

REPORT OF THE COMPTROLLER  
AND AUDITOR GENERAL  
OF INDIA

FOR THE YEAR 1973-74

GOVERNMENT OF KERALA  
(CIVIL)





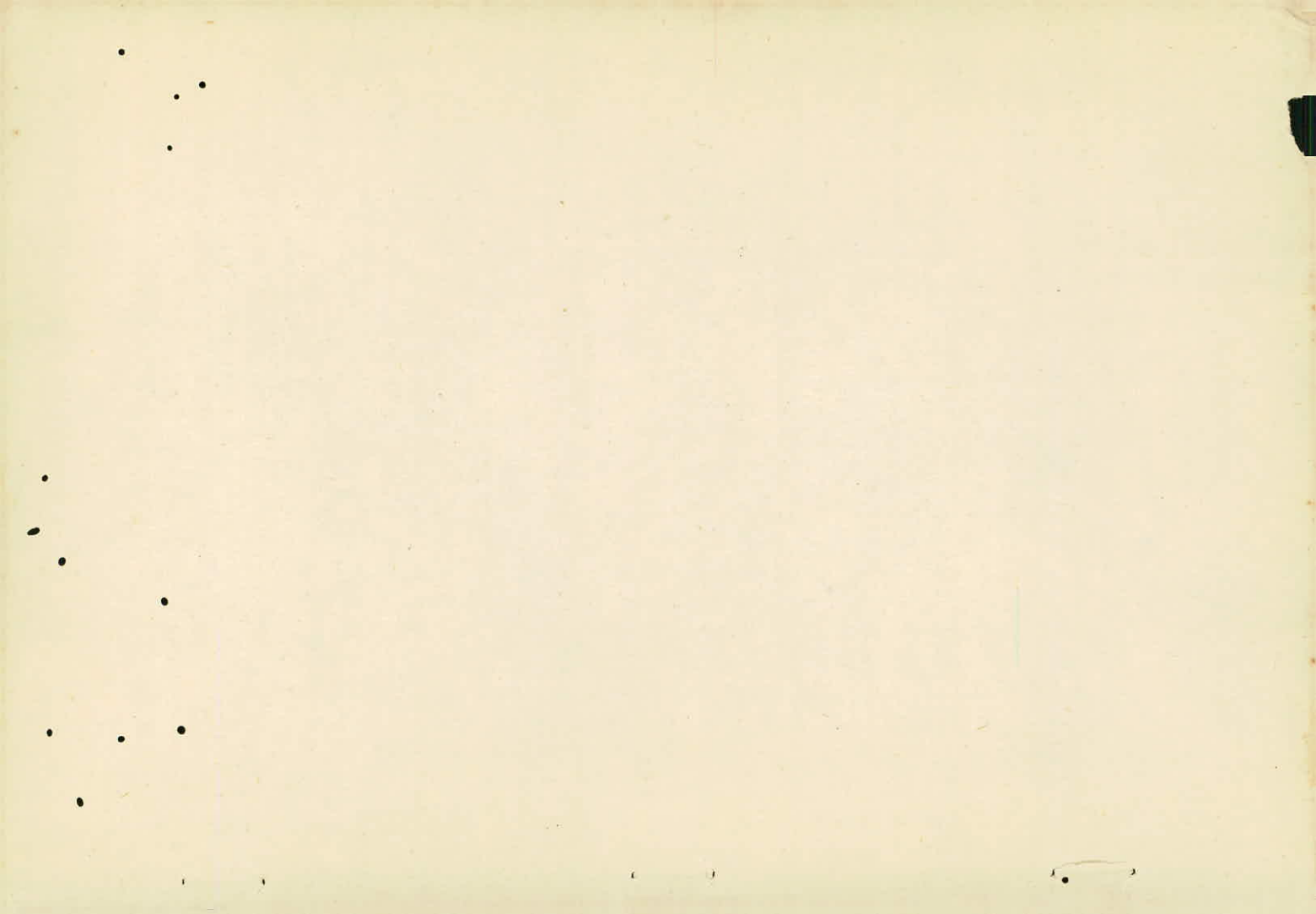


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## PREFATORY REMARKS

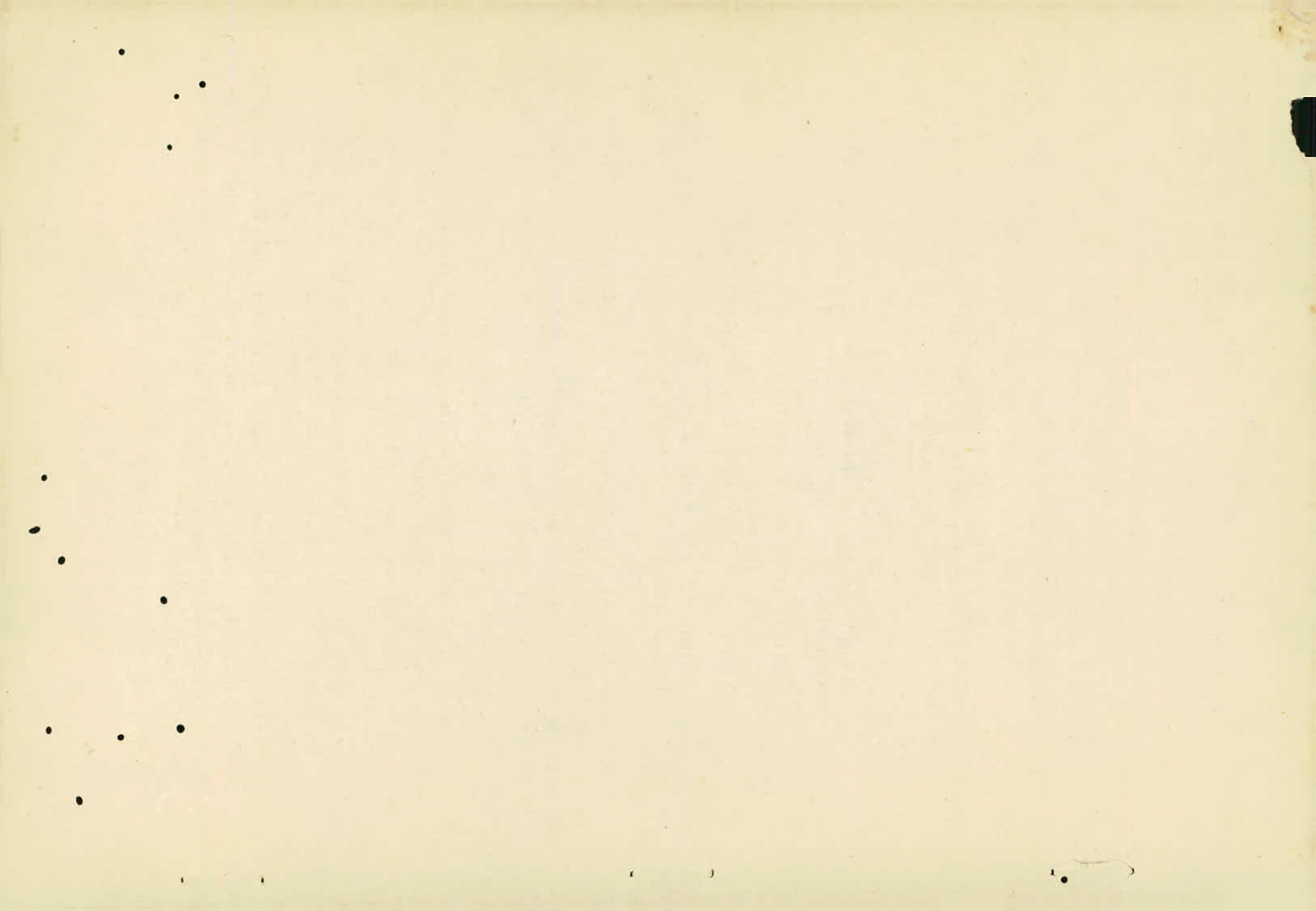
This Report has been prepared for submission to the Governor under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts for 1973-74 together with other points arising from audit of financial transactions of the Government of Kerala. It also includes:—

- (i) certain points of interest arising from the Finance Accounts for the year 1973-74;
- (ii) matters relating to certain bodies and authorities, the accounts of which are audited by the Indian Audit and Accounts Department; and
- (iii) comments on One Lakh Houses Scheme, Major Irrigation Projects and Anti-sea Erosion Works.

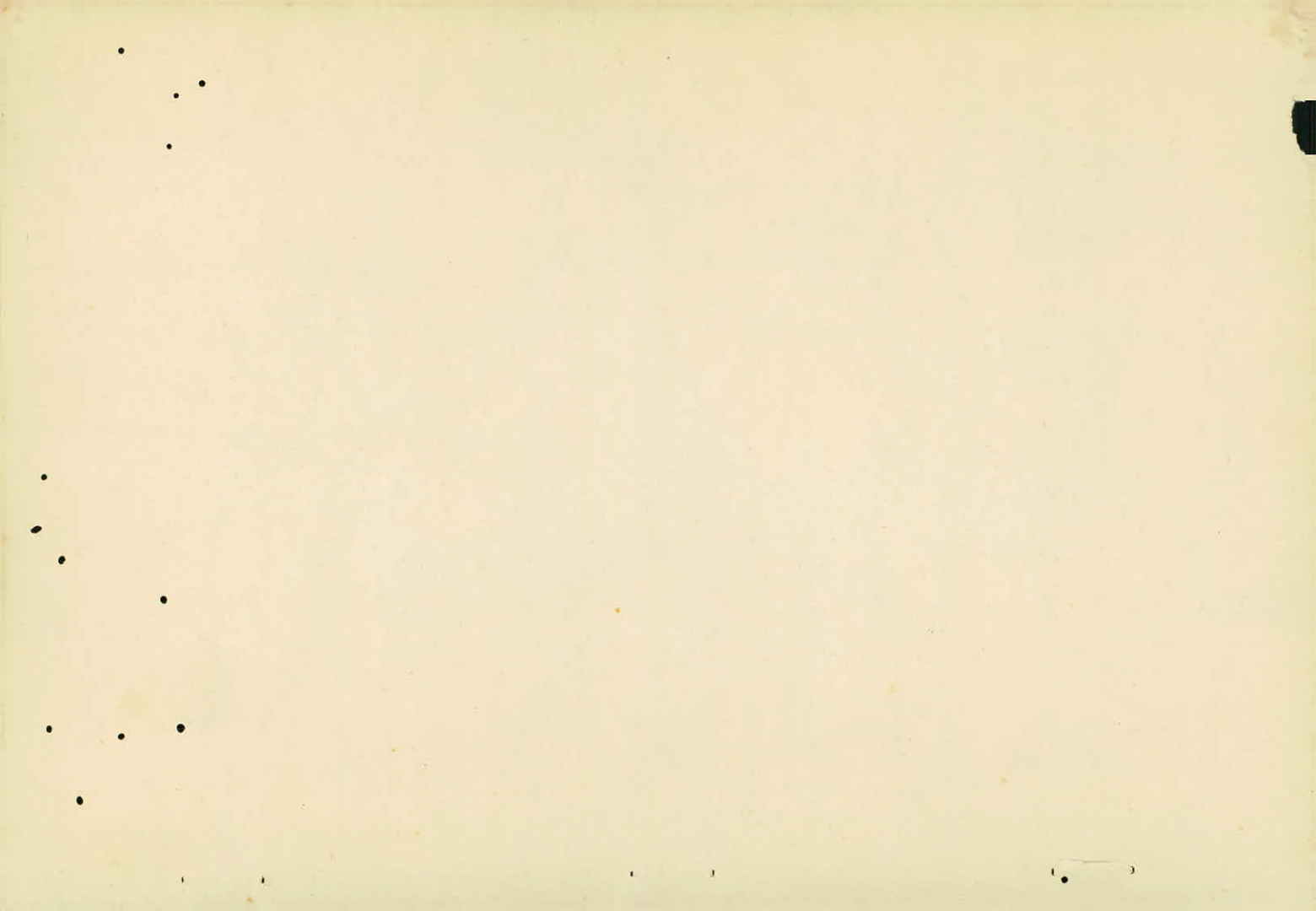
2. The Report containing the observations of Audit on Statutory Corporations, Government Companies and the Kerala State Electricity Board and the Report containing the observations of Audit on Revenue Receipts are being presented separately.

3. The cases mentioned in the present Report are those which came to notice in the course of test audit of accounts during the year 1973-74 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 1973-74 have also been included wherever considered necessary.

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







## CHAPTER I

### GENERAL

#### 1. Budget and actuals

##### (a) Revenue Receipts:

The actuals of revenue receipts for 1973-74 as compared with (i) the budget estimates and (ii) the budget estimates plus additional taxation during the year along with the corresponding figures for 1971-72 and 1972-73 are shown below:—

Year	Budget	Budget plus additional taxation	Actuals	Variation between columns (4) and (3)	
				Amount of increase +/ decrease—	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
(in crores of rupees)					
1971-72	1,65.01	1,67.01	1,79.19	+12.18	7.29
1972-73	1,91.38	1,96.88	1,96.49	—0.39	0.20
1973-74	2,10.92	2,10.92	2,15.82	+4.90	2.32

##### (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 of decrease	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
(in crores of rupees)					
1971-72	1,81.27	1,95.37	1,86.51	8.86	4.53
1972-73	2,09.97	2,20.63	2,03.38	17.25	7.82
1973-74	2,45.42	2,58.85	2,35.44	23.41	9.04

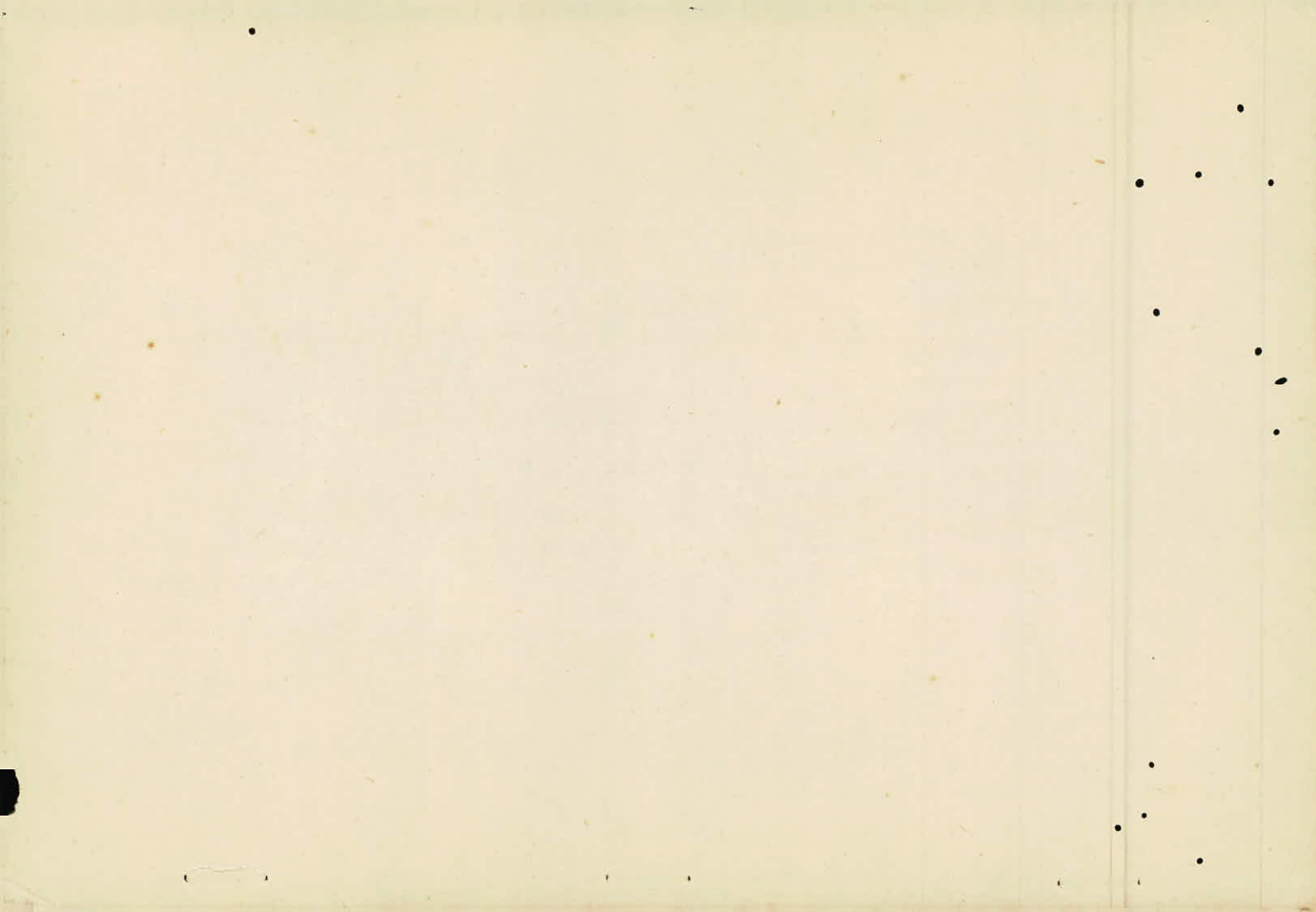
(c) The transactions on revenue account resulted in a deficit of Rs. 19.62 crores against a deficit of Rs. 6.89 crores in 1972-73. Taking, however, into account the transactions outside the revenue account, there was overall surplus of Rs. 1.80 crores in 1973-74 against a deficit of Rs. 0.63 crore in 1972-73. The details are given below:—

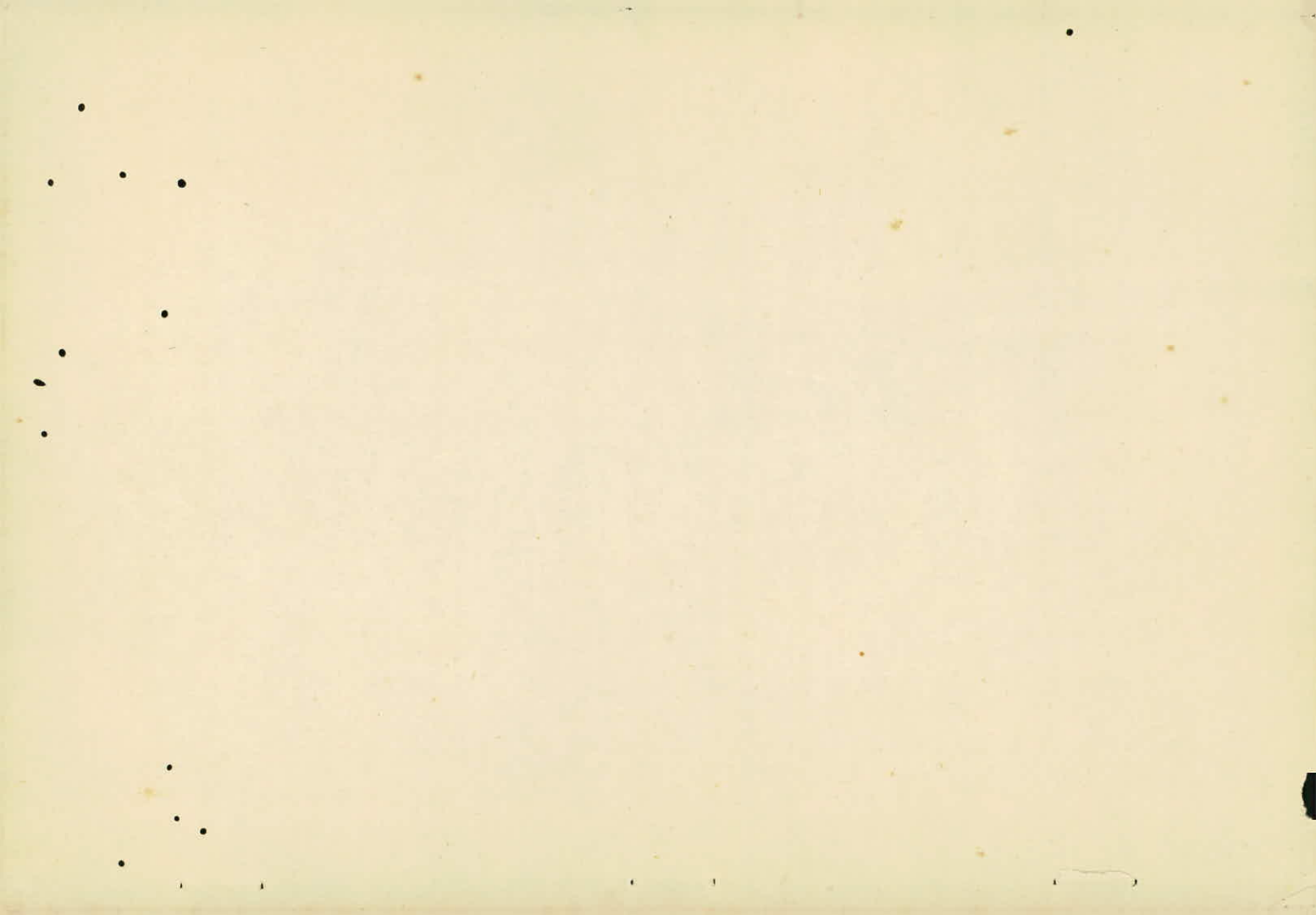
	1972-73	1973-74
	<i>(in crores of rupees)</i>	
Opening Cash Balance	—3.66	—4.29
<b>Part I - Consolidated Fund—</b>		
(a) Transactions on Revenue Account—		
(i) Revenue receipts	1,96.49	2,15.82
(ii) Revenue expenditure	2,03.38	2,35.44
(iii) Revenue deficit	—6.89	—19.62
(b) Transactions outside the Revenue Account—		
(i) Capital expenditure	—35.80	—39.49
(ii) Receipts from borrowings (net)	37.72	52.55
(iii) Loans and advances by State Government (net)	—16.34	—4.78
Part II - Contingency Fund (net)	1.56	—0.57
Part III - Public Account (net)	19.12	13.71
Closing Cash Balance	—4.29	—2.49
Overall deficit (—) /surplus(+)	—0.63	+1.80

## 2. Revenue Receipts

The revenue receipts during 1973-74 (Rs. 2,15.82 crores) increased by Rs. 19.33 crores over those in 1972-73 (Rs. 1,96.49 crores). The increase was mainly under:—

<i>Major head of Account</i>	<i>Actuals</i>			<i>Increase during 1973-74 (over 1972-73)</i>	<i>Reasons for increase</i>
	1971-72	1972-73	1973-74		
	<i>(in crores of rupees)</i>				
XII. Sales Tax	42.37	46.14	53.80	7.66	Mainly due to normal growth of trade and commerce.
• LI. Forest	10.61	10.46	14.54	4.08	Mainly due to more receipts under timber and other produce removed from the forests by Government Agency.







