and the homes was done by the Inspector General of Prisons and thereafter, with the transfer of homes to the Department of Social Welfare, the heads of correctional and non-correctional institutions were to take initiative in getting the eligible dischargees admitted to the homes. Government stated (December 1976) that the actual facilities available in the homes have not been adequate to accommodate the full sanctioned strength of 100 members and that in respect of After Care Home for Men, Trivandrum and After Care Home for Habituals, Trichur, it was a fact that rates of occupancy had been poor and that possibility of utilising surplus capacity in these two homes for providing shelter to other deserving groups was under consideration of Government. As regards inmates in the four homes at Quilon, Calicut, Kottayam and Tellicherry where the aggregate occupancy was around 50 per cent, there is scope of admitting the optimum number.

Although the rate of occupancy was low, the periods of stay of inmates in the homes were comparatively long; 173 inmates who were in the homes at the end of March 1976 had been there for periods ranging from 3 months to 201 months. Inadequate facilities for imparting vocational training and old age and illiteracy of inmates were stated to be the main handicap coming in the way of their rehabilitation. Out of 109 inmates discharged by the four homes at Trichur, Trivandrum, Kottayam and Tellicherry during 1973-76 (excluding 49 inmates who absconded), only 39 persons were reported to have secured gainful employment. The Department stated (October 1976) that no evaluation of the working of homes and adequacy of the arrangements for rehabilitation of inmates had been made for want of staff and that proposals for undertaking such a study were under the consideration of Government.

(2) In order to provide work to inmates and with a view to giving training to the educated unemployed of the locality, a printing press unit started functioning in the After Care Home, Trivandrum in May 1962. It was closed down in March 1975. Forty one items of machinery, tools and accessories purchased at a cost of Rs. 1.42 lakhs out of financial assistance provided by Government (Rs. 1.81 lakhs received in September 1961 and January 1963) were transferred to Government Press, Trivandrum (December 1975) where nine items of machinery costing Rs. 0.17 lakh have been put to use. Seven other items of machinery were disposed of (July 1976) for Rs. 0.22 lakh and other items have not been put to use (December 1976).

The staff working in the printing press unit came under the purview of the Employees' State Insurance Act, 1948 and the Employees' Provident Fund Scheme, since May 1962 and April 1965 respectively. However, recoveries on account of employees' contribution realisable under the Employees' State Insurance Act and Employees' Provident Fund Scheme were not effected from their wages till March 1972. Since the Employees' State Insurance Act and Employees' Provident Fund Scheme did not permit recovery of arrear contributions from employees, the liability on account of employees' contribution for the period upto March 1972 fell on the home itself and accordingly, a sum of Rs. 0.33 lakh (inclusive of interest amounting to Rs. 0.07 lakh) was paid by the unit between June 1970 and April 1972.

GENERAL EDUCATION DEPARTMENT

7.9. Grants to aided secondary schools

(1) The Kerala Education Act, 1958 and rules framed thereunder which came into effect from 1st June 1959 regulate matters connected with establishment of new schools, fixation of staff strength, appointment and conditions of service of staff, payment of grants to aided schools etc. At the end of March 1976 there were 1,521 secondary schools of which 903 schools were run by private agencies with financial assistance from Government. For the purpose of administration, the State is divided into 28 educational districts each under a District Educational Officer who exercises immediate inspectional and administrative control, while the overall direction and control is vested with the Director of Public Instruction.

(2) Government sanctions opening of new schools and meets the entire expenditure on pay and allowances of teaching and non-teaching staff of

aided schools. Staff of aided secondary schools are appointed by managements with the approval of District Educational Officers. In addition, Government pays maintenance grant at the rate of Rs. 2.25 (raised to Rs. 3.25 from the academic year 1976-77) per annum per pupil in the primary section (upto VII standard) and Rs. 3.50 (raised to Rs. 5 from the academic year 1976-77) per annum per pupil in the high school classes (Standards VIII to X). Details of teaching and maintenance grants paid to aided secondary schools during the years 1971-72 to 1975-76 are given below:—