Major head of Account	Actuals			Increase during 1973-74 (over 1972-73)	Reasons for increase
	1971-72	1972-73	1973-74		
	(in crores of rupees)				
L.V. States' share of Union Excise Duties	20.10	23.99	26.88	2.89	Due to increase in the amount of net proceeds of Union Excise Duties assigned to the State.
X. State Excise Duties	9.99	9.42	11.88	2.46	Mainly due to increase in the collection of excise duties on wines and spirits.
XIV. Stamps	5.71	6.65	8.30	1.65	Mainly due to increase in the sale of stamps.
XXV. Agriculture	1.92	1.46	2.85	1.39	Mainly due to increase in receipts under the Administration of the Kerala Land Reforms Act 1963 (Rs. 0.97 crore) and under Fisheries (Rs. 0.30 crore).
XXIII. Medical	1.49	0.71	1.82	1.11	Mainly due to increase in receipts of the Employees' State Insurance Scheme.

The increase under the above heads during 1973-74 was partly counterbalanced by decrease of Rs. 4.68 crores under 'XVI. Interest' (1972-73: Rs. 8.81 crores; 1973-74: Rs. 4.13 crores). The receipt of more interest during 1972-73 was mainly due to adjustment of Rs. 4.85 crores (Rs. 3.45 crores as loan and Rs. 1.40 crores as subsidy) out of the interest due from the Kerala State Electricity Board.

### 3. Taxation measures

No new measures of or changes in taxation were introduced during the year.

### 4. Arrears in collection of revenue

According to information furnished by the Department, the arrears in the collection of revenue on the 31st March 1974 were

Rs. 33.40 crores (15.48 per cent of annual revenue). The Departments with heavy arrears are indicated below:—

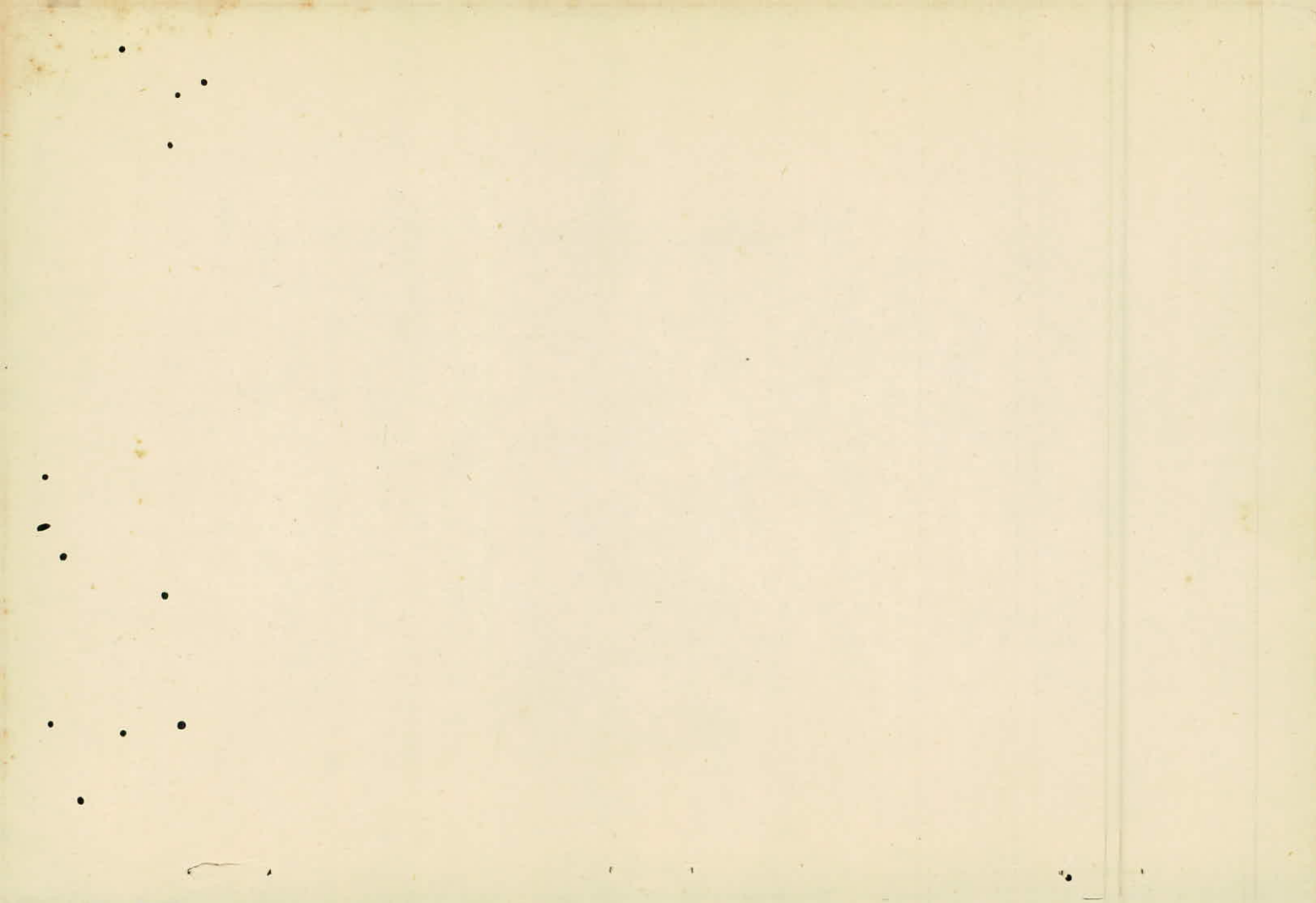
Department	Arrears on the 31st March		
	1972	1973	1974
	(in crores of rupees)		
Taxes			
Sales Tax	8.74	10.00	12.71
Agricultural Income Tax	2.60	3.06	3.88
State Excise Duties	1.46	3.47	3.31
Revenue			
Land Revenue	2.57	3.43	3.66
Agriculture			
Forest	2.13	2.06	4.00

Further details are given in the separate Report (Revenue Receipts) of the Comptroller and Auditor General of India for the year 1973-74, Government of Kerala.

### 5. Expenditure met from Revenue

In 1973-74 the expenditure on revenue account (Rs. 2,35.44 crores) increased by Rs. 32.06 crores over that in 1972-73 (Rs. 2,03.38 crores). The increase was mainly under:—

Major head of Account	Actuals			Increase during 1973-74 (over 1972-73)	Reasons for variation
	1971-72	1972-73	1973-74		
	(in crores of rupees)				
28. Education	66.09	71.70	83.64	11.94	Mainly due to increase in expenditure under primary education (Rs. 5.81 crores), secondary education (Rs. 2.56 crores) and grants to non-Government Arts Colleges (Rs. 2.06 crores).
16. Interest on Debt and Other Obligations	18.48	19.82	24.13	4.31	Mainly due to payment of more interest to the Government of India because of increase in the amount of loans received.
50. Public Works	10.07	9.31	11.85	2.54	Mainly due to increase in expenditure under suspense (Rs. 1.31 crores) and establishment (Rs. 1.12 crores).





Major head of Account	Actuals			Increase during 1973-74 (over 1972-73)	Reasons for variation
	1971-72	1972-73	1973-74		
64. Famine Relief	1.11	0.36	2.83	2.47	Due to various relief measures implemented by the Government to help the people in the famine-affected areas of coastal districts.
30. Public Health	2.76	2.32	4.53	2.21	Mainly due to increase in expenditure under suspense (Rs. 1.32 crores) and establishment (Rs. 0.67 crore).
39. Miscellaneous Social and Developmental Organisations	5.83	6.06	8.03	1.97	Mainly due to increase in expenditure under welfare of scheduled tribes/castes and other backward classes (Rs. 0.92 crore) and special welfare schemes (Rs. 0.90 crore).
23. Police	8.10	9.93	11.39	1.46	Mainly due to increase in expenditure under District Executive Force.
65. Pensions and Other Retirement Benefits	6.23	6.89	8.35	1.46	Mainly due to normal increase in expenditure under pensions and gratuities (Rs. 0.76 crore) and grant of more pensions under Social Security Scheme (Rs. 0.53 crore).
29. Medical	12.63	13.90	15.10	1.20	Mainly due to increase in establishment charges and other expenditure on hospitals and dispensaries (Rs. 0.68 crore) and expenditure on Employees' State Insurance Scheme (Rs. 0.23 crore).

## 6. Expenditure outside the Revenue Account

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

The capital expenditure during the three years ending 1973-74 as compared with (i) the budget estimates and (ii) the budget estimates plus supplementary grants/appropriation is shown below (loans and advances are dealt with in paragraph 7 below):—

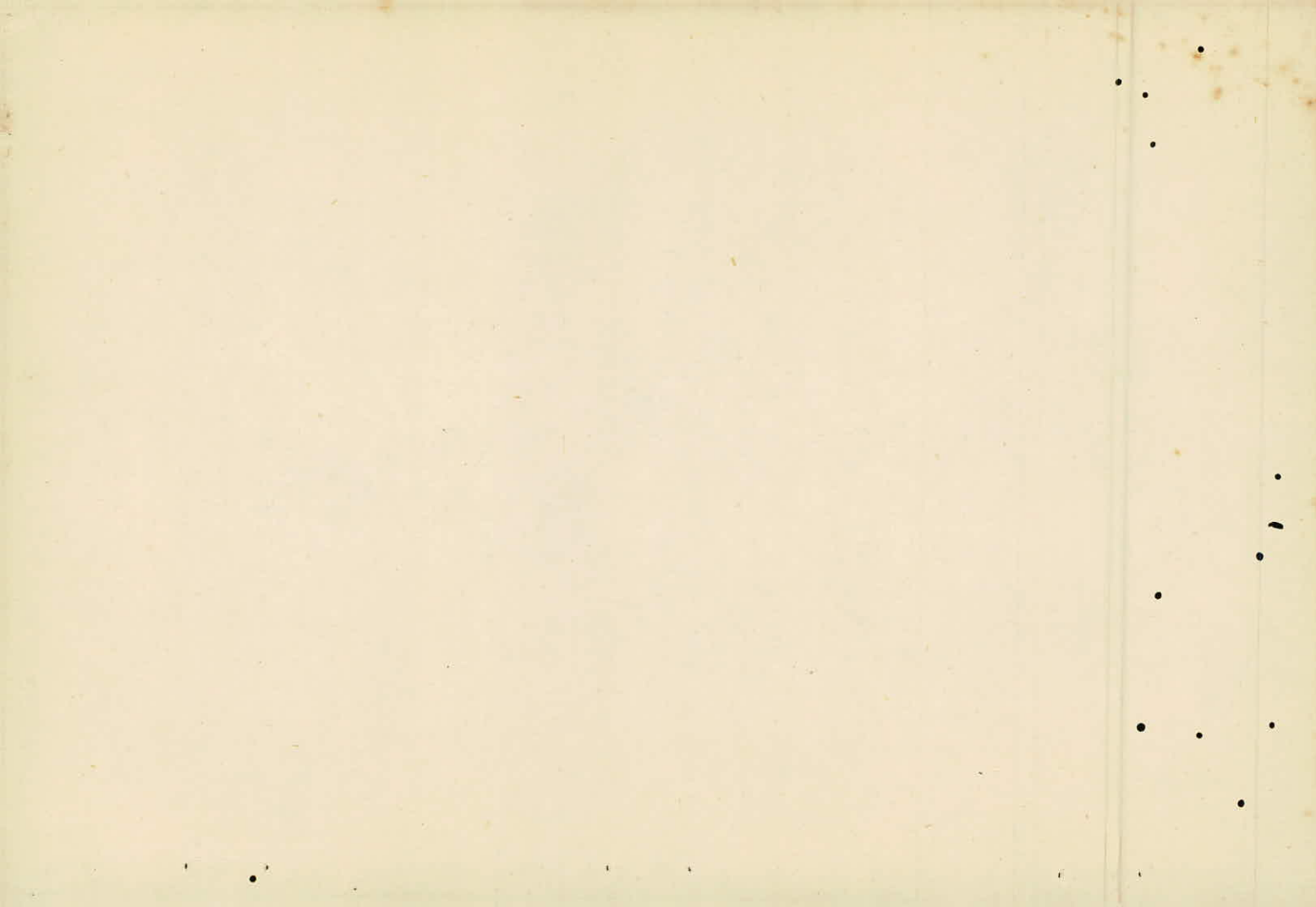
Year	Budget	Budget plus supplementary	Actuals	Variation between columns (4) and (3)	
(1)	(2)	(3)	(4)	Amount of decrease	Percentage
		(in crores of rupees)		(5)	(6)
1971-72	34.38	37.28	30.97	6.31	16.93
1972-73	30.18	36.70	35.80	0.90	2.45
1973-74	39.90	47.54	39.49	8.05	16.93

The progressive capital expenditure to the end of March 1974 was Rs. 3,22 crores. Further details are given in statement nos. 2 and 13 of the Finance Accounts 1973-74.

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

	During 1973-74	Progressive total to end of 1973-74
	(in crores of rupees)	
(i) Capital expenditure on irrigation and multipurpose schemes	8.45	82.74
(ii) Capital outlay on improvement of public health	9.48	46.12 (a)
(iii) Capital outlay on public works	12.10	1,09.36
(iv) Capital outlay on industrial and economic development	9.19	66.15 (b)
(v) Capital outlay on other works (including Commercial Departments and Contingency Fund)	0.27	17.63
Total	39.49	3,22.00
(vi) Net expenditure under loans and advances	4.78	2,13.96 (c)
Grand Total	44.27	5,35.96

- (a) Progressive figure was decreased by Rs. 0.01 crore due to *pro forma* correction of balance.
- (b) Progressive figure was increased by Rs. 0.69 crore due to *pro forma* adjustments.
- (c) Progressive figure was decreased by Rs. 0.64 crore due to *pro forma* adjustments.







The sources from which the expenditure outside the revenue account (including the loans and advances) was met during 1973-74 are shown below:—

(in crores of rupees)

I. Net additions to—	
(i) Permanent Debt	5.80
(ii) Floating Debt	23.57
(iii) Loans from the Central Government	22.36
(iv) Unfunded Debt	13.38
(v) Loans from other sources	0.81
II. Miscellaneous (mainly deposits, etc., received by Government less the amounts refunded)	— 0.21
III. Receipts from sale of securities and drawing down of cash balance	— 1.82
IV. Revenue deficit	—19.62
Net amount available for expenditure outside the revenue account	44.27

## 7. Loans and advances by Government

(a) The actuals of disbursement of loans and advances by the Government for 1973-74 as compared with (i) the budget estimates and (ii) the budget estimates plus supplementary grants along with the corresponding figures for 1971-72 and 1972-73 are shown below:—

Year	Budget	Budget plus supplementary	Actuals	Variation between columns (4) and (3)	
				Amount of decrease	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
(in crores of rupees)					
1971-72	15.68	33.98	33.13	0.85	2.57
1972-73	19.30	23.72	23.13	0.59	2.49
1973-74	15.60	17.00	12.16	4.84	28.47

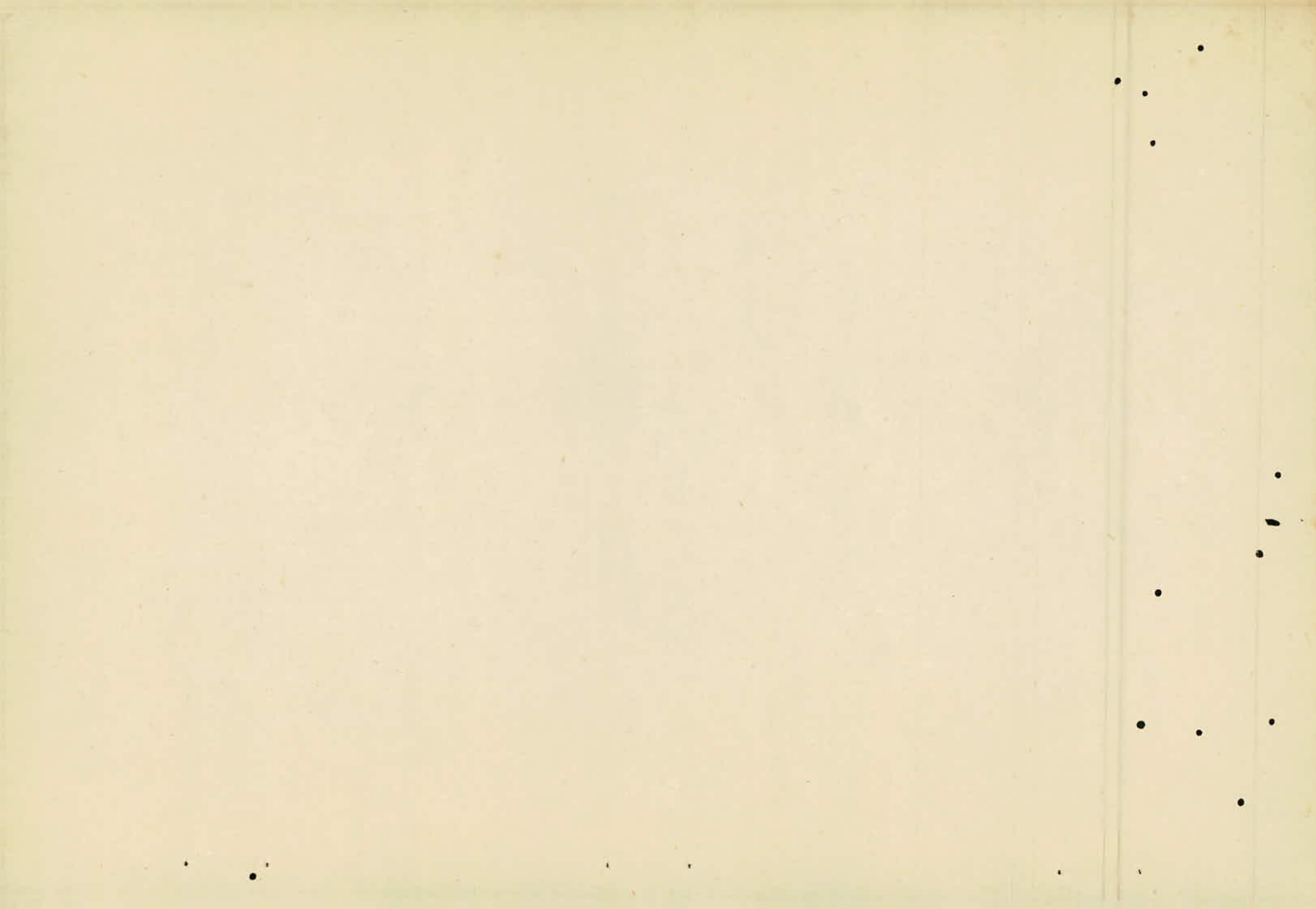
(b) The budget and actuals of recoveries of loans and advances for the three years ending 1973-74 are given below:—

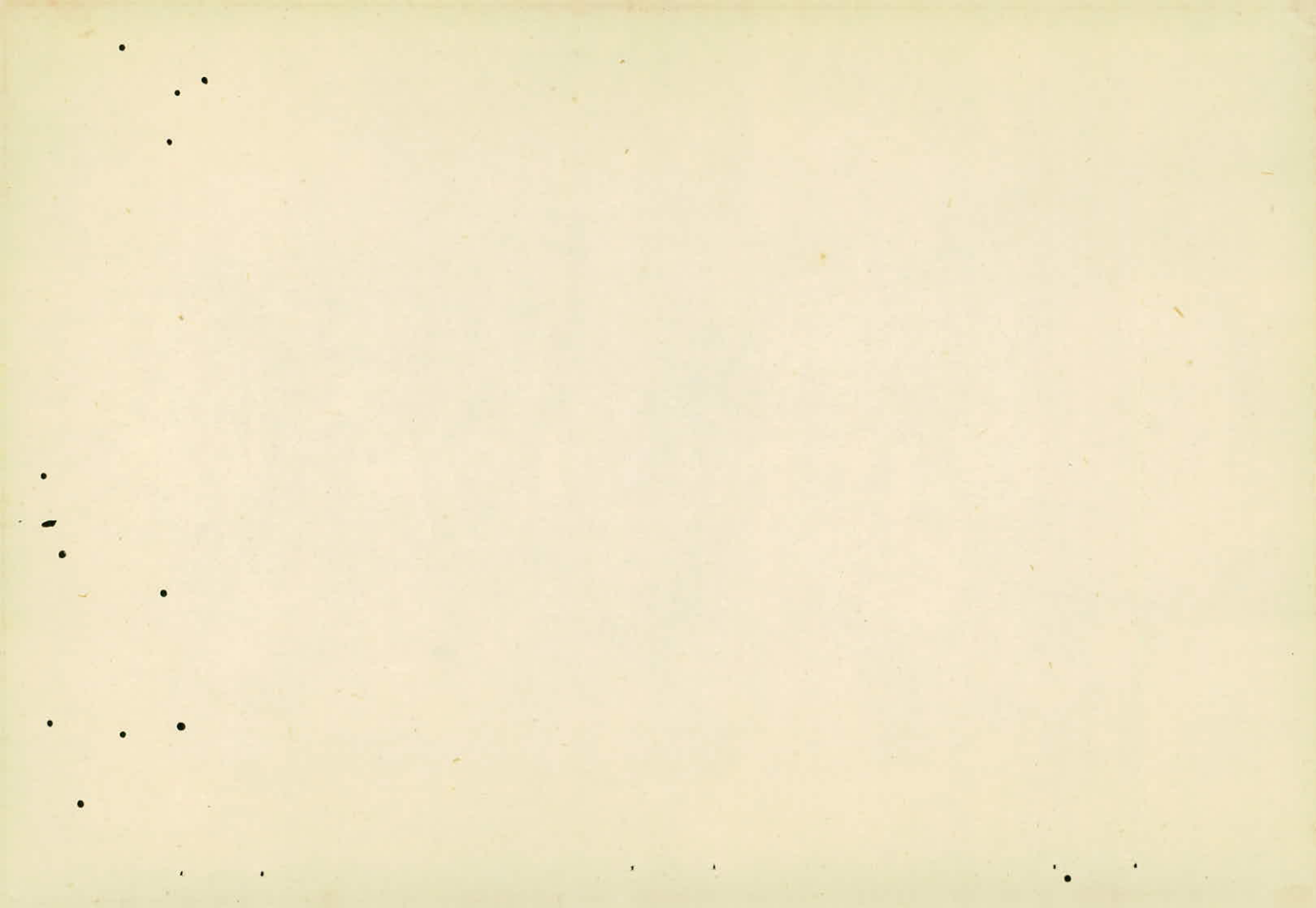
Year	Budget	Actuals	Variation	
			Amount of decrease	Percentage
			(in crores of rupees)	
1971-72	13.84	5.79	8.05	58
1972-73	6.98	6.79	0.19	3
1973-74	8.40	7.38	1.02	12

(c) The balance of loans and advances by the Government outstanding on the 31st March 1974 was Rs. 2,13.96 crores as shown below:—

Classes of loans and advances	Balance outstanding on the 31st March 1974 (in crores of rupees)
Loans to Cochin Port Trust	0.11
Loans to Municipal Corporations and Municipalities	0.60
Loans to Panchayati Raj Institutions	1.06
Loans to Kerala State Housing Board, Ernakulam-Cochin Town Planning Trust and Calicut Joint Town Planning Committee	1.00
Loans to Co-operative Institutions and Banks	13.52
Loans under Community Development Programme	0.62
Loans to Displaced Persons	0.31
Advances to Cultivators	2.46
Loans to Statutory Corporations, Boards and Government Companies	1,73.30
Loans to Government Servants, etc.	3.34
Miscellaneous loans	17.64
Total	2,13.96

Further details are given in statement nos. 5 and 18 of the Finance Accounts 1973-74.





(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 of and interest on loans. Out of the five officers mentioned in paragraph 7 (d) of the Report for 1972-73, complete information regarding defaults as on the 31st March 1973 is still awaited from the Director of Industries and Commerce and Director of Collegiate Education (January 1975). The information about arrears in recovery of loans and advances on the 31st March 1974 has not been furnished (January 1975) by the following:—

*Main category of loans*

- |  |   |
|--|---|
| 1. Director of Agriculture             | Agricultural loans  |
| 2. Director of Industries and Commerce | Loans for handloom schemes, Loans for powerloom schemes, Loans under small scale industries schemes and Loans under State Aid to Industries Act |
| 3. Director of Collegiate Education    | Loans under national loan scholarship scheme.   |

According to the information furnished by the remaining Departments, the recovery of Rs. 4,39.72 lakhs (principal: Rs. 3,30.93 lakhs; interest, including penal interest: Rs. 1,08.74 lakhs) was overdue on the 31st March 1974, the earliest year from which the recovery is overdue being 1954-55. Major cases of defaults are given in Appendix I.

Rupees 11.98 lakhs were due from the Central Banking Corporation (Travancore) Limited (Rs. 6.94 lakhs) and Kerala Water Transport Corporation Limited (Rs. 5.04 lakhs) which are under liquidation. The amounts are outstanding from 1962-63.

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 1974 was Rs. 1.59 lakhs (principal: Rs. 0.38 lakh; interest, including penal interest: Rs. 1.21 lakhs) in 39 cases.

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

The amount of interest due as on the 31st March 1974 from the Kerala State Electricity Board on loans paid by Government was Rs. 44.10 crores. Out of this, Government waived, at the instance of Government of India, the recovery of Rs. 16.07 crores due as at the end of March 1971 in May 1972 to enable the Board to wipe off its past losses and to start on a sound financial footing and to become eligible for World Bank aid for its power transmission projects. The adjustment in respect of this has not been effected in the accounts pending receipt of certain clarifications from Government.

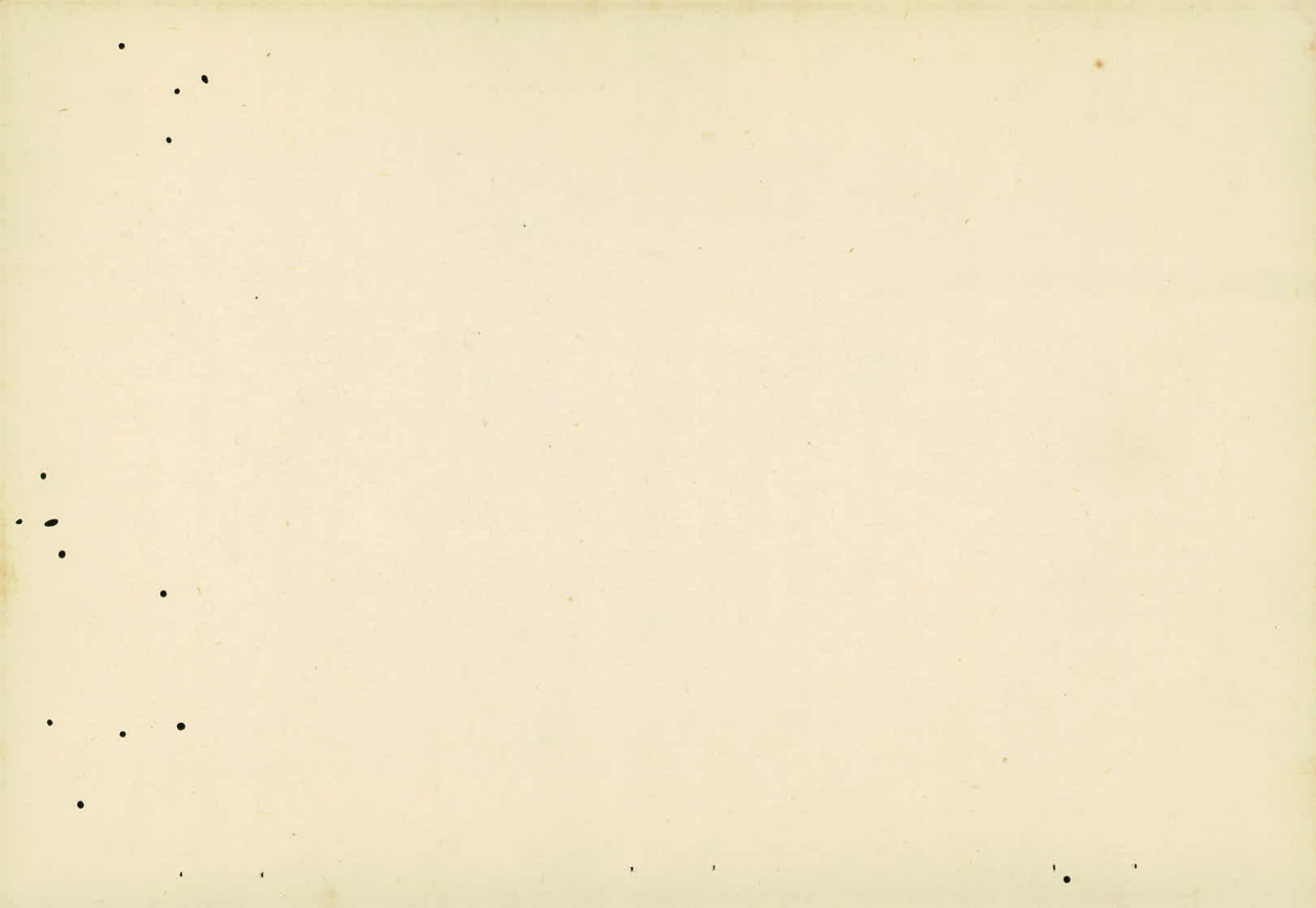
(f) The rules require that Departmental Officers who administer loans should furnish to Audit by the 15th of July every year a certificate that the aggregate balances shown as recoverable at the end of the preceding March in the registers maintained by them agree with those communicated to them by the Accountant General. In 284 cases the certificates of acceptance of balances have not been received from the Departmental Officers (January 1975) as shown below:—

<i>Department</i>	<i>Number</i>	<i>Balance of loans on the 31st March 1974 (in crores of rupees)</i>
Agriculture	100	9.39
Industries	93	22.02
Development	28	3.99
Revenue	28	3.45
Local Administration	16	7.22
Others	19	3.98
<b>Total</b>	<b>284</b>	<b>50.05</b>

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

<i>Year from which certificate is due</i>	<i>Number of cases</i>
Prior to 1958-59	7
1958-59	11
1959-60	1
1960-61	8
1961-62	6
1962-63	13
1963-64	9
1964-65	22
1965-66	10
1966-67	16
1967-68	29
1968-69	20
1969-70	6
1970-71	22
1971-72	26
1972-73	34
1973-74	44
<b>Total</b>	<b>284</b>







The delay in submission of certificates of balances is mainly due to failure of Departments to reconcile monthly transactions recorded in their books with those appearing in the books of the Accountant General regularly (required under the rules). The reconciliation work in certain cases has been in arrears from 1957-58 onwards. Special squads were appointed in November 1967 by the Government in each district to clear the arrears in reconciliation work. As against 244 reconciliation certificates involving Rs. 37.72 crores due in March 1974 (*vide* paragraph 7 (f) of 1972-73 Report) the outstanding certificates due (January 1975) were 284 involving Rs. 50.05 crores. Although the Government had promised (February 1972) the Public Accounts Committee that the work of reconciliation of balances as on the 31st March 1971 would be completed within six months, the work has not yet been completed (January 1975).

(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 January 1975 were as follows:—

	<i>Number of certificates</i>	<i>Balance of loans on the 31st March 1974</i>	<i>The earliest year to which the outstanding certificates pertain</i>
		<i>(in lakhs of rupees)</i>	
Municipalities	31	6.16	1973-74
Corporations and Boards	57	74.59	1973-74
Panchayats	241	21.76	1973-74
Kerala State Electricity Board	5	1,57,85.14	1972-73
Total	334	1,58,87.65	

### 8. Debt position of Government

At the end of 1973-74, the outstanding public debt and other obligations of the Government were Rs. 5,82.82 crores. An analysis of the debt and other obligations of Government outstanding at the end of 1973-74 compared with the corresponding figures at the end of each of the three preceding years is given below:—

	1970-71	1971-72	1972-73	1973-74
	<i>(in crores of rupees)</i>			
Public Debt	3,26.39	3,80.07	4,17.79	4,70.33
Unfunded Debt	26.79	31.88	41.90	55.28
Other Obligations	33.03	35.80	47.63	57.21
Total	3,86.21	4,47.75	5,07.32	5,82.82

The increase in the last three years was Rs. 1,96.61 crores: Rs. 1,72.43 crores under debt and Rs. 24.18 crores under other obligations.

*Public Debt:*

The public debt comprises loans from the Government of India, permanent debt (market loans), floating debt and other loans from autonomous bodies such as the Life Insurance Corporation of India and National Agricultural Credit (Long Term Operations) Fund of the Reserve Bank of India. The public debt increased during 1973-74 by Rs. 52.54 crores; the details are given below:—

	<i>Raised during 1973-74</i>	<i>Discharged during 1973-74</i>	<i>Increase during 1973-74</i>	<i>Balance on the 31st March 1974</i>
	<i>(in crores of rupees)</i>			
Loans from Central Government	64.46	42.10	22.36	3,66.78
Permanent Debt (open market loans)	5.89	0.09	5.80	63.54
Floating Debt	1,14.24	90.67	23.57	27.04
Other loans	1.50	0.69	0.81	12.97
Total	1,86.09	1,33.55	52.54	4,70.33

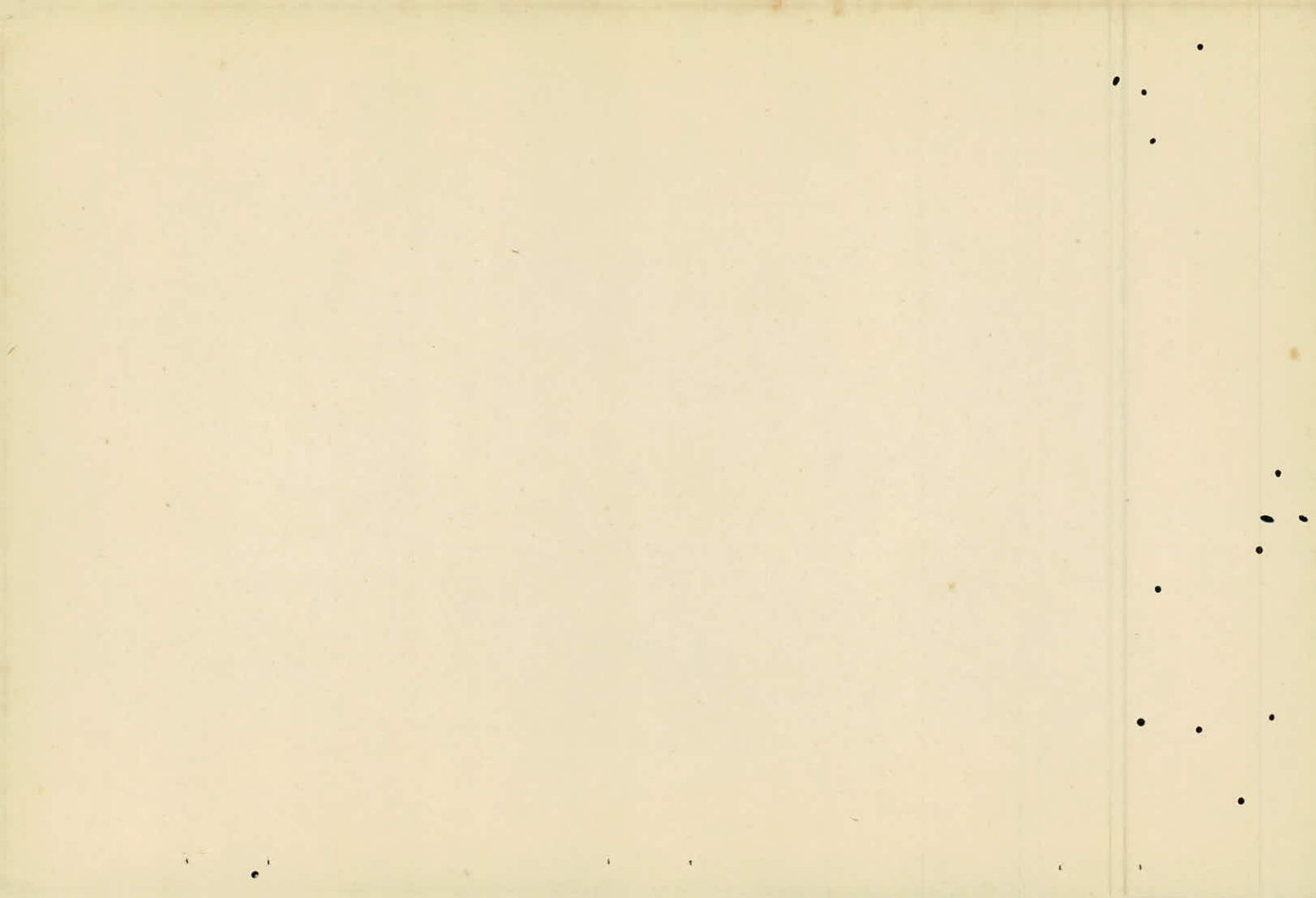
(i) *Loans from Central Government:*

The loans received from the Government of India and outstanding at the end of 1973-74 (Rs. 3,66.78 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.

(ii) *Permanent Debt:*

A loan of Rs. 4.91 crores carrying 5.75 per cent interest was raised during 1973-74 at par. The loan is repayable in 1985. Further, bonds known as "4.50 per cent Kerala House Sites and Houses for Families of Landless Workers" (Compensation for the value of Lands) Bonds" were issued at par for Rs. 0.55 crore; they are repayable at the end of two years.





The Government has constituted a depreciation fund for purchasing securities of the loans for cancellation 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 contribution was increased to 8 per cent of the outstanding balance of the loans. During 1968-69, at the suggestion of the Government of India, the rate of contribution to these funds was changed (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 1973-74, Rs. 84.73 lakhs were contributed to the Depreciation Fund and Rs. 2,70.15 lakhs to the General Sinking Fund. The balance in the Depreciation Fund and the General Sinking Fund at the end of 1973-74 was Rs. 4,22.43 lakhs and Rs. 12,52.64 lakhs respectively. Out of the total balance of Rs. 16,75.07 lakhs in the funds, Rs. 87.34 lakhs were invested in the securities of the Government of India and Rs. 10 lakhs in Industrial Finance Corporation bonds. The balance of Rs. 15,77.73 lakhs was not invested and was utilised to augment general cash balance of the State. Rupees 3.38 lakhs were received during the year as interest on the investments.

### (iii) *Floating Debt:*

This represents borrowings of a purely temporary nature such as ways and means advances and overdraft accommodation from the Reserve Bank of India and "4.25 per cent Kerala House Sites and Houses for Families of Landless Workers (Compensation for the value of Lands) Bonds" issued in pursuance of the scheme for the provision of house sites to landless workers in rural areas.

Under an agreement with the Reserve Bank of India, the Government has to maintain a minimum cash balance of Rs. 30 lakhs on all days. If the balance falls below the agreed minimum, the deficiency is made good either by taking a ways and means advance from the Reserve Bank, limited to a maximum of Rs. 3,60 lakhs or by selling 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 up to the maximum limit, the Government takes overdrafts from the Bank. Whenever 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 purposes of meeting payments on behalf of Government (except payments to be made outside India).

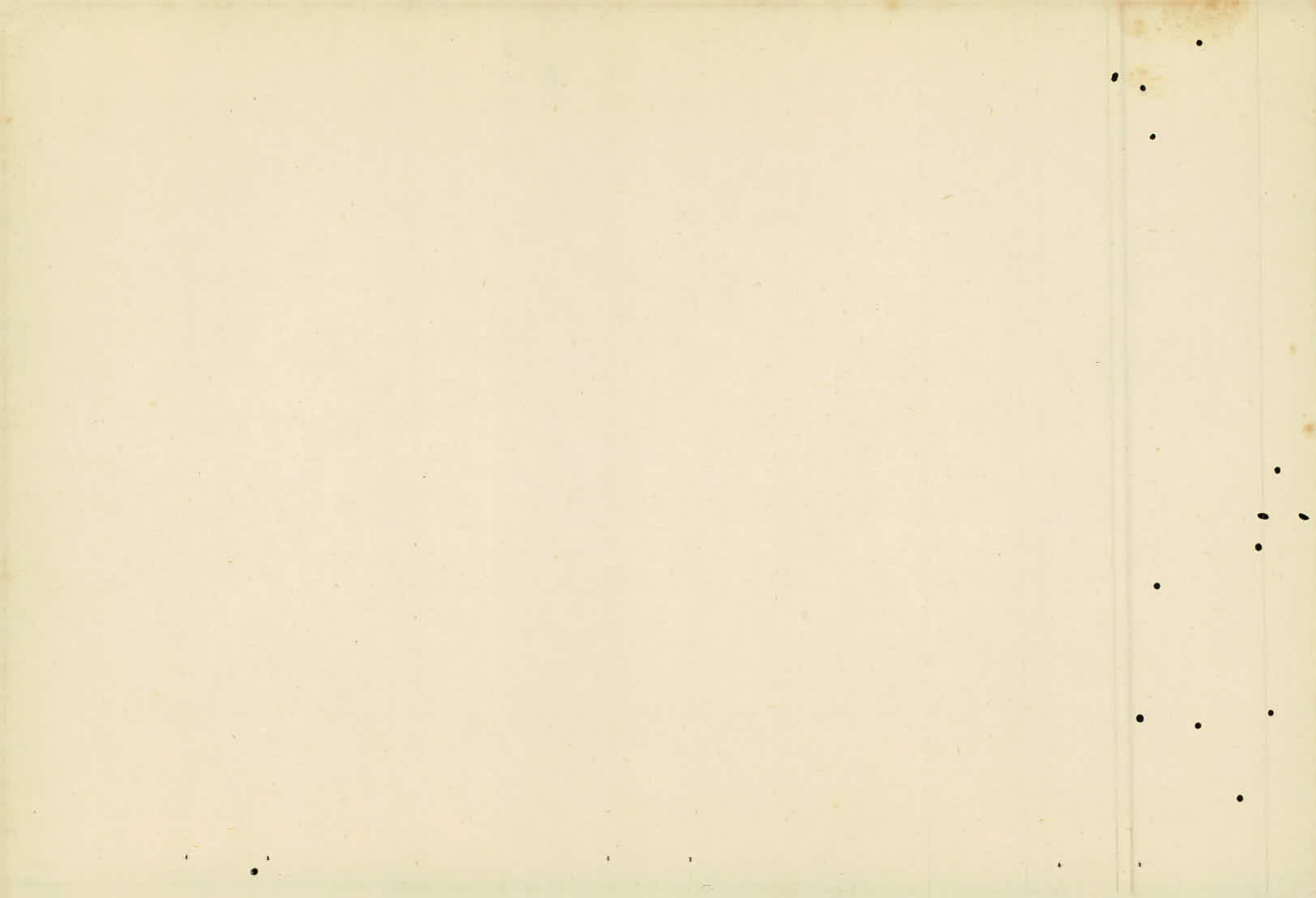
How far the Government was able to maintain the minimum balance with the Bank in 1973-74 is shown below:—