Year	*No. of aided high schools*	*Expenditure on teaching grant*	*Expenditure on maintenance grant*	*Total*
			(in lakhs of rupees)	
1971-72	893	8,11.35	15.46	8,26.81
1972-73	897	9,40.55	15.51	9,56.06
1973-74	899	11,01.93	16.58	11,18.51
1974-75	899	13,57.32	19.59	13,76.91
1975-76	903	17,08.91	12.45	17,21.36
Total		59,20.06	79.59	59,99.65

(3) Some of the points noticed during a general review of grants paid to aided schools during 1971-72 to 1975-76 under Section 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 are mentioned below:—

(a) District Educational Officers fix teaching staff strength every year on the basis of number of divisions in a school which in turn is fixed with reference to the effective strength of students on the rolls i.e., number of pupils present at the time of District Educational Officer's surprise visit to schools plus a weightage not exceeding 5 per cent of roll strength for absentees. A test check revealed that in 12 out of 45 aided schools, staff strength fixed exceeded the permissible number (on the basis of prescribed norms) by 23; expenditure on staff employed in excess of the justified number, computed with reference to the minimum of the scale, amounted to Rs. 0.84 lakh. It was also noticed that in 9 of these schools additional divisions for which staff was sanctioned and employed were not opened; expenditure on account of pay and allowances of staff sanctioned for divisions not opened amounted to Rs. 0.74 lakh.

(b) Under the Kerala Education Rules, the Director of Public Instruction is required to prepare once in two years a list of places where new schools are to be established or existing schools upgraded and according to the time-schedule prescribed in the rules, the provisional list of places shall be published by him in January, inviting objections; the final list after consideration of objections shall be published by Government in July and sanctions for the establishment of new schools/upgrading of existing schools issued in February of the following year. The time-schedule has not been adhered to during 1974-75; the provisional list of places was published by the Director of Public Instruction in May 1974 (after obtaining Government's approval to the deviation) and in July 1974 Government sanctioned the opening of new (Government) high schools/upgrading of existing Government Upper Primary Schools (numbering in all 99 high schools) to relieve congestion in the high school-classes of existing schools. According to the information furnished by the Department (in respect of 89 new schools) about 7,030 students (of which over 1,880 students were from aided schools) migrated from the existing schools to the new institutions. Teaching staff strength of aided schools from which students migrated was not reduced correspondingly on the plea that by the time the new Government schools were opened (8 to 23 weeks after the commencement of academic year in June 1974) staff strength of existing schools had already been fixed and there was no provision in the rules for revision of strength once fixed during the course of the year. Government stated (November 1976) that instructions have been issued to District Educational Officers to report to the Director of Public Instruction cases of sudden drop in pupil strength after fixation of staff strength so as to enable the latter to take steps to reduce the staff already sanctioned.

In 11 aided schools from which 662 students migrated to new Government schools during 1974-75, 23 teachers became surplus and were retained; computed at the minimum of the relevant scale of pay, expenditure during 1974-75 on account of pay and allowances paid to teachers retained in excess in existing schools amounted to Rs. 0.95 lakh (approximately). Information relating to other aided schools has not been furnished (February 1977).

(c) According to the Kerala Education Rules, the number of permanent teachers in any school or in all the schools under one management should not exceed the sanctioned number of posts in that school or in that unit and excess hands, if any, have to be retrenched. Teachers confirmed prior to December 1960 and found surplus subsequently were, however, ordered to be retained as supernumeraries till their absorption in the next vacancy in the same school, or in any other aided school. Again, teachers with two or more years of service and rendered surplus on several grounds like change in courses of study or syllabi, change in the teacher-pupil ratio (optimum strength of a division was raised from 40 to 45 in August 1964) were treated as 'protected teachers' and were allowed to continue in the same school for eventual absorption in regular vacancies. Similarly, specialist teachers (teachers in drawing, physical education, sewing, music, etc.) working in regular vacancies on the reopening day in 1969-70 and who subsequently became surplus on staff fixation were allowed to continue. In January/October 1971, Government ordered that qualified non-teaching staff appointed against sanctioned posts prior to 1969-70 on regular basis and who were found surplus on refixation of strength in any subsequent year would be retained till absorbed in regular vacancies either in the same school or other schools under the same management. In nineteen educational districts (Trivandrum, Attingal, Kottarakkara, Quilon, Pathanamthitta, Thiruvalla, Alleppey, Kottayam, Idukki, Muvattupuzha, Ernakulam, Irinjalakuda, Chavakad Ottapalam, Tirur, Palghat, Kozhikode, Tellicherry and Kasaragod), 278 teaching and 439 non-teaching staff were retained during 1971-72 to 1974-75 either as supernumerary or protected hands pending absorption, while 4,535 teaching and 286 non-teaching staff were appointed in other aided schools; expenditure on supernumerary and protected teaching and non-teaching staff during these years amounted to Rs. 65.17 lakhs. Details are awaited from the remaining 9 educational districts (February 1977).

The Director of Public Instruction stated (August 1976) that surplus staff in aided schools under one management could not be transferred to another school under a different management without the consent of the latter management. It was, however, seen that the form of application prescribed in the Kerala Education Rules, viz., "Application for permission to open a school or a new standard with a view to its subsequent recognition" contained a clause enquiring whether the applicant was willing to absorb qualified teachers retrenched by the opening of new schools and to execute an agreement to this effect and that the applicants had invariably expressed their willingness to absorb retrenched staff and to execute agreements; but Government had not enforced this condition while conveying sanction for the opening of new schools/standards.

(d) In March 1969 Government ordered that qualified private school teachers appointed against regular vacancies and who were retrenched after two or more years of continuous service (owing to fall in student strength) might be posted on working arrangement in vacancies arising in Government schools pending their absorption in future vacancies in the schools to which they belonged. Accordingly, Government created 138 temporary additional posts (65 posts in November 1969 and 73 posts in October 1970) of graduate teachers over and above the permanent strength in 138 Government high schools. Expenditure on the pay and allowances of the 138 additional teachers to the end of February 1976 amounted to Rs. 31.28 lakhs. Government stated (November 1976) that the additional posts were sanctioned with a view to improving instruction in schools having a strength of over 1,600 pupils (65 posts sanctioned in November 1969) and to give protection to teachers retrenched consequent to the staff fixation (73 posts sanctioned in October 1970). Orders were also stated to have been issued in October 1976 for continuance of 62 of the posts upto February 1977 and abolishing the remaining 76 posts.

(e) According to Section 5 of the Kerala Education Act, managers of aided schools shall furnish on the first day of April each year to the Educational Officer a statement of all movable and immovable properties and, if the management commits any default in furnishing the statement or furnishes a statement which is false or incorrect in any material particular, the Government may withhold payment of maintenance grant. The statements besides providing the department with data necessary to ascertain the adequacy of accommodation and other facilities available in a school, is intended to enable departmental officers to ensure that all assets acquired by/for the schools are duly accounted for and that there are no unauthorised disposals. In the 7 educational districts, to the end of July 1976, only 46 out of 226 schools have submitted returns as on 1st April 1975 and the remaining 180 schools have not submitted returns for any of the years 1971-72 to 1974-75. Maintenance grant paid to 117 of these schools (which have not submitted returns) during 1971-72 to 1974-75 amounted to Rs. 11·60 lakhs; particulars of maintenance grant paid to the remaining 63 schools are awaited (February 1977). In three out of the four districts test-checked, the submission of the return was not insisted by the sanctioning authorities; in the fourth district, even though the statement was called for in the first instance, maintenance grant was later released without production of the return on the basis of instructions issued by Government. In 14 schools (of 2 districts) selected for test-check of stock accounts, it was noticed that stock registers of consumable chemicals and other science articles (13 schools) and of games articles (2 schools) have not been maintained while stock registers of furniture, library books, craft materials, etc., were incomplete. These shortcomings were, however, not commented on in the inspection reports of departmental officers. Government stated (November 1976) that the question of recovering the excess amount paid from the Managers concerned, would be considered by them.