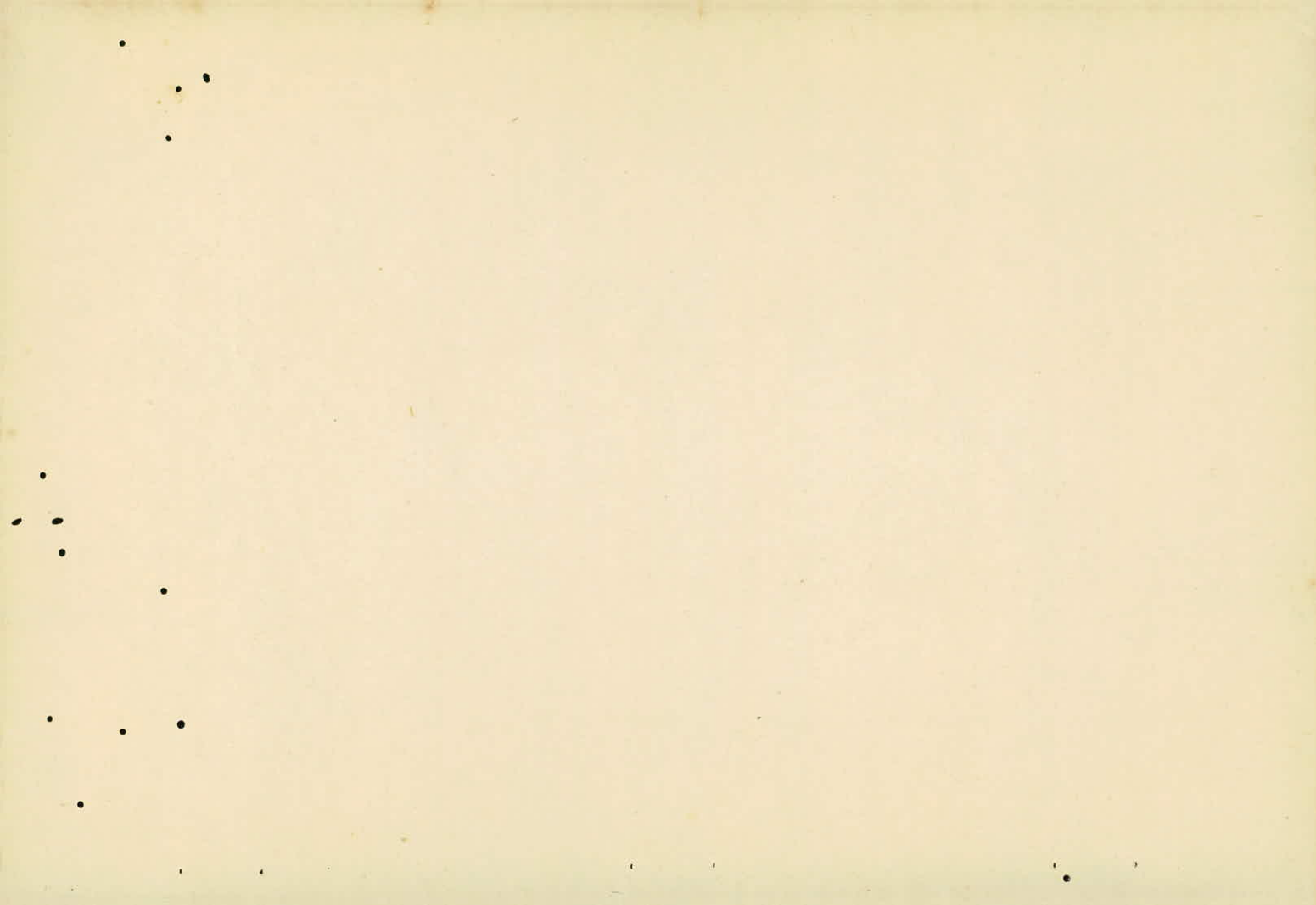
Number of days on which the minimum balance was maintained without obtaining any advance	7
Number of days on which the minimum balance was maintained by taking ordinary ways and means advance	74
Number of days on which the minimum balance was maintained by taking special ways and means advance	82
Number of days on which there was shortfall from the agreed minimum balance, but not a debit balance, even after availing the ordinary and special ways and means advances to the full extent	21
Number of days on which overdrafts had to be taken (i.e., debit balances with the Bank)	181

There were overdrafts (debit balances with the Bank) continuously for more than seven days in October 1973 (from the 22nd to 30th) and from the 18th December 1973 onwards (which remained up to the 6th May 1974). The maximum amount of overdraft during 1973-74 was on the 19th March 1974 (Rs. 25.11 crores). There was no stoppage of payment by the Bank during 1973-74.

The Government took a total overdraft of Rs. 64.23 crores from the Bank from April 1973 to March 1974. Rupees 45.25 crores were repaid during the year leaving a balance of Rs. 18.98 crores on the 31st March 1974. The total amount of floating debt outstanding at the end of the year was Rs. 27.04 crores. Rupees 31.25 lakhs were paid during 1973-74 as interest by the State Government on the floating debt out of which Rs. 26.71 lakhs related to interest on ways and means advances (ordinary and special), shortfall from the agreed minimum cash balance and overdrafts from the Bank.

Further details are given in statement no. 7 of the Finance Accounts 1973-74.







(iv) *Other loans:*

The balance of loans taken from other sources outstanding at the end of March 1974 was Rs. 12.97 crores. Its break-up is given below:—

<i>Source from which loan was received</i>	<i>Balance of loans outstanding on the 31st March 1974 (in lakhs of rupees)</i>	<i>Details of loans obtained during 1973-74</i>
The National Agricultural Credit (Long Term Operations) Fund of Reserve Bank of India	4,40.17	Rupees 35.52 lakhs for subscribing directly or indirectly to the share capital of co-operative credit societies.
The Life Insurance Corporation of India	7,02.96	Rupees 80.00 lakhs for implementing various social housing schemes like low income group housing scheme, middle income group housing scheme, rental housing scheme for State Government employees, land acquisition and development scheme and the Village Housing Projects Scheme.
The National Co-operative Development Corporation	1,52.09	Rupees 34.84 lakhs for various co-operative development schemes.
The Central Warehousing Corporation	1.62	
The Khadi and Village Industries Commission	0.26	
Total	12,97.10	

*Other Obligations:*

In addition to public debt, the balances under deposits, etc., to the extent they have not been separately invested but are merged with the general cash balance of the State Government also constitute the liability of State Government. Such liability on the 31st March 1974 was Rs. 1,12.49 crores comprising uninvested balances of (i) interest bearing obligations such as depreciation reserve funds of commercial undertakings, etc., (Rs. 0.87 crore), (ii) non-interest bearing obligations such as deposits of local funds, civil deposits, other earmarked funds, etc., (Rs. 56.34 crores) and (iii) unfunded debt, mainly provident fund balances (Rs. 55.28 crores).

### *Interest on debt and other obligations:*

The gross interest paid by Government during the year was Rs. 23.94 crores on public debt (including expenditure on management and unfunded debt) and Rs. 0.19 crore on other obligations. Against this, the Government received Rs. 1.30 crores towards interest on loans and advances 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. 22.58 crores (10.46 per cent of the total revenue receipts) as compared to Rs. 13.12 crores (6.68 per cent of the total revenue receipts) in 1972-73 and Rs. 6.53 crores (3.64 per cent of the total revenue receipts) in 1971-72.

There were, in addition, certain other receipts and adjustments (Rs. 2.58 crores) such as interest received from Commercial Departments, interest on arrears of revenue and interest on 'Miscellaneous' account. If these are also taken into account, the net burden of interest on revenue during 1973-74 would be Rs. 20 crores (9.27 per cent of the revenue).

The Government also received during the year Rs. 50.24 lakhs as dividend on investments in commercial undertakings.

### **9. Guarantees**

The Government has given guarantees for repayment of loans, debentures, bonds, etc., raised by statutory corporations and boards, Government companies, co-operative institutions, local bodies and private firms as also for repayment of the working capital raised by Kerala Financial Corporation and payment of minimum dividend of 3.5 per cent thereon. The maximum amount guaranteed and sums guaranteed outstanding on the 31st March 1974 were Rs. 1,50.17\* crores and Rs. 1,09.12\* crores respectively. Further details are given in statement no. 6 of the Finance Accounts 1973-74.

The Government paid up to 1973-74 Rs. 17.45 lakhs towards the guaranteed minimum dividend on the share capital of Kerala Financial Corporation. Of this, Rs. 0.20 lakh only have so far been recovered (October 1974).

According to guidelines issued by the Government in July 1971, the Departments of Government have to review each case of guarantee periodically by scrutinising published accounts, periodical reports, etc., and take action to withdraw the guarantee wherever necessary or justified. To an enquiry (October 1972) by Audit whether such a review was being conducted, the Government stated (September 1974) that the matter was still engaging the attention of the Government.

\* Differ from figures in paragraph 59 of this Report which exclude figures relating to Municipalities/Corporations/Townships and Private firms.





In paragraph 9 of the Report for 1972-73 mention was made of the action taken by Government under Revenue Recovery Act against a private firm (Messrs V. O. Vakkan and Sons, Alleppey) which had failed to repay a loan of Rs. 20 lakhs given to it by the Syndicate Bank in October 1968 under Government guarantee. When the properties furnished by the firm as security were put to auction (the 9th July 1973) there were no bidders. No reaction has been held since then. The entire properties of the firm have been brought under Government control on the 30th January 1975.

In paragraph 9 of the Report for 1972-73, mention was also made of the adjustment of Rs. 5.78 lakhs by the Kerala State Industrial Development Corporation Limited from the amount payable by it to the State Government following the failure of Cannanore Spinning and Weaving Mills Limited to repay instalments of loans advanced to it by the Corporation under Government guarantee. Based on subsequent instructions from the Government no further adjustments were made by the Corporation during 1973-74. The guarantee commission due to the State Government for the period from the 1st April 1971 to the 8th November 1972 (Rs. 0.21 lakh) and from the 1st April 1973 to the 31st March 1974 (Rs. 0.13 lakh) is pending realisation (January 1975).

The guarantee commission of Rs. 0.12 lakh due from a private firm (the Standard Tile and Clay Works (Private) Limited, Feroke) for 1973-74 in respect of loan given to it by the Syndicate Bank under Government guarantee is yet to be realised (January 1975).

## 10. Investments

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

	<i>Investments to end of 1973-74</i>		<i>Dividend/interest received in 1973-74</i>	
	<i>Number of concerns</i>	<i>Amount (in lakhs of rupees)</i>	<i>Amount</i>	<i>Percentage</i>
(A) Shares of—				
Statutory Corporations	3	11,89.86	2.11	0.18
Government Companies	41	33,35.62	13.38	0.40
Other Joint-stock Companies	42	2,78.07	15.06	5.42
Co-operative Societies and Banks	*	12,83.31	16.01	1.25
(B) Debentures and bonds	3	33.91	1.58	4.66
Total		61,20.77	48.14	0.78

\* Details not available.

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

<i>Name of banking company</i>	<i>Year of investment</i>	<i>Number of shares</i>	<i>Amount invested Rs.</i>
1. Central Bank of India Limited	1948	4,080	5,26,599
2. Bank of India Limited	1948	639	1,23,429
3. Indian Bank Limited	1947 to 1968	3,737	12,92,314

The present position of these investments is as follows:—

1. Central Bank of India Limited  
After nationalisation of the banking undertaking of the company, the residual Central Bank of India Limited was amalgamated with the Tata Engineering and Locomotive Company Limited in March 1972. In lieu of 4,080 shares held by Government in the former Central Bank of India Limited, Tata Engineering and Locomotive Company Limited allotted to Government 163 ordinary shares, 489 preference shares and 2,448 numbers of 7.75 per cent Convertible debentures (all of face value of Rs. 100).
2. Bank of India Limited  
After nationalisation of the banking undertaking of the company, the residual Bank of India Limited was amalgamated with the Ahmedabad Manufacturing and Calico Printing Factory Limited. The latter company has allotted to Government, in lieu of the 639 shares of the former Bank of India Limited, fresh shares as detailed below:—

	<i>Number</i>	<i>Face value Rs.</i>
'A' Ordinary shares	1	25
Ordinary shares	38	125
Convertible bonds	159	100
Redeemable bonds	639	116







In addition, nine ordinary shares and two fractional shares were received as bonus shares.

### 3. Indian Bank Limited

The company went into liquidation from the 17th April 1972. The Government received Rs. 6.25 lakhs during 1972-73 towards first instalment of dividend on liquidation.

Further details of investments of Government are given in statement no. 14 of the Finance Accounts 1973-74 and paragraph 58 of this Report.

Five concerns in which Government had invested Rs. 22.26 lakhs are under liquidation. (This is in addition to the Indian Bank Limited of which mention has been made earlier).

The *pro forma* accounts for 1973-74 of none of the three State Trading Schemes (Scheme for processing of paddy seeds, Grain Supply Scheme and Manure Supply Scheme) have been received from the Departmental Officers (January 1975).

The *pro forma* accounts for 1973-74 of only two (Model Coir Factory, Beypore and State Water Transport Department, Alleppey) out of the five departmental undertakings were received in Audit till January 1975. The loss suffered by the two undertakings during 1973-74 aggregated Rs. 3.44 lakhs. Further details are given in paragraph 56 of this Report.

## 11. Financial results of irrigation works

(a) 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 laid down any norms for classifying irrigation works as 'Commercial' or 'Non-Commercial'. In paragraph 11(a) of the Report for 1971-72 had been listed several major irrigation projects on which considerable outlays had been made and which stand classified as 'Non-Commercial'. If such projects are not classified as 'Commercial' and *pro forma* accounts are not prepared, the financial results of the schemes cannot be ascertained. The question of laying down suitable norms for the classification of irrigation projects as 'Commercial' and 'Non-Commercial' and of reclassifying the existing projects is still (from April 1971 onwards) under the consideration of the Government (January 1975).

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

The revenue assessed from these works during 1973-74 was Rs. 15.35 lakhs, while the working expenses were Rs. 47.94 lakhs. Taking into account the interest (Rs. 1,45.84 lakhs) on capital, the loss during the year was Rs. 1,78.43 lakhs, which was 7 per cent of the capital outlay.

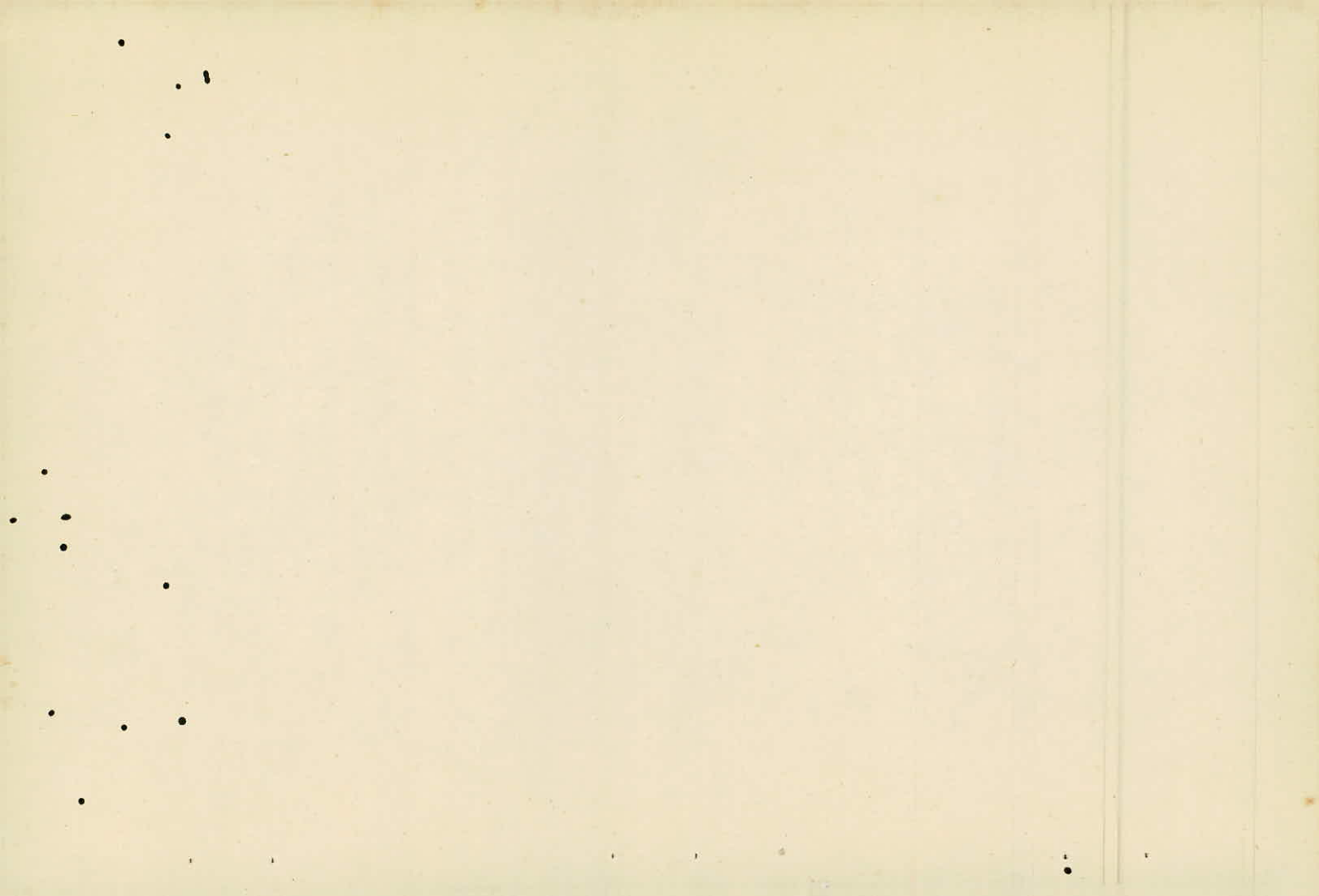
Comparative figures for the eight works for the last three years are given below:—

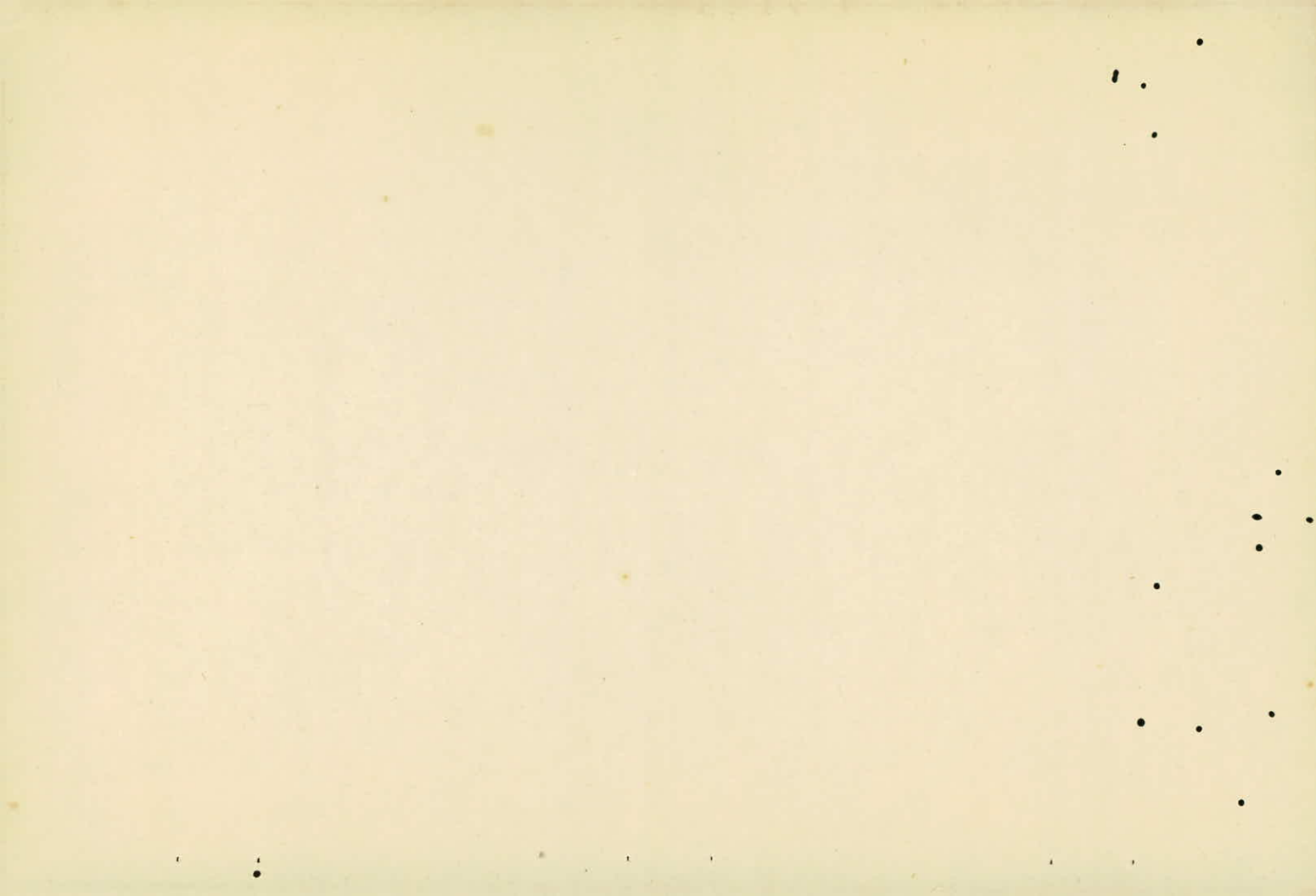
	1971-72	1972-73	1973-74
	<i>(amount in lakhs of rupees)</i>		
Capital outlay to end of the year	23,16.66	23,68.31	24,11.86
Total revenue assessed during the year	11.90	16.14	15.35
Working expenses	41.34	46.07	47.94
Net loss excluding interest	29.44	29.93	32.59
Interest on capital	1,39.45	1,43.23	1,45.84
Loss after meeting interest	1,68.89	1,73.16	1,78.43
Percentage of loss	7.29	7.31	7.40

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

(i) *Peechi Reservoir Scheme:*

This scheme was sanctioned by the erstwhile Cochin State Government in 1947. It consists of a masonry dam 213.36 metres long across Manali river, a tributary of Karuvannur river for impounding 2,000 m. cft. of water. It is located 23 kilometres away east of Trichur town. The distribution system includes a main canal on either bank (total length: 82 kilometres) and branch canals (total length: 147 kilometres). The cost of the scheme, originally estimated (1947) at Rs. 30 lakhs had to be revised upwards to Rs. 1,50 lakhs (1951) and again to Rs. 2,35 lakhs (1973) to cover additional works like diversion of National Highway, construction of bridges and formation of additional canals, etc., found necessary from time to time and to augment the dam's capacity to 3,900 m. cft. Work, started in February 1948 was completed by the end of 1959, except a canal 7.3 kilometres long (cost as per the revised estimate of July 1969: Rs. 1.61 lakhs) sanctioned in 1958 and expected to be completed in 1976. The water for irrigation was first released from the reservoir in December 1953. The ayacut covered is 17,255 hectares (against 17,555 hectares estimated) in the taluks of Talappilly, Trichur, Mukundapuram and Chowghat of Trichur District. Water from the reservoir is also fed into the Trichur Town Drinking Water Supply System. During 1973-74, 91.21 million cum. of water were





released from the reservoir. The main crop raised in the ayacut is paddy.

The following table compares some aspects of the working of the project during 1973-74 with the estimation made in the revised estimate of Rs. 2,35 lakhs (1973).