(4) Maintenance grant for each year is paid in advance on the managements furnishing applications accompanied by statements of expenditure met from the preceding years' grant. During inspection, District Educational Officers are required to scrutinise accounts of expenditure incurred out of maintenance grants, verify whether the maintenance works have been done properly and whether articles reported to have been purchased have been brought to stock and where necessary, recommend appropriate reduction in the amount of maintenance grant. In 10 out of the 45 schools the accounts of which were test-checked, out of Rs. 1·78 lakhs paid as maintenance grant during 1971-72 to 1974-75, Rs. 0.53 lakh were spent on construction works exceeding Rs. 1,000 in each case; under the Kerala Education Rules, maintenance grants could be utilised on works costing Rs. 1,000 or less in each case. The inadmissible expenditure was not disallowed by the District Educational Officers who inspected the schools.

CHAPTER VIII

OUTSTANDING AUDIT OBSERVATIONS AND INSPECTION REPORTS

8.1. Outstanding audit observations

Audit observations on financial transactions of the 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 the Government to expedite their settlement.

The following table shows the number of audit observations issued upto the end of March 1976 and outstanding at the end of September 1976, as compared with the corresponding position indicated in two preceding reports.

	As at the end of September 1974	*As at the end of September* 1975	*As at the end of September* 1976
Number of observations	36,928	35,397	35,600
Amount (in crores of rupees)	28.27	27.47	29.78

As at the end of September 1976, the following departments had comparatively heavy outstanding audit observations:—

Sl. no.	*Department*	*Number*	*Amount (in lakhs of rupees)*
1	Health	7,213	6,74.87
2	Industries	1,706	5,01.52
3	Local Administration and Social Welfare	4,488	3,34.89
4	Agriculture	4,480	2,91.77
5	Revenue	2,904	2,50.48
6	Education	1,800	2,20.18
7	Water and Power	1,884	2,17.61
8	Food	1,034	1,52.25
9	Public Works	1,771	1,13.34

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

Sl. no.	*Nature of observation*	*Number*	*Amount (in lakhs of rupees)*
1	Payees' receipts not received	14,943	16,85.06
2	Detailed contingent bills for lump sum drawals not received	7,068	6,22.27
3	Sanctions not received for contingent and miscellaneous expenditure	1,282	1,60.75
4	Agreements with contractors/ suppliers not received	160	77.73

It will be seen that a sizeable portion of the total outstanding is due to non-submission of payees' receipts. In the absence of payees' receipts, it cannot be ensured that the payments have been made to the proper persons. The departments with comparatively heavy outstandings on this account were:—

Sl. no.	*Department*	*Number*	*Amount (in lakhs of rupees)*
1	Health	2,812	4,45.82
2	Industries	849	3,95.23
3	Local Administration and Social Welfare	2,512	2,13.60
4	Agriculture	1,836	1,58.18
5	Education	691	1,41.56
6	Water and Power	1,188	80.39
7	Revenue	808	72.11
8	Public Works	1,088	54.84

The facility of drawing amounts as advances on abstract contingent bills by disbursing officers is intended to expedite payments in certain cases. The financial rules of the Government require that detailed contingent bills (containing all particulars of expenditure with supporting sub-vouchers and payees' receipts) should be sent to the Audit Officer by the 20th of the month succeeding that to which the abstract contingent bills relate. In the absence of detailed contingent bills it is not practicable for Audit to know whether the amount has been spent on the purpose or purposes for which the advances were drawn. As at the end of September 1976, detailed contingent bills for a total amount of Rs. 6,22.27 lakhs had not been received in the Audit Office. The departments with comparatively heavy outstandings are mentioned below:—

Sl. no.	*Department*	*Number*	*Amount (in lakhs of rupees)*
1	Health	2,483	1,64.89
2	Revenue	757	1,61.73
3	Food	384	99.32
4	Industries	312	58.14
5	Education	519	46.11
6	Development	804	28.13
7	Local Administration and Social Welfare	708	21.17
8	Agriculture	386	20.76

The financial rules of Government require that a copy of every order sanctioning expenditure should be communicated 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 1976 Rs. 1,60.75 lakhs were held under observation due to non-receipt of sanction 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	316	39.93
2	Agriculture	203	39.88
3	Food	32	33.11

8.2. Outstanding inspection reports

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

At the end of September 1976, 5,154 inspection reports issued upto March 1976 were not settled fully as shown below with corresponding figures for the earlier two years:—

	As at the end of September 1974*	*As at the end of September* 1975*	*As at the end of September* 1976
Number of inspection reports	3,271	4,537	5,154
Number of paragraphs	10,140	15,214	17,864

Of the reports outstanding at the end of September 1976, 2,565 reports related to Civil departments, 2 to Commercial departments/activities and 2,587 to Revenue receipts. These included 338 inspection reports (270 relating to Civil departments, 2 relating to Commercial departments/activities and 66 relating to Revenue receipts), first replies in respect of which had not been received till the end of September 1976.

Some of the departments with heavy outstandings are the following:—

	Departments dealing with civil inspection reports	*Total number outstanding*		*Number outstanding for over three years*	
		Inspection reports	*Paragraphs*	*Inspection reports*	*Paragraphs*
1.	Education	560	1,179	141	230
2.	Health	413	1,302	101	228
3.	Agriculture	365	983	122	273
4.	Development	299	866	115	232
5.	Revenue	191	549	43	65
6.	Water and Power	164	487	48	68
7.	Public Works	113	403	33	45

* Differs from the figures shown in the report for 1974-75 due to inclusion of figures relating to Revenue receipts.

	Departments dealing with reports on Revenue receipts	Total number outstanding		Number outstanding for over three years	
		Inspection reports	*Paragraphs*	*Inspection reports*	*Paragraphs*
1.	Taxes	1,516	7,801	62	82
2.	Local Administration and Social Welfare	787	1,538	..	..
3.	Revenue	121	470	..	..
4.	Agriculture	119	453	44	110

M. P. Ci

(M. P. SINGH JAIN)
Accountant General, Kerala.

Trivandrum,
The 30 APRIL 1977

Countersigned

A Baksi

(A. BAKSI)
Comptroller and Auditor General of India.

New Delhi,
The 6 MAY 1977

APPENDICES

APPENDIX I

Grants and charged appropriations where the savings (more than Rs. 2 lakhs in each case) were more than 10 percent of the total provision

[*Reference: paragraph* 2.4 *(iii)—pages 38-39*]

Sl. no.		*Number and name of grant*	*Charged/ Voted*	*Total grant/ appropriation*	*Saving*	*Percentage of saving to the total provision*
				(in lakhs of rupees)		
		REVENUE SECTION				
1.	IV	Elections	Voted	78.38	33.98	43.3
2.	VI	Land Revenue	*Charged*	*8.84*	*6.03*	*68.2*
3.	XV	Public Works	*Charged*	*3.42*	*3.01*	*88.01*
4.	XVI	Pension and Miscellaneous	*Charged*	*25.65*	*9.61*	*37.5*
5.	XVII	Education, Art and Culture	*Charged*	*12.21*	*10.98*	*89.9*
6.	XXI	Housing	Voted	1,31.89	37.76	28.6
7.	XXXI	Animal Husbandry	Voted	5,50.97	73.96	13.4
8.	XXXIII	Fisheries	Voted	2,41.49	60.38	25.0
9.	XLII	Compensation and assignments	Voted	90.00	42.29	47.00
		Total		11,42.85	2,78.00	
		CAPITAL SECTION				
10.	XIX	Family Planning	Voted	17.00	13.96	82.1
11.	XXVII	Co-operation	Voted	8,56.83	1,01.25	11.8
12.	XXVIII	Miscellaneous Economic Services	Voted	6,13.00	6,03.53	98.5
13.	XXIX	Agriculture	Voted	9,86.63	1,18.80	12.0
14.	XXX	Food and Nutrition	Voted	5,97.54	2,62.70	44.0
15.		Do.	*Charged*	*10.00*	*5.64*	*56.4*
16.	XXXI	Animal Husbandry	Voted	9.10	6.41	70.4
17.	XXXII	Dairy	Voted	20.12	5.49	27.3
18.	XXXIII	Fisheries	Voted	1,60.19	81.08	50.6
19.	XXXIX	Ports	Voted	95.99	14.25	14.8
20.	XL	Transport	Voted	90.00	41.37	45.9
		Total		34,56.40	12,54.48	