	<i>Estimate</i>	<i>Actuals</i>
	<i>(in lakhs of rupees)</i>	
Capital outlay	2,35.00	2,41.51 (to end of March 1974)
Collection of betterment levy	1,44.00	Nil
Net cost	91.00	2,41.51
Annual revenue	3.80	2.99
Annual working expenses	1.00	11.69
Surplus of revenue	2.80	(—)8.70

Thus, the loss sustained during the year, excluding interest on capital outlay, was Rs. 8.70 lakhs. If interest of Rs. 14.65 lakhs on direct capital outlay is also taken into account, the loss during 1973-74 works out to Rs. 23.35 lakhs.

#### (ii) Mangalam Project:

This project was sanctioned in April 1951 by the Government of pre-reorganised State of Madras at a cost of Rs. 44.8 lakhs. The estimate was revised to Rs. 97.51 lakhs in April 1955. It envisaged construction of a reservoir of 17.52 million cubic metres capacity over Cherukunnupuzha, a tributary of Mangalam river, for irrigating 2,430 hectares in Palghat District and a discharge of 8.4 million cubic metres of water annually into the Cheerakuzhi Project in Trichur District. The project is situated 48 kilometres away from Palghat town. The project consists of two dams—one masonry dam (162 metres long) and the other earthen dam (901 metres long) besides a main canal on either bank (total length: 45.5 kilometres). The work commenced on the project in October 1953 and was completed in 1966. In September 1962, the State Government sanctioned revision of the estimate raising the cost of the project to Rs. 1,06 lakhs (out of this, Rs. 13.74 lakhs are debitable to Cheerakuzhi Project) to cover increased outlay on land acquisition.

Water for irrigation is being released from the project from September 1956. The main crop grown in the ayacut benefited (3,440 hectares in Palghat District and 1,620 hectares in Trichur District) is paddy. The quantity of paddy estimated to be raised annually in the ayacut of the project is 1,000 tons. 35.20 million

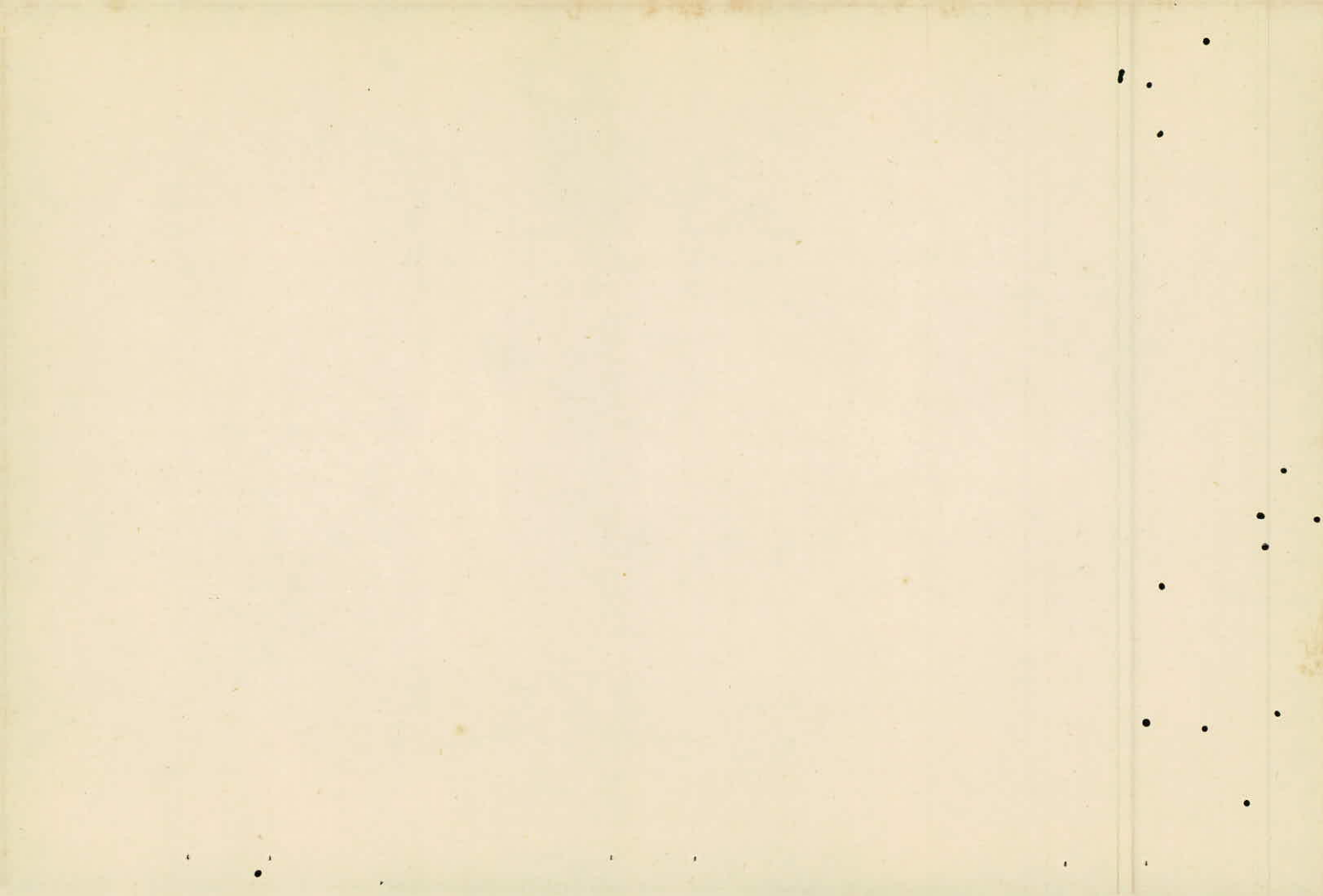
cubic metres of water were released during 1973-74 from the project. Rupees 95.04 lakhs were spent on the project till the end of 1973-74 (excluding amount debited to Cheerakuzhi Project). The annual revenue and working expenses of the Scheme as anticipated in the Project Report were Rs. 0.39 lakh and Rs. 0.03 lakh respectively. Against this, the revenue realised and working expenses during 1973-74 were Rs. 2.80 lakhs and Rs. 1.78 lakhs respectively, resulting in a surplus of Rs. 1.02 lakhs excluding interest on capital outlay. If interest on capital outlay (Rs. 5.86 lakhs) is taken into account, the loss during the year would be Rs. 4.84 lakhs.

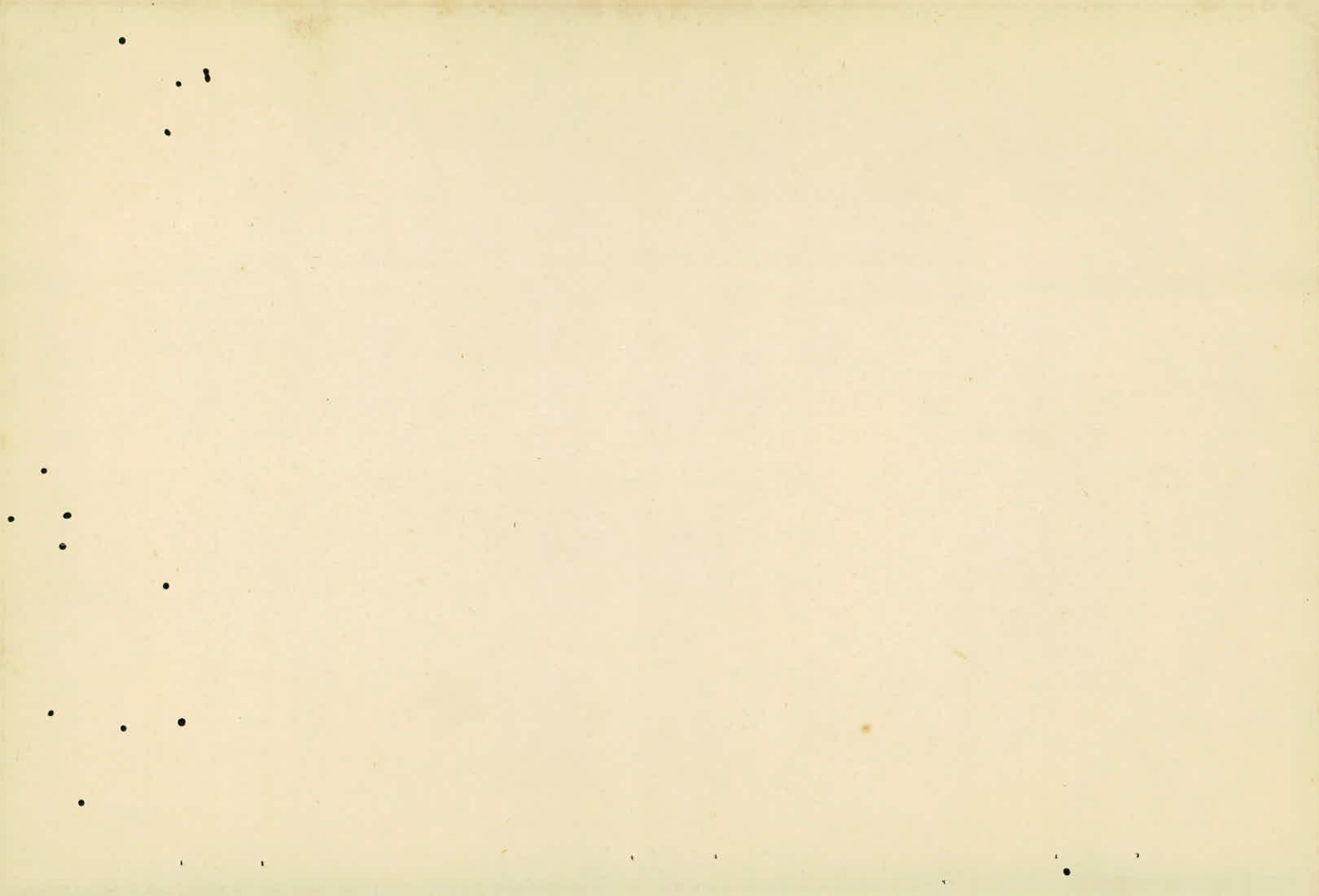
## 12. Utilisation certificates

During the year 1973-74, the Government paid Rs. 53.35 crores 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.

<i>Purpose</i>	<i>Amount (in crores of rupees)</i>
Education	
Universities	1.39
Non-Government Arts Colleges	7.34
Non-Government Secondary Schools	11.18
Non-Government Primary Schools	27.92
Non-Government Special Schools	0.39
Private Engineering Colleges, Polytechnics, Industrial Schools, etc.	0.62
Other bodies, institutions and individuals	0.22
Agriculture (includes grants to the Kerala Agricultural University)	0.77
Rural development	1.33
Co-operation	0.27
Medical and public health	0.35
Other purposes	1.57

The financial rules of the Government require that where grants are given for specific purposes, the certificates of utilisation of grants should be furnished to Audit by the Departmental Officers within twelve months from the date of sanction of grants. On the 1st October 1974, 3,872 certificates (Rs. 3,17.88 lakhs) for grants paid







up to the 31st March 1973 were due; of these 742 certificates (Rs. 33.48 lakhs) relate to grants paid up to March 1969. The position in respect of the grants paid during the period from April 1969 to the 31st March 1973 was as shown below:

*Utilisation certificates*

<i>Department</i>	<i>Year in which grant was paid</i>	<i>Outstanding on 31-3-1974</i>		<i>Received up to 30-9-1974</i>		<i>Outstanding on 1-10-1974</i>	
		<i>No.</i>	<i>Amount</i> <i>(Amount in lakhs of rupees)</i>	<i>No.</i>	<i>Amount</i>	<i>No.</i>	<i>Amount</i>
Agriculture	1969-70	1	6.33	..	..	1	6.33
	1970-71	1	5.96	..	0.49	1	5.47
	<b>Total</b>	2	12.29	..	0.49	2	11.80
Agriculture (Co-operation)	1969-70	26	7.00	19	3.09	7	3.91
	1970-71	34	2.99	8	0.31	26	2.68
	1971-72	129	8.89	79	7.86	50	1.03
	1972-73	189	23.91	78	15.95	111	7.96
<b>Total</b>		378	42.79	184	27.21	194	15.58
Development	1969-70	9	15.75	6	14.91	3	0.84
	1970-71	9	0.81	8	0.79	1	0.02
	1971-72	3	0.47	..	0.40	3	0.07
	1972-73	10	0.91	1	0.03	9	0.88
<b>Total</b>		31	17.94	15	16.13	16	1.81
Development (Harijan Welfare)	1969-70	724	5.76	..	..	724	5.76
	1970-71	1,394	11.72	2	0.03	1,392	11.69
	1971-72	202	1.31	10	0.16	192	1.15
	1972-73	179	1.26	..	..	179	1.26
<b>Total</b>		2,499	20.05	12	0.19	2,487	19.86
General Education	1969-70	10	0.38	..	..	10	0.38
	1970-71	9	1.94	..	..	9	1.94
	1971-72	19	4.78	1	0.05	18	4.73
	1972-73	37	14.82	..	..	37	14.82
<b>Total</b>		75	21.92	1	0.05	74	21.87
Higher Education	1971-72	4	36.17	..	..	4	36.17
	1972-73	15	60.63	..	..	15	60.63
<b>Total</b>		19	96.80	..	..	19	96.80
Higher Education (Technical Education)	1969-70	13	17.76	..	..	13	17.76
	1970-71	8	12.05	..	..	8	12.05
<b>Total</b>		21	29.81	..	..	21	29.81

## Utilisation certificates

Department	Year in which grant was paid	Outstanding on 31-3-1974		Received up to 30-9-1974		Outstanding on 1-10-1974	
		No.	Amount (Amount in lakhs of rupees)	No.	Amount (Amount in lakhs of rupees)	No.	Amount (Amount in lakhs of rupees)
Health	1969-70	20	5.66	..	..	20	5.66
	1970-71	10	4.54	1	0.70	9	3.84
	1971-72	19	2.80	2	0.26	17	2.54
	1972-73	9	4.20	..	..	9	4.20
Total		58	17.20	3	0.96	55	16.24
Home	1969-70	1	0.30	..	..	1	0.30
	1970-71	1	0.23	..	..	1	0.23
	1971-72	46	6.61	45	6.27	1	0.34
	1972-73	122	18.48	121	18.38	1	0.10
Total		170	25.62	166	24.65	4	0.97
Industries	1971-72	55	6.59	19	5.09	36	1.50
	1972-73	160	51.63	34	23.41	126	28.22
Total		215	58.22	53	28.50	162	29.72
Local Administration and Social Welfare	1969-70	6	3.90	4	1.16	2	2.74
	1970-71	22	34.25	14	24.19	8	10.06
	1971-72	8	2.27	2	0.47	6	1.80
	1972-73	130	72.99	93	60.11	37	12.88
Total		166	1,13.41	113	85.93	53	27.48
Public (Miscellaneous)	1971-72	26	5.43	7	0.27	19	5.16
	1972-73	24	7.30	..	..	24	7.30
Total		50	12.73	7	0.27	43	12.46
TOTAL	1969-70	810	62.84	29	19.16	781	43.68
	1970-71	1,488	74.49	33	26.51	1,455	47.98
	1971-72	511	75.32	165	20.83	346	54.49
	1972-73	875	2,56.13	327	1,17.88	548	1,38.25
GRAND TOTAL		3,684	4,68.78	554	1,84.38	3,130	2,84.40

The utilisation certificates have not been received, although considerable time has passed since the grants were paid. In the absence of these certificates, it is not possible to state whether, and to what extent, the recipients spent the grants for the purposes for which they were given and that no misappropriation, fraud, etc., took place.





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

**Summary**

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

		<i>Grants/ appropriations</i>	<i>Expenditure</i>	<i>Saving</i>	<i>Percentage</i>
<i>(in crores of rupees)</i>					
<b>VOTED</b>					
Original	3,01.76	} 3,22.89	2,84.50	38.39	12
Supplementary	21.13				
<b>CHARGED</b>					
Original	1,86.45	} 1,87.78	1,63.03	24.75	13
Supplementary	1.33				
Total		5,10.67	4,47.53	63.14	12

The overall saving of Rs. 63.14 crores was the result of the savings of Rs. 64.42 crores in 43 grants (Rs. 39.65 crores) and 39 appropriations (Rs. 24.77 crores) partly offset by the excess of Rs. 1.28 crores in 11 grants (Rs. 1.26 crores) and 3 appropriations (Rs. 0.02 crore).

(b) Further details are given below:—

	<i>Revenue</i>	<i>Capital</i>	<i>Loans and advances</i>	<i>Public Debt</i>	<i>Total</i>
<i>(in crores of rupees)</i>					
<b>Authorised to be spent (Grants and appropriations)</b>					
Original	2,59.32	56.25	15.60	1,57.04	4,88.21
Supplementary	13.42	7.64	1.40	..	22.46
<b>Amount transferred to the Contingency Fund</b>					
Total	2,72.74	63.89	17.00	1,57.04	5,10.67
<b>Actual expenditure (Grants and appropriations)</b>					
Saving	20.56	14.25	4.84	23.49	63.14

**Excess over grants/appropriations**

14. (a) *Grants*:—The excess of Rs. 1.26 crores in the following eleven grants requires regularisation under Article 205 of the Constitution:—

<i>Sl. no.</i>	<i>Number and name of grant</i>	<i>Total grant Rs.</i>	<i>Expenditure Rs.</i>	<i>Excess Rs.</i>
1	II Land Revenue	4,40,44,400	4,51,03,679	10,59,279

The excess occurred mainly under four group heads (amount: Rs. 24.03 lakhs) which was partly offset by substantial saving under three other group heads (amount: Rs. 12.86 lakhs).

The excess was mainly due to additional expenditure on pay owing to change of staff and grant of additional dearness allowance.

2	V Stamps	38,18,800	38,74,457	55,657
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The excess occurred mainly under two group heads (amount: Rs. 4.97 lakhs) which was partly offset by saving (Rs. 4.42 lakhs) under another group head.

The excess was mainly due to payment of more commission to vendors owing to the increase in the sale of stamp papers and judicial stamp and grant of enhanced rate of commission to stamp vendors.

The excess occurred under this grant in 1971-72 (Rs. 3.44 lakhs) and 1972-73 (Rs. 1.22 lakhs) also.

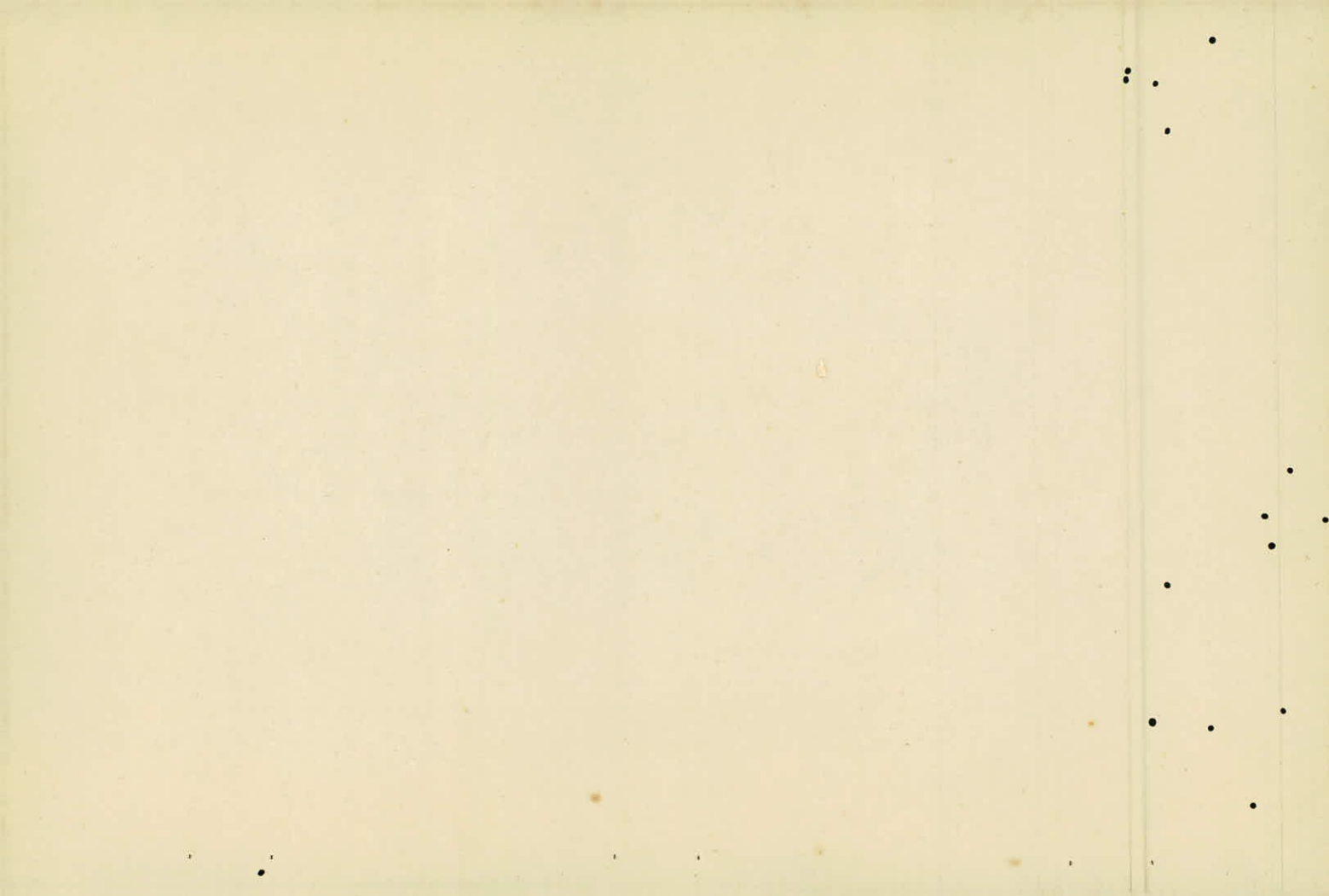
3	VIII Elections	5,89,200	6,64,804	75,604
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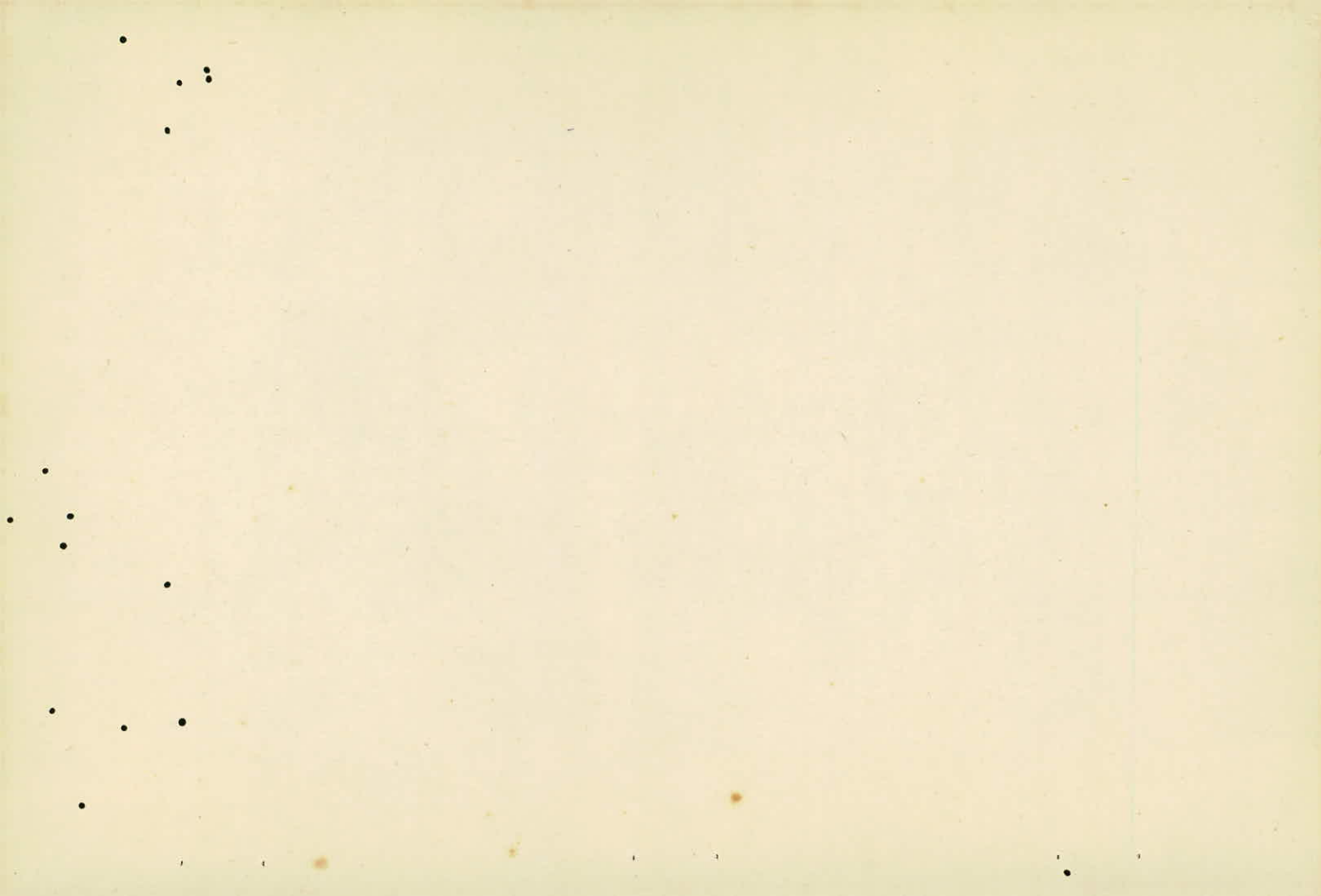
The excess occurred under three group heads mainly due to settlement of pending claims relating to travelling allowance and contingencies.