APPENDIX II

Major schemes where provision remained substantially or wholly unutilised

[*Reference: Paragraph* 2.4 *(iv)* —*page 39*]

Sl. no.	*Department/grant number and head/scheme*	*Provision*	*Saving (and its percentage)*	*Reasons for saving and remarks*
		(in lakhs of rupees)		
1.	Technical Education XVII—277F(g) 6. Starting of CSIR Laboratory	16.00	16.00 (100%)	Non-finalisation of land acquisition proceedings.
2.	Medical XVIII-280 A(b)44. Improvements to Rural Hospitals (Minimum Needs Programme)	25.00	16.12 (64%)	Provision surplus to actual requirements and delay in appointment of additional staff.
3.	Public Health Engineering XX—482(b) Sewerage Schemes—Drainage scheme—Major works	45.90	32.47 (71%)	Loan assistance from the Life Insurance Corporation of India was received only for one scheme out of three schemes proposed.
4.	Development (Harijan Welfare) XXV-288 C(b) 19. Construction of Houses	63.00	45.66 (72%)	Non-utilisation of provision in full as assistance from the Government of India was not received.
5.	Development (Harijan Welfare) XXV-288 C(c) 19. Housing	30.50	23.57 (77%)	do.
6.	Revenue—XXVIII-504 (a) 2. 4½% Land Reforms (Compensation for the value of surplus lands) Bonds—16 years.	3,00·00	3,00.00 (100%)	Procedural delay and stay orders issued on petitions filed by land holders against taking possession of surplus land.
7.	Revenue—XXVIII-504(a) 3. 4½% Land Reforms (Compensation to land holders for relinquishing interests in tenanted lands) Bonds—16 years	3,00.00	3,00.00 (100%)	Non-issue of bonds as the Government of India did not agree to the proposal.
8.	Industries—XXXVI-721(b) 3. Loans to small scale industries towards payment of sales tax	20.00	16.80 (84%)	Discontinuance of the scheme.

APPENDIX II—*Concld.*

Sl. no.	*Department/grant number and head/scheme*	*Provision* (*in lakhs of rupees*)	*Saving (and its percentage)*	*Reasons for saving and remarks*
9.	Water and Power (Irrigation) XXXVII-533B(z). Kuttanad Development Scheme (Infra-structure)—Works	19.37	19.37 (100%)	No works were taken up for execution.
10.	Water and Power (Irrigation) XXXVII-533 B(x). Idamalayar Project—Works	38.87	38.87 (100%)	Non-implementation of the scheme.
11.	Water and Power (Irrigation) XXXVII-533 B(zz) Muvattu-puzha Project—Works	27.75	16.71 (60 %)	Poor response to tender call and frequent labour troubles affecting the progress of the work.
12.	Water and Power (Irrigation) XXXVII-533B(yy). Chemoni-Mupli Scheme—Works	18.10	15.34 (85%)	Due mainly to non-availability of assistance from the Government of India.
13.	Development (Ports) XXXIX-535 A(a) 6—Development of Beypore Port	79.00	57 58.76 (73%)	Less assistance received from Government of India, postponement of payment of balance amount of hire charges of dredger to the Shipping Corporation of India pending settlement of claims and non-purchase of tugs, pilot launch, mooring buoys, etc.