4	X District Administration and Miscellaneous	2,64,76,600	2,66,55,881	1,79,281
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The excess occurred mainly under two group heads (amount: Rs. 7.66 lakhs) which was offset by saving under two other group heads (amount: Rs. 6.44 lakhs).

The excess was mainly due to creation of additional posts for the implementation of Kerala Plantation Tax (Amendment) Act 1971, grant of additional dearness allowance and increased expenditure on staff for acquisition of land for the Railways.







<i>Sl. no.</i>	<i>Number and name of grant</i>	<i>Total grant Rs.</i>	<i>Expenditure Rs.</i>	<i>Excess Rs.</i>
5	XI Administration of Justice	2,27,10,200	2,29,17,160	2,06,960

The excess occurred mainly under two group heads (amount: Rs. 5.75 lakhs) which was offset by saving (amount: Rs. 5.00 lakhs) under another group head.

The excess was due to grant of additional dearness allowance and establishment of additional courts.

6	XII Jails	94,97,400	96,27,927	1,30,527
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The excess was due to payment of additional dearness allowance, appointment of additional staff and adjustment of invoices relating to earlier years.

7	XXI Public Health Engineering	8,82,53,500	8,94,35,922	11,82,422
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The excess occurred mainly under three group heads (amount: Rs. 4,54.54 lakhs) which was partly offset by saving under four other group heads (amount: Rs. 4,40.19 lakhs).

The reasons for the excess of Rs. 4,50.72 lakhs have not been intimated (March 1975). The excess of Rs. 3.82 lakhs was due to the increase in expenditure on maintenance of water supply installations of Panchayats owing to the increase in the cost of materials, labour, etc.

The excess occurred under this grant in 1971-72 (Rs. 95.05 lakhs) and 1972-73 (Rs. 2.85 crores) also.

8	XXVII Industries	2,33,58,500	2,39,87,510	6,29,010
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The excess occurred mainly under five group heads (amount: Rs. 67.75 lakhs) which was partly offset by saving mainly under six other group heads (amount: Rs. 40.14 lakhs).

The excess was mainly due to (i) payment of subsidy to 177 Industrial Units in the industrially backward Districts of Alleppey, Malappuram and Cannanore, (ii) implementation of the scheme 'Subsidised Employment of Engineers and Diploma Holders in Industrial Units', (iii) settlement of pending claims of rebate on the sale of handloom cloth, (iv) increase in the expenditure on purchase and supply of machinery and training of personnel

under the scheme for educated unemployed and (v) adjustment of subsidy on rent to sheds in Industrial Estates for the period 1969-70 to 1972-73.

<i>Sl. no.</i>	<i>Number and name of grant</i>	<i>Total grant Rs.</i>	<i>Expenditure Rs.</i>	<i>Excess Rs.</i>
9	XXXVI Famine	2,82,40,600	2,82,57,327	16,727

The excess occurred mainly under two group heads (amount: Rs. 13.13 lakhs) which was partly offset by saving under two other group heads (Rs. 12.96 lakhs).

The excess was mainly due to excess expenditure on relief works.

The excess occurred under this grant in 1971-72 (Rs. 12.41 lakhs) and 1972-73 (Rs. 0.35 lakh) also.

10	XLIII Capital Outlay on Public Health	8,98,94,100	9,48,64,990	49,70,890
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The excess occurred mainly under three group heads (amount: Rs. 78.05 lakhs) which was offset by saving under five other group heads (Rs. 31.18 lakhs).

The excess was mainly due to increase in expenditure towards matching contribution in consideration of the loan assistance received from the Life Insurance Corporation of India for the Water Supply and Sewage Schemes.

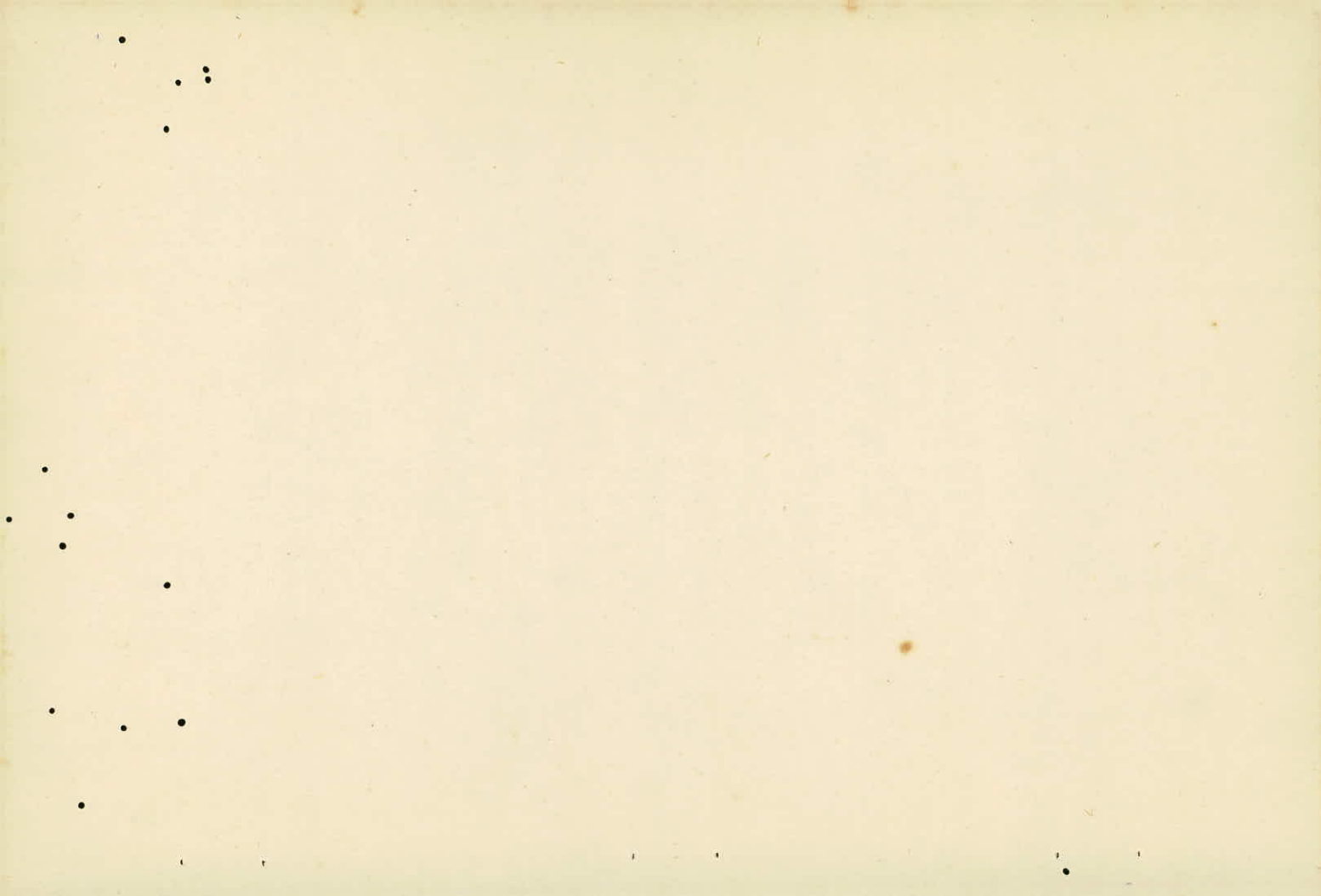
The excess occurred under this grant in 1971-72 (Rs. 22.33 lakhs) and 1972-73 (Rs. 46.03 lakhs) also.

11	LII Commuted Value of Pensions	75,30,000	1,15,91,511	40,61,511
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The excess occurred under one group head and was due to payment of more claims than anticipated and omission to provide funds.

The excess occurred under this grant in 1971-72 (Rs. 9.03 lakhs) and 1972-73 (Rs. 11.74 lakhs) also.





(b) *Appropriations*:—The excess of Rs. 2.09 lakhs over the appropriations in the following three cases also requires regularisation:—

<i>Sl. no.</i>	<i>Number and name of appropriation</i>	<i>Total appropriation</i> Rs.	<i>Expenditure</i> Rs.	<i>Excess</i> Rs.
1	XI Administration of Justice	25,80,400	25,90,397	9,997

The excess occurred under one group head and was due to payment of additional dearness allowance to the employees of the High Court.

2	XXXVII Pensions	2,83,200	3,64,492	81,292
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The excess occurred under one group head.

The reasons for the excess have not been intimated (March 1975).

3	XLVII Capital Outlay on Public Works	5,58,100	6,75,782	1,17,682
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The excess occurred mainly under two group heads owing to decretal payments.

### Supplementary grants|appropriations

15. Supplementary provision of Rs. 22.46 crores (4.6 per cent of the total original provision) was obtained under 43 grants (Rs. 21.13 crores) and 20 appropriations (Rs. 1.33 crores).

The details of more important cases of unnecessary and excessive grants are shown below:—

#### (i) *Unnecessary supplementary grants*:

In the following cases supplementary grants (exceeding Rs. 5 lakhs each) of Rs. 6.65 crores remained wholly unutilised as the expenditure did not come even up to the original provision:—

<i>Sl. no.</i>	<i>Number and name of grant</i>	<i>Original grant</i>	<i>Supplementary grant</i> (in lakhs of rupees)	<i>Expenditure</i>	<i>Saving</i>
1	XVII General Education	69,20.86	25.06	68,74.66	71.26

The saving was mainly due to economy measures.

<i>Sl. no.</i>	<i>Number and name of grant</i>	<i>Original grant</i>	<i>Supplementary grant</i> <i>(in lakhs of rupees)</i>	<i>Expenditure</i>	<i>Saving</i>
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2	XIX Medical	15,95.42	68.61	15,10.32	1,53.71
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The saving was mainly due to economy measures.

3	XXII Agriculture	12,09.00	19.53	8,52.11	3,76.42
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The saving was mainly due to non-finalisation of the detailed procedure for issue of Compensation Bonds in connection with the administration of the Kerala Land Reforms Act 1963 (Rs. 2,25 lakhs), delay in finalising rules for effecting payment of compensation for lands in excess of the ceiling fixed under the Act (Rs. 1,00 lakhs), non-payment of solatium to small holders from the Agriculturists Rehabilitation Fund pending enquiry by the District Collectors (Rs. 25 lakhs), less expenditure than anticipated on annuity to Religious, Charitable and Educational Institutions under the Kerala Land Reforms Act (Rs. 16.94 lakhs) and non-implementation of 'Package Programme' scheme for pepper and areca-nut for want of approval from the Government of India (Rs. 11 lakhs).

4	XXVI Co-operation	1,39.88	9.66	1,39.87	9.67
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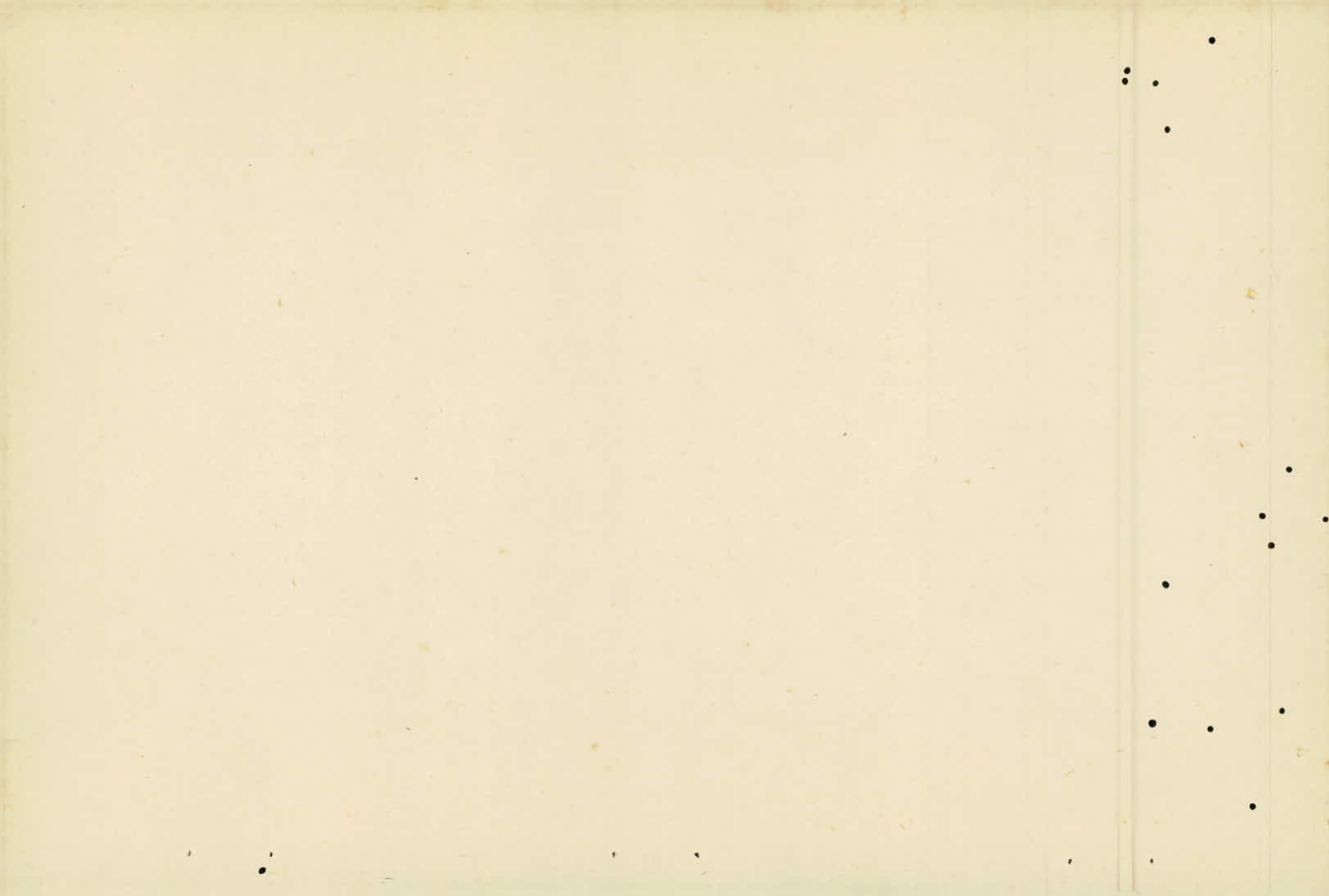
The saving was mainly due to decision of the Government to entrust implementation of the scheme for starting Co-operative Rural Dispensaries to the Kerala Employment Promotion Corporation Limited, a Government Company formed in January 1974 (Rs. 7.95 lakhs) and reduction of assistance from the Government of India for Consumers' Co-operatives—Agricultural Credit Stabilisation Fund leading to consequent decision of the State Government to reduce the expenditure correspondingly (Rs. 5.85 lakhs).

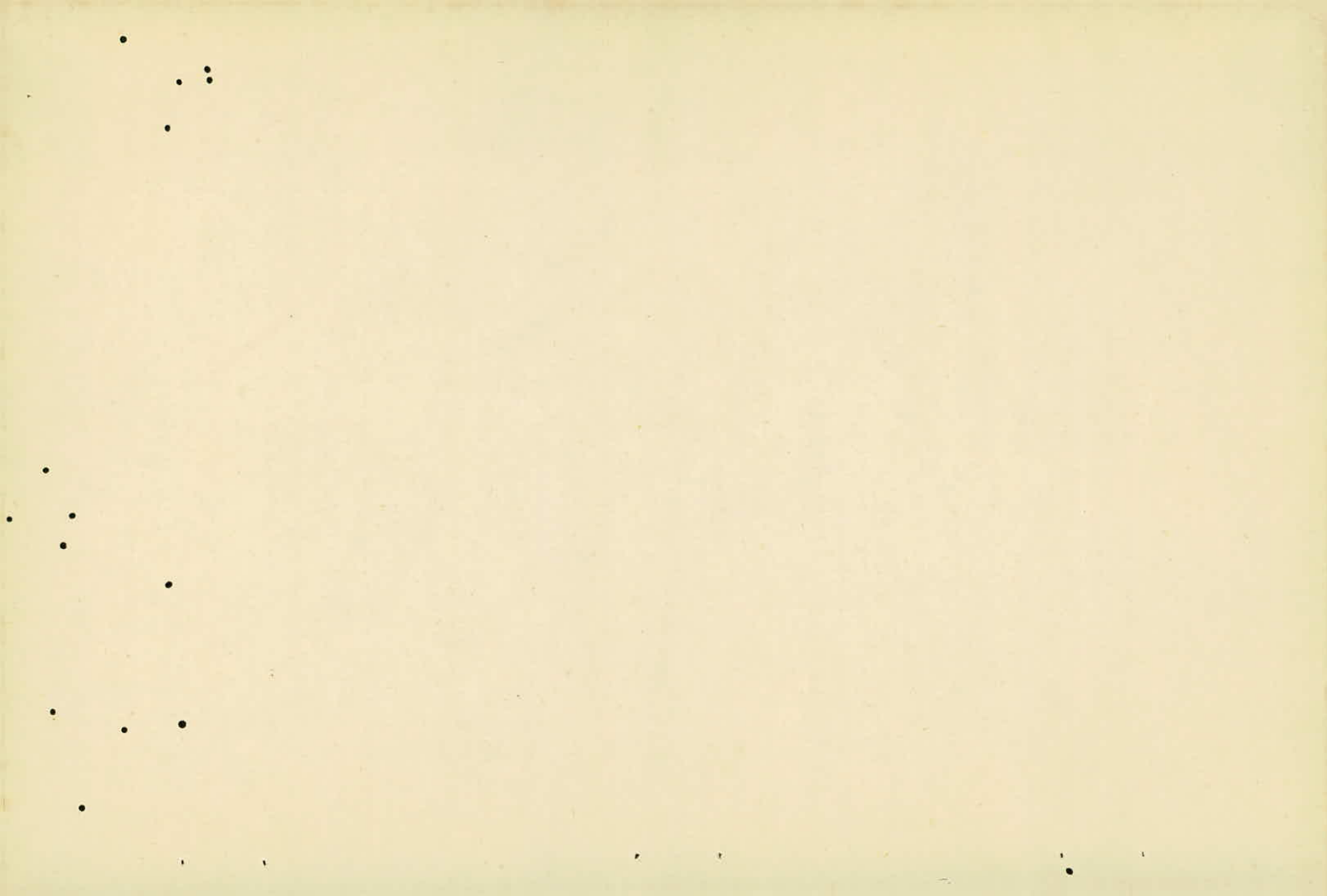
5	XXXIII Public Works	15,27.40	88.98	14,13.17	2,03.21
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The saving was mainly due to less expenditure than anticipated under 'suspense' (Rs. 89.93 lakhs), non-operation of and delay in filling up additional posts (Rs. 38.28 lakhs), economy measures (Rs. 31 lakhs), non-starting of works (Rs. 16.38 lakhs), non-settlement of contracts for various works (Rs. 10.10 lakhs) and less expenditure in a number of works (Rs. 7.58 lakhs).

6	XL Miscellaneous	5,63.21	1,64.39	4,41.75	2,85.85
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The reasons for the savings have not been intimated (November 1974).







<i>Sl. no. Number and name of grant</i>	<i>Original grant</i>	<i>Supplementary grant</i>	<i>Expenditure</i>	<i>Saving</i>
	<i>(in lakhs of rupees)</i>			
7 XLVII Capital Outlay on Public Works	12,49.61	15.60	12,23.02	42.19

The saving was mainly due to economy measures.

8 LIII Capital Outlay on Schemes of Government Trading	5,67.28	1,33.69	5,20.36	1,80.61
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The saving was mainly due to (i) shortfall in the quantity of paddy procured on account of the wide-spread damages to crops caused by pests in Alleppey and Trichur Districts and drought in Palghat District (Rs. 1,36 lakhs), (ii) post-budget decision to abolish 588 posts of special village assistants, six posts of quality inspectors and the Tapioca Marketing Expansion Board (Rs. 14 lakhs), (iii) purchase of less quantity of milk by the Trivandrum Central Dairy owing to general drop in production of milk (Rs. 13.82 lakhs), (iv) post-budget decision to meet the expenditure on a scheme for unemployed engineers from the provision under another Grant (Rs. 10 lakhs), (v) non-commencement of the work of printing of ration cards (Rs. 7.30 lakhs) and (vi) part payment in respect of the claims of the wholesalers and the Food Corporation of India engaged in the work of removing ergot from wheat (Rs. 5.15 lakhs).

9 LV Loans and advances by the Government	15,60.11	1,39.91	12,15.67	4,84.35
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The provision of Rs. 2,38 lakhs under loans to local bodies for Water Supply Schemes was for meeting the share of cost of Water Supply Schemes to be transferred from '94—Capital Outlay on Improvement of Public Health". The entire amount remained unutilised as the adjustments were not carried out due to non-finalisation of the procedure for transfer of expenditure.

The main reasons ascribed for the saving in the utilisation of the balance provision were shortfall in procurement of paddy owing to poor response from cultivators for the scheme of voluntary sale of paddy in excess of levy, drought in Palghat District and abolition of agency system of procurement of paddy in Alleppey District (Rs. 1,01.50 lakhs), economy measures (Rs. 63 lakhs) and post-budget decision about the investment pattern and quantum of loan assistance to some Government Companies, Co-operatives, etc. (Rs. 63 lakhs).

(ii) *Supplementary grants which proved excessive:*

In the following cases the supplementary grants (exceeding Rs. 5 lakhs each) proved excessive; against the supplementary provision of Rs. 7.28 crores, only Rs. 4.30 crores were actually utilised.

Sl. no.	Number and name of grant	Original grant	Supplementary grant (in lakhs of rupees)	Expenditure	Saving
1	XIV State Insurance and Miscellaneous	26.85	14.00	31.60	9.25

The saving was mainly due to distribution of less tapioca than anticipated under the scheme for distribution of tapioca at subsidised rates to the poor people in 26 coastal taluks during the monsoon months on account of poor demand from card holders.

2	XVI University Education	11,40.20	1,00.15	11,66.41	73.94
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The reasons for saving have not been intimated (March 1975).

3	XXXII Irrigation	8,31.21	1,73.27	9,81.04	23.44
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The saving was mainly due to excessive provision made for investigation of flood control and irrigation works.

4	XLV Capital Outlay on Industrial and Economic Development	8,24.12	2,67.64	9,43.28	1,48.48
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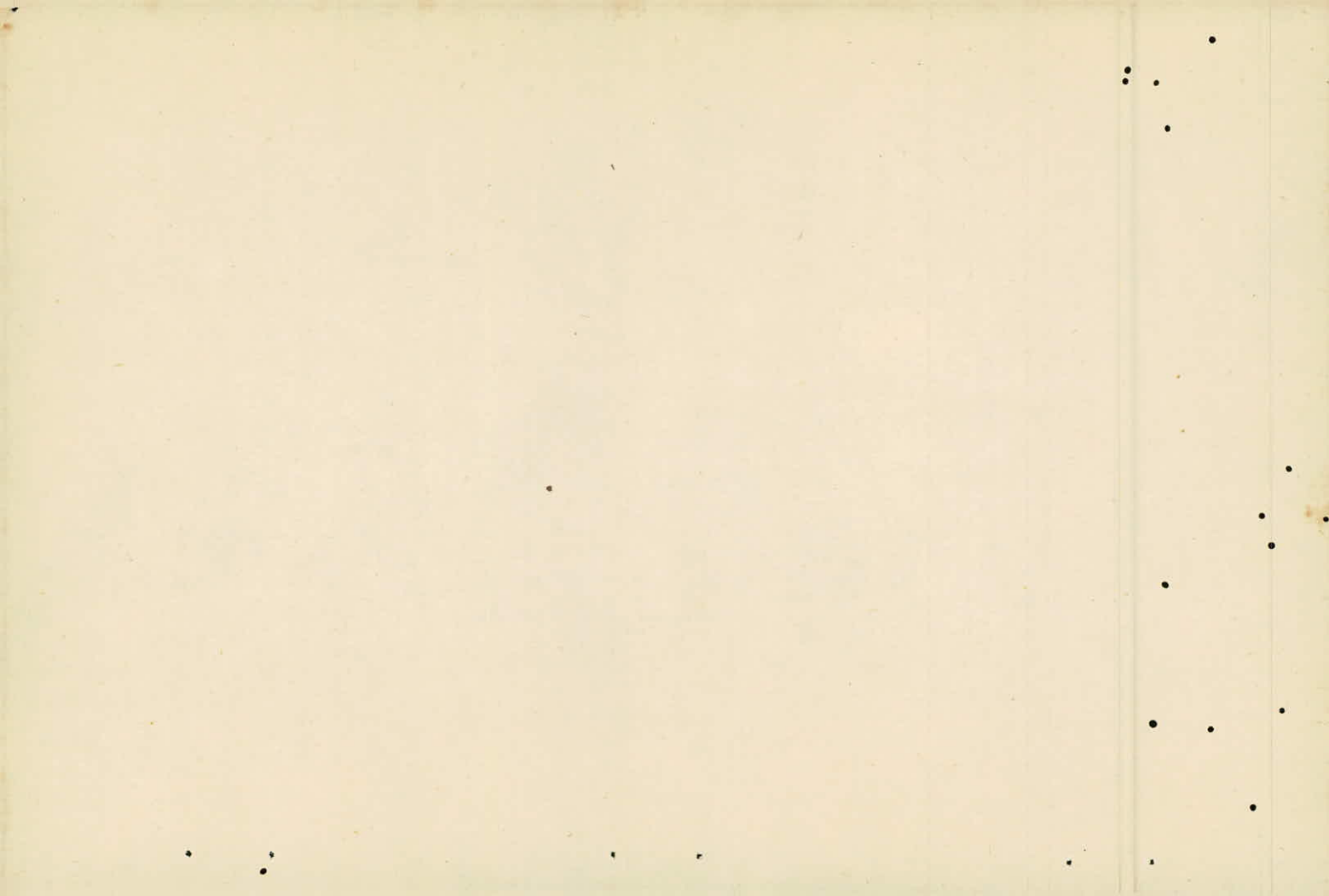
The saving was mainly due to implementation of certain schemes under 'Half a Million Jobs Programme' through a newly formed Government Company (Kerala Employment Promotion Corporation Limited) instead of departmentally.

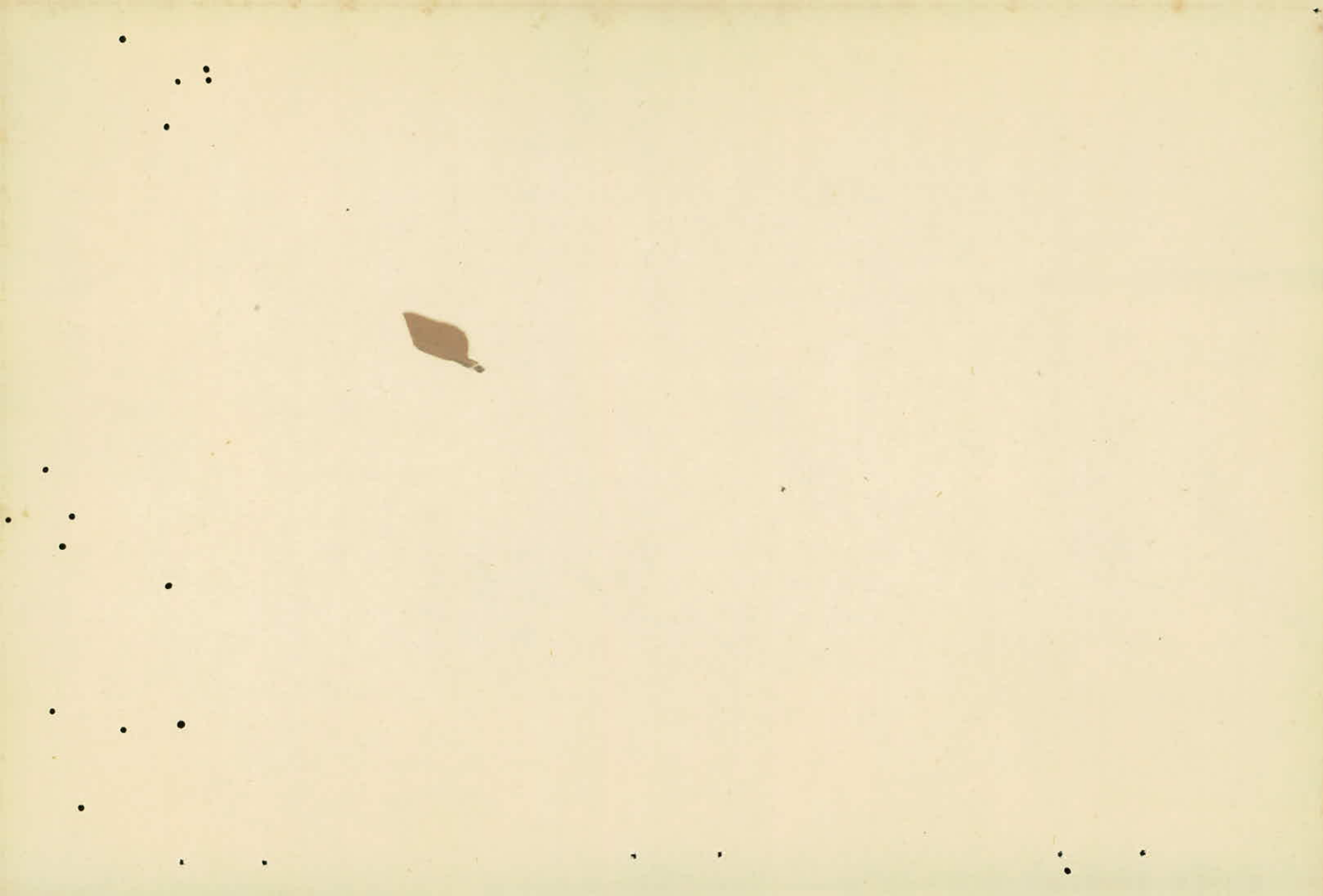
5	XLVIII Capital Outlay on Other Works	18.99	1,12.75	1,25.26	6.48
6	XLIX Capital Outlay on Ports	74.70	60.61	98.41	36.90

The reasons for the saving have not been intimated (January 1975).

(iii) *Supplementary grants which proved inadequate:*

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





<i>Sl. no.</i>	<i>Number and name of grant</i>	<i>Original grant</i>	<i>Supplementary grant (in lakhs of rupees)</i>	<i>Expenditure</i>	<i>Excess</i>
1	II Land Revenue	3,74.44	66.00	4,51.04	10.60
2	XXI Public Health Engineering	8,74.17	8.37	8,94.36	11.82
3	XXVII Industries	2,17.55	16.03	2,39.87	6.29
4	XLIII Capital Outlay on Public Health	8,01.84	97.10	9,48.65	49.71

### Unutilised provision

16. (i) Rupees 64.42 crores remained unutilised in 43 grants (Rs. 39.65 crores) and 39 appropriations (Rs. 24.77 crores).

(ii) In 11 grants and 4 appropriations, savings (more than Rs. 2 lakhs in each case) were 20 per cent or more of the total provision. The details of these grants and appropriations are given in Appendix II.

(iii) Some of the major schemes where provision remained wholly/substantially unutilised are given in Appendix III.

### Surrender of savings

17. The rules require that unutilised amounts should be surrendered as soon as the possibility of saving is envisaged. However, funds are being mostly surrendered only in March every year. Out of Rs. 22.81 crores surrendered in 1973-74, Rs. 22.43 crores were surrendered in March 1974 of which Rs. 22.31 crores were surrendered on the last working day of the financial year.

In eleven grants more than Rs. 20 lakhs in each case were not surrendered (total savings not surrendered: Rs. 18,36.68 lakhs). The details of these cases are given in Appendix IV.

In eight grants, the amount surrendered was in excess of the savings available by Rs. 3 lakhs or more in each case. The details of these cases are given in Appendix V.

### Non-receipt of explanations for savings/excesses

18. After the close of each financial year, the detailed appropriation accounts showing the final grant/appropriations, the

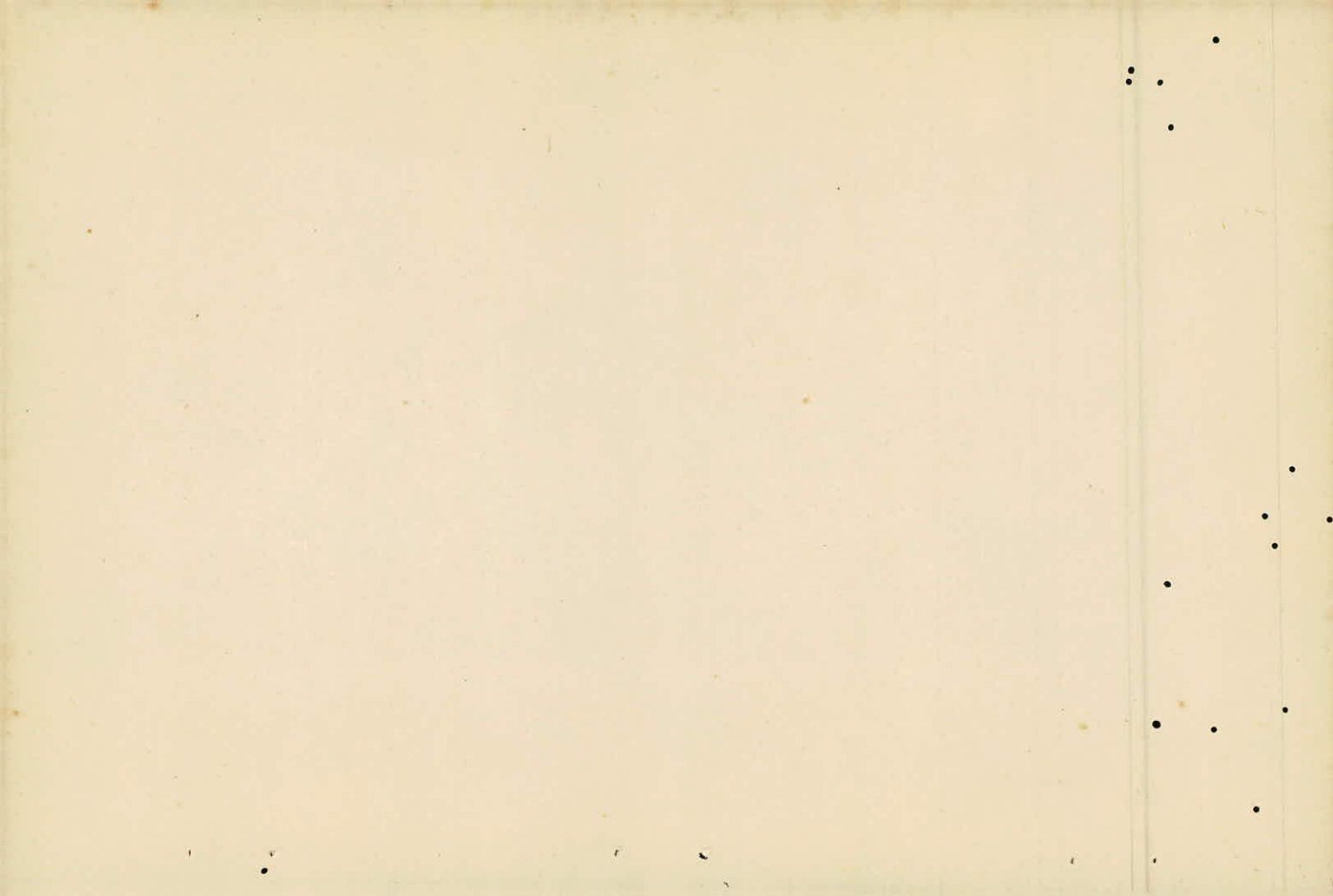
actual expenditure and the resultant variation are sent to the controlling officers, requiring them to explain the variations in general and those in important group heads in particular. The provision in Budget Manual of the State Government requires the controlling officers to furnish promptly to the Accountant General all information required by him in connection with the preparation of Appropriation Accounts. It is, however, seen that in regard to many important group heads every year, the reasons for variations are not furnished in time to Audit by the controlling officers with the result that the picture given in the Appropriation Accounts submitted to the Legislature remains incomplete in certain essential respects.

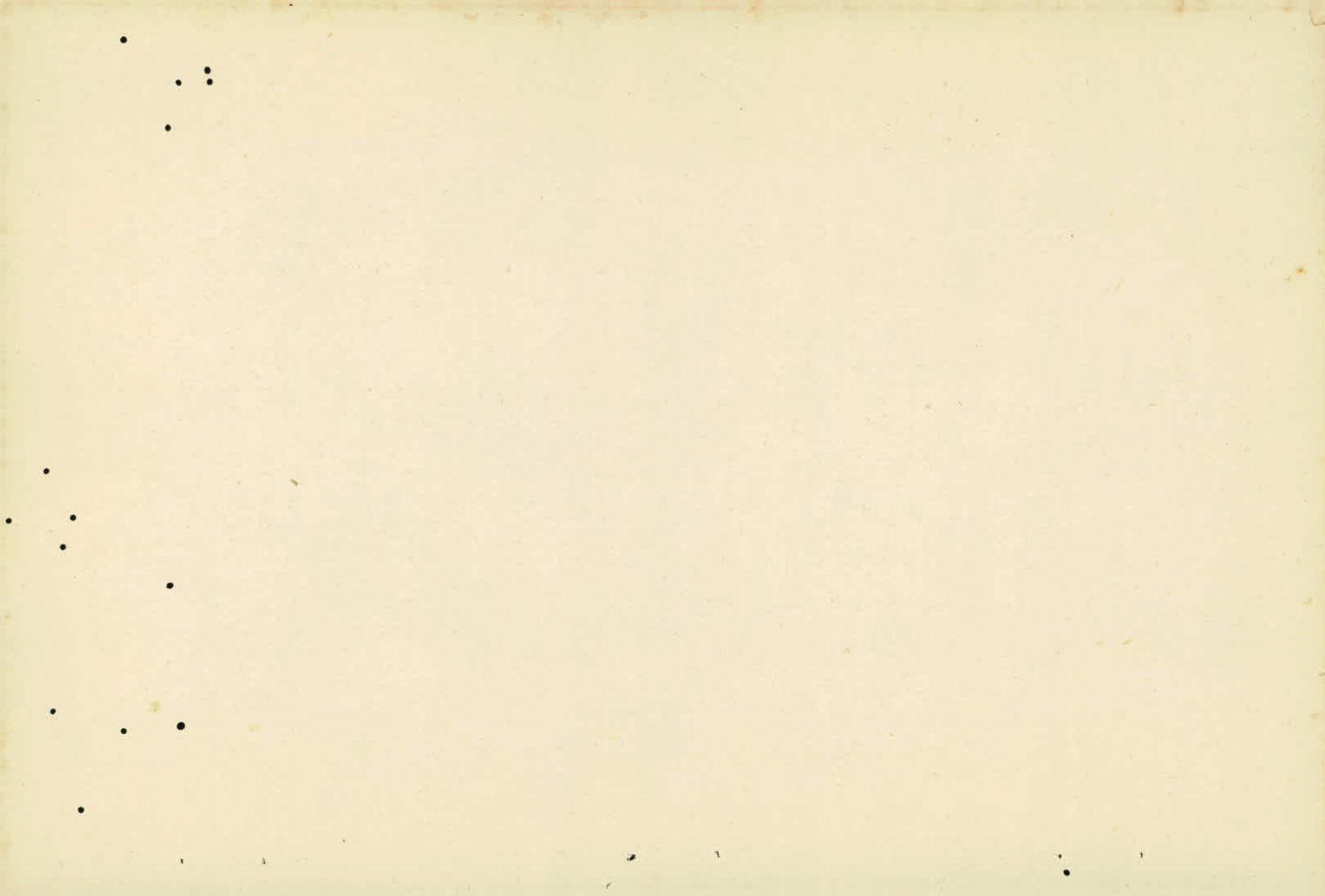
As regards the Appropriation Accounts 1973-74 the explanations for variations were not received (December 1974) in the case of 130 out of 427 important group heads despite repeated reminders.

### Premature withdrawal of funds

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

Sl. no.	Drawing Officer	Amount	Purpose	Date of completion of payment	Explanation of the Department for premature drawal
		Date of drawal from treasury			
1	Deputy Director of Industries and Commerce (Promotion), Cannanore	Rs. 3,48,730 ----- The 29th March 1974	For payment of subsidy to 46 selected Industrial units in Cannanore District	The 7th May 1974	As the subsidy was sanctioned by the Government only on the 15th March 1974, it was not possible to spend the amount before the 31st March 1974 due to difficulties in getting agreements executed by beneficiaries scattered all over the district and in getting their prior concurrence for adjusting the subsidy against loans given to them by Government-owned financial institutions. As such the amount was withdrawn to avoid lapse of funds.