APPENDIX III

Cases where advances from the Contingency Fund remained unutilised in full or to a large extent

[*Reference: paragraph* 2.5 (*iv*)—*page 39*]

Sl. no.	*Date of sanction of advance*	*Amount of advance*	*Date of recoupment*	*Expenditure incurred till the date of recoupment of the advance*	*Controlling Officer*	*Remarks*
				Rs.		
1.	21-5-1975	3,50,900	14-8-1975	1,70,569	Indian Director, Indo-Swiss Project, Madupatty	For construction of certain buildings. The remaining expenditure was incurred during September 1975 to March 1976.
2.	25-7-1975	5,27,000	14-8-1975	Nil	Director of Archaeology	For land acquisition compensation to be deposited in the court before the 31st July 1975. The amount was drawn only in October 1975.
3.	23-10-1975	2,50,000	16-3-1976	89,880	Director of Social Welfare	For the implementation of the scheme of Integrated Child Development Services Project for which the Government of India had sanctioned Rs. 3.77 lakhs. The saving occurred due to (i) non-appointment of the full complement of staff, (ii) non-purchase of van and refrigerator as they were supplied by the UNICEF and (iii) non-purchase of medicines pending completion of base line survey.
4.	2-12-1975	14,00,000	16-3-1976	Nil	Labour Commissioner	For the implementation of the subsidised housing scheme for plantation workers. The expenditure was incurred only on the 24th March 1976.
5.	2-2-1976	1,00,000	16-3-1976	Nil	Director of Indigenous Medicine	For payment of grant to the Ayurvedic Studies and Research Society, Kottakkal. The payment was made only on the 31st March 1976.
6.	17-3-1976	17,36,000	19-11-1976	11,73,991	Chief Engineer, Public Health Engineering Department	For executing emergency works to tide over the the drinking water crisis in Trivandrum city.

APPENDIX IV

Writes off, waivers and ex-gratia payments

(*Reference: Paragraph* 3.17 *page* 111)

In 1477 cases, losses due to theft, fire etc., irrecoverable revenue, duties, advances, etc., were written off or waived or ex-gratia payments made during 1975-76. The details are as follows:—

Sl. no.	*Name of Department*	*Write off of losses, irrecoverable revenue, duties, advances, etc.*		*Waiver*		*Ex-gratia payments*	
		Items	*Amount* Rs.	*Items*	*Amount* Rs.	*Items*	*Amount* Rs.
1.	Revenue	7	12,29,059 (A)	1	11,725	3	95,087
2.	Agriculture	991	6,24,562(B)	5	24,315	5	43,261
3.	Education	32	42,571	44	33,266	..	..
4.	Development	19	2,73,791(C)	4	3,928	..	..
5.	Industries	3	25,056	2	5,779	..	..
6.	Health	119	2,44,918	1	197	5	3,358
7.	Law	7	18,334	..	..	..	..
8.	Home	3	13,103	..	..	12	74,025
9.	Election	3	8,754	1	34	..	..
10.	Public Works	4	1,440	..	..	8	11,609
11.	Water and Power	4	1,247	..	..	1	1,500
12.	Finance	1	50	..	..	165	1,84,250
13.	Taxes	..	..	1	10,902	..	..
14.	Local Administration and Social Welfare	2	990	5	3,678	1	715
15.	Labour	7	7,148	3	3,370	..	..
16.	Public	6	582	..	..	2	1,363
	Total	1,208	24,91,605	67	97,194	202	4,15,168

(A) Includes an amount of Rs. 12,28,017 being the arrears of audit charges (relating to the period from 1960-61 onwards) payable to the Local Fund Audit Department by the Hindu Religious and Charitable Endowments (Admn.) Department as on 28-2-1971, ordered to be written off as contribution of the temples to Hindu Religious and Charitable Endowments Fund to meet the audit charges became impossible on account of the financial plight of the temples.

(B) Includes an amount of Rs. 1,63,223 being the cost of birds which died due to natural causes in the Central Hatchery, Chengannur during the period from 1970-71 to 1974-75.

(C) Includes (i) an amount of Rs. 1,77,419 being loans granted to Harijans of Palghat Taluk for construction of houses under the Community Development Programme in 1956-57 subsequently found to be irrecoverable and (ii) an amount of Rs. 62,246 being the value of articles lost at sea during dredging operations at Beypore Port.

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