<i>Sl. No.</i>	<i>Drawing Officer</i>	<i>Amount</i> <i>Date of drawal</i> <i>from treasury</i>	<i>Purpose</i>	<i>Date of completion</i> <i>of payment</i>	<i>Explanation of the Department for pre-mature drawal</i>
2	District Industries Officer, Cannanore	Rs. 2,31,374 <hr/> The 30th March 1974	For payment of : (i) stipend to trainees under 'Half a Million Jobs Programme' and "Special Employment Programmes", (ii) loans to small scale industrialists, (iii) cost of machinery supplied and (iv) grant to a weavers' co-operative society, etc.	The 11th October 1974	Belated allotment of funds

In both these cases, Treasury Savings Bank accounts were opened (one on the 29th March 1974 and the other on the 30th March 1974) by the Drawing Officers into which the sums drawn from the treasury were deposited even though the rules relating to Treasury Savings Bank specifically prohibited the opening of accounts to deposit money drawn from the treasury for expenditure on Government account.

## CHAPTER III

### CIVIL DEPARTMENTS

#### AGRICULTURE DEPARTMENT

##### 20. Scheme for sale of plant protection chemicals

In pursuance of a Central scheme of giving assistance to State Governments to the extent of 50 per cent of the expenditure on plant protection schemes, the Agriculture Department operated a scheme for the sale of plant protection chemicals to the cultivators at subsidised rates till 1969-70. With the withdrawal of the Central scheme in 1970-71, the sale of plant protection chemicals by the Department was discontinued from 1st April 1970. In June 1972, following a popular demand for the revival of the scheme, the Director of Agriculture wrote to the Government stressing the urgency for resuming the sale of plant protection chemicals by the Department in view of (i) the Government's objective of achieving self-sufficiency in food by 1975-76, (ii) the increase in acreage under high-yielding varieties of paddy which were more susceptible to pest attack (during 1972-73 and 1973-74 it was proposed to bring 4.75 lakh hectares and 5.50 lakh hectares respectively under the high-yielding varieties) and (iii) the non-availability of quality chemicals at reasonable prices in the market.

It was proposed to sell the chemicals at cost plus 10 per cent towards incidental expenses. Although the cost of chemicals to cover the acreage under the high-yielding varieties during 1972-73 was assessed at Rs. 3.5 crores, the Director of Agriculture proposed (June 1972) the immediate purchase of essential chemicals worth Rs. 35 lakhs for sale to the cultivators during 1972-73. However, the proposal of the Director of Agriculture was sanctioned by Government only on 14th June 1973. Tenders were invited by the Director of Agriculture in June 1973 (in anticipation of sanction) and after processing the tenders received (tenders were received in July 1973), Government in October 1973 approved the purchase of chemicals costing Rs. 26.26 lakhs. Based on this, the Director of Agriculture entered into contracts with the successful tenderers. The Joint/Deputy Directors of Agriculture/District Agricultural Officers (who





were authorised to operate on the contracts according to requirements) placed purchase order with the firms in October-November 1973. The chemicals were received between November 1973 and March 1974.

In a review of the scheme by Audit (September 1974) the following main points were noticed:—

(i) Though the proposal was to buy chemicals for use during 1972-73 crop season, by the time purchase orders were issued (October 1973), the first crop season of 1973-74 (commencing in April/May) was already over and the second season (commencing in August/September) was nearly halfway through.

(ii) Till 31st March 1974 chemicals worth Rs. 12.74 lakhs only were received by the Department. The shortfall in supplies by the firms was attributed by the Department to shortage of technical materials required for some of the chemicals.

(iii) While according administrative sanction for the purchase in June 1973, the Government had directed the Department to ensure that the entire quantity purchased was sold out during the year of purchase. Details collected from eight districts (Trivandrum, Quilon, Alleppey, Trichur, Malappuram, Palghat, Calicut and Cannanore) indicated that chemicals costing about Rs. 5 lakhs (40 per cent of the chemicals purchased) remained unsold at the end of 1973-74. The reduced offtake of the chemicals was attributed by the Department to the late receipt of chemicals, i. e. after or towards the close of the crop season.

(iv) The Deputy Director of Agriculture, Trichur purchased 1,995 litres of Endrin 20 per cent E. C. (cost: Rs. 0.54 lakh). The entire quantity which was received during the fourth week of March 1974 remained in stock at the close of 1973-74. This chemical was not indented for by the Deputy Director of Agriculture in February 1973 when the Director of Agriculture required the field officers to intimate their requirements.

(v) The sales were effected through the Block Development Officers, Junior Agricultural Officers, etc. A test check of the accounts maintained in five offices (offices of the Joint Directors of Agriculture, Alleppey and Palghat, office of the Deputy Director of Agriculture, Trichur and offices of the District Agricultural Officers, Trivandrum and Kottayam) conducted in September 1974 showed that complete sale accounts had not been received from the subordinate offices. The Department has also not prepared any *pro forma* accounts to ascertain whether the

sale realisation was adequate to cover the cost plus 10 per cent incidental expenses.

## **21. Eradication of pests/diseases in endemic areas by aero-chemical operations**

### *(a) Scope of the scheme:*

With a view to control the outbreak of epidemics of plant pests and diseases in endemic areas, Government of India formulated (June 1970) a scheme of aerial spraying of insecticides/pesticides. The scheme which was intended to benefit small farmers was to be implemented by the State Governments in selected areas after properly identifying the endemic pests and diseases. Under the scheme, the Government of India agreed to bear the actual cost of the aerial operations subject to a ceiling of Rs. 7 per acre. The cost of pesticides, air strips and other related expenditure was to be met by the State Government. The State Government could also at its discretion recover the whole or part of the cost from the agriculturists. In March 1972 the scheme was extended to cover ground spraying as well in areas which were not suitable for aerial spraying either for want of large enough contiguous areas or because of the non-availability of aircraft.

### *(b) Implementation in the State:*

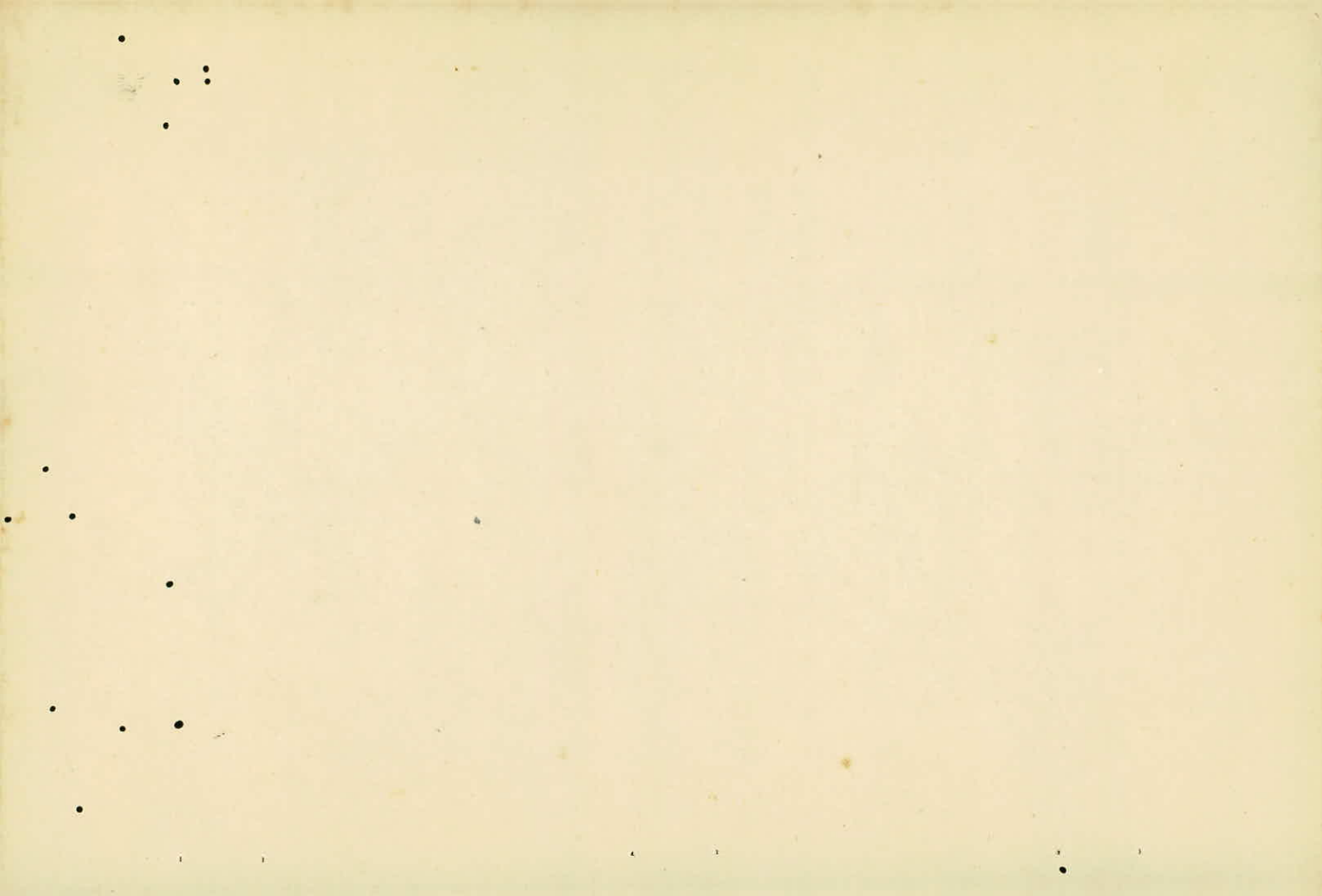
The scheme was implemented in the paddy growing areas of Kottayam District during 1972-73 and was extended to Alleppey and Trichur Districts during 1973-74. The Government ordered that expenditure on the scheme not reimbursed by the Government of India was to be recovered in full from the agriculturists in advance. Stem borer, gall-fly, rice bug, blast and sheath blight were identified as the pests/diseases of endemic nature requiring prophylactic treatment. Aerial spraying was to be done with two pesticides—Phosphomidon and Fenithrothion.

### *(c) Targets and achievements (Physical and Financial)*

#### *(i) 1972-73.*

Aerial operations were expected to cover 34,500 acres of paddy lands in Kottayam District at an estimated cost of Rs. 6.90 lakhs. Spraying was, however, done only in 7,725 acres in Kottayam District and on the basis of a decision taken by the Department in October 1972, spraying in 13,150 acres in Alleppey District also was done. The cost of these aerial operations undertaken between November 1972 and January 1973 was Rs. 4.13 lakhs.







The shortfall in physical achievement was, according to Government (December 1974), largely due to unwillingness on the part of the cultivators to pay their share of expenditure in advance. The Government of India reimbursed the State Government (March 1973) a sum of Rs. 1.63 lakhs against Rs. 1.46 lakhs due on the basis of approved pattern of assistance, namely Rs. 7 per acre. The excess assistance received (Rs. 0.17 lakh) has not been refunded (December 1974).

(ii) 1973-74.

The Department formulated in May 1973 proposals for aerial spraying of one lakh acres of paddy lands in two rounds (50,000 acres in each round)—Phosphomidon in the first round and Fenitrothion in the second round at an estimated cost of Rs. 25 lakhs of which Rs. 7 lakhs were reimbursable by the Government of India towards aerial operation expenses and the balance of Rs. 18 lakhs was recoverable from the agriculturists in advance. The proposals were approved by the Government of India in July 1973 and the scheme was sanctioned by the State Government in October 1973. Spraying was to be spread over two crop seasons as indicated below:—

<i>Crop Season</i>	<i>Pests to be protected against</i>	<i>Districts to be covered</i>	<i>Targeted area in acres (2 rounds)</i>
Kharif	Gall-fly and Stem borer	Alleppey	36,000
		Kottayam	14,000
	<b>Total</b>	<b>50,000</b>	
Summer	Stem borer	Alleppey	12,000
		Kottayam	8,000
		Trichur	30,000
		<b>Total</b>	<b>50,000</b>

Subsequently, in November 1973, on receipt of reports of severe attack of brown plant hopper and leaf caterpillar pests in Trichur District from the Director of Agriculture, the State Government sanctioned aerial spraying, with the same chemicals, in 12,000 acres (one round in 4,000 acres and two rounds in another 4,000 acres) of Trichur District during kharif (Mundakan) crop season at an estimated cost of Rs. 3 lakhs. Though aerial spraying in Trichur District during the kharif season was not covered in the scheme approved by the Government of India, specific approval of the Government of India was not obtained. The usual condition of advance recovery of cost from agriculturists was also waived on

ground of urgency and the charges were ordered to be recovered after the spraying was completed.

Thus, the revised target for aerial spraying during 1973-74 was 62,000 acres during the kharif crop season and 38,000 acres during the summer crop season.

### Achievements

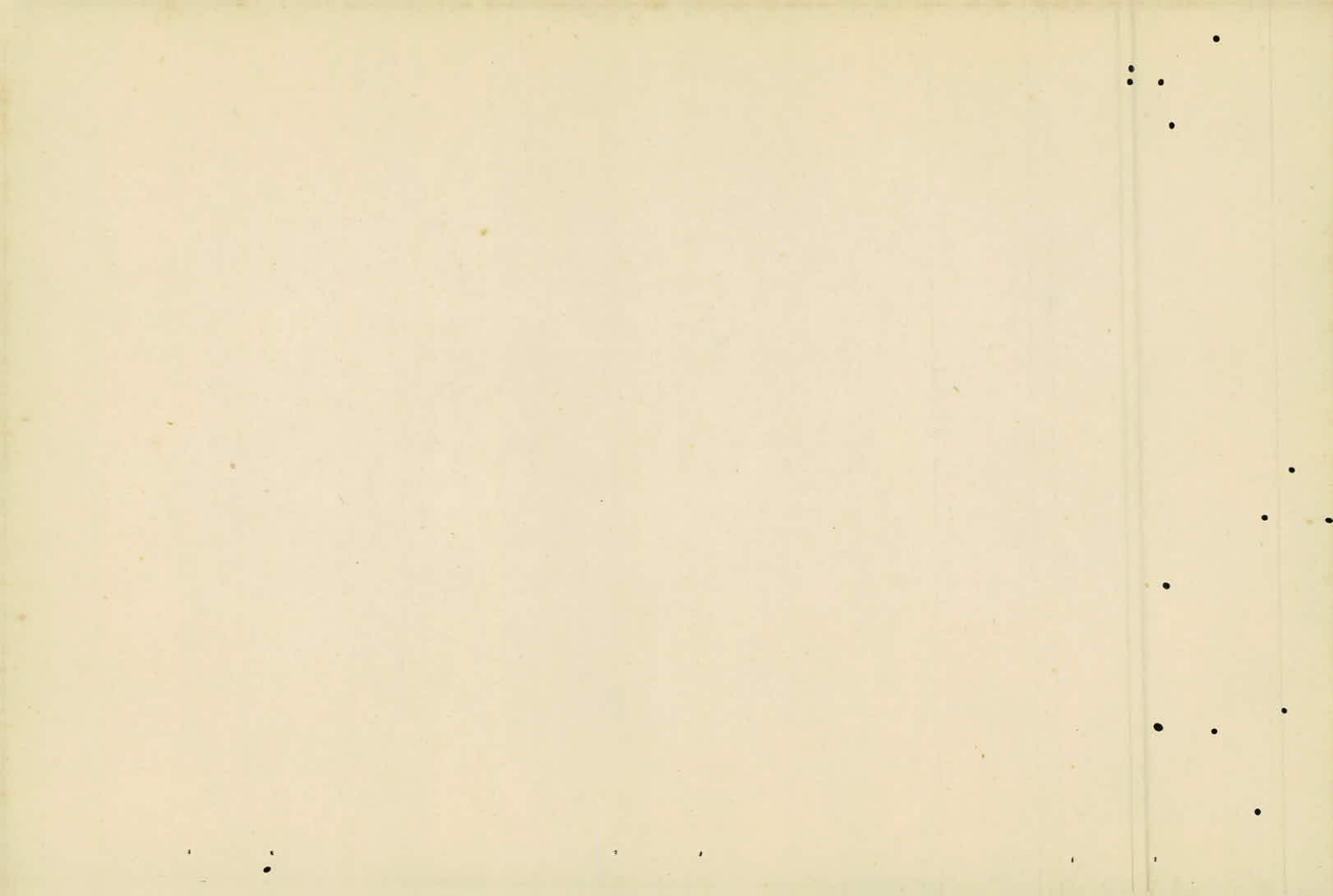
#### (i) Mundakan crop (August to January)

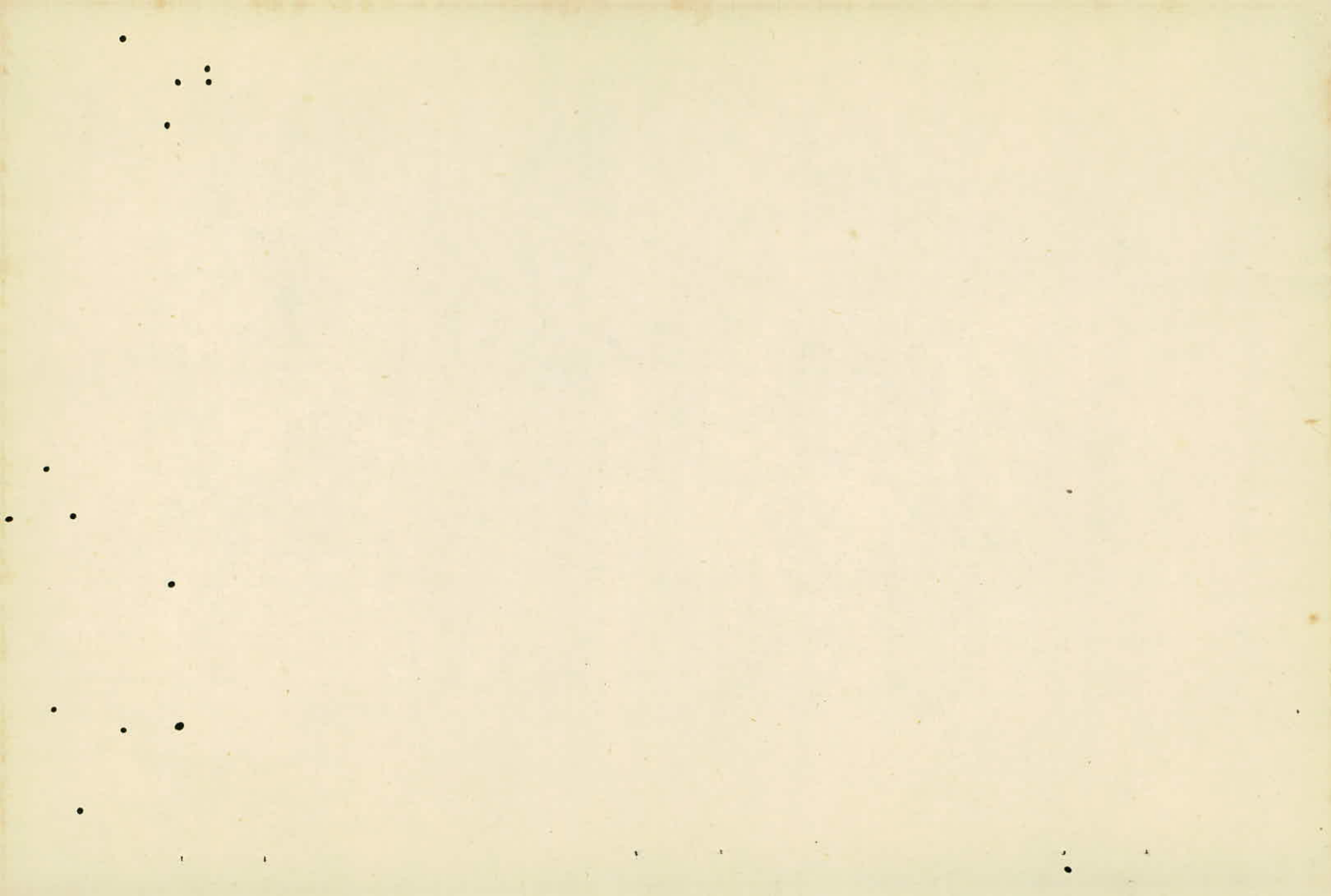
	Target in acres	Achievement in acres
<b>ALLEPPEY</b>		
(First round with phosphomidon against gall-fly and stem borer)	18,000 ✓	7,014
(Second round with fenithrothion against stem borer)	18,000 ✓	7,112
<b>KOTTAYAM</b>		
(First round with phosphomidon against gall-fly and stem borer)	7,000 ✓	3,726
(Second round with fenithrothion against stem borer)	7,000 ✓	1,054
<b>TRICHUR</b>		
(First round with phosphomidon against gall-fly and stem borer)	4,000 ✓	Nil
(Second round with fenithrothion against stem borer)	8,000 ✓	7,846
Total	62,000	26,752

#### (ii) Summer (Puncha) crop (December to April)

Alleppey	12,000 ✓	Nil
Kottayam	8,000	Nil
Trichur	18,000 ✓	Nil
Total	38,000	Nil

Government stated (December 1974) that the shortfall in achievements was mainly due to the fact that the cultivators were not fully confident of the efficacy of the aerial spraying in controlling brown hopper infestation. Aerial spraying in Trichur District was carried out between the 11th and the 22nd November 1973.





Immediately after spraying, reports received by the Joint Director of Agriculture, Trichur from various Farmers' Associations revealed that the chemicals used were not at all effective against the brown hopper which was the major pest in the area and the pests had actually increased notwithstanding the spraying in some areas. They urged the Department to discontinue aerial spraying for the Mundakan crop which was already lost and to take more effective measures for protection of the next crop. Aerial spraying in the Trichur 'Kole' area was accordingly discontinued in November 1973 after incurring an expenditure of Rs. 3.93 lakhs.

Aerial spraying in Kottayam and Alleppey Districts was also discontinued after covering 38 per cent of the targeted area as (according to the Department) cultivators were not prepared to remit their share of the expenditure in advance. It was, however, noted from the reports of the departmental officers that the major pest which ravaged these areas was brown hopper whereas aerial spraying was carried out with chemicals specifically meant to control gall-fly and stem borer. According to the report received from the District Collector, the total area affected by the brown hopper pest during the Mundakan crop was 48,600 acres in Trichur District and the resultant loss of paddy was estimated at Rs. 1.83 crores. Information regarding the loss suffered in Alleppey and Kottayam Districts has not been furnished (October 1974). Aerial spraying during the puncha crop season was also not taken up because of lack of interest on the part of the cultivators.

The total expenditure incurred during 1973-74 was Rs. 9.43 lakhs as reported by the Department (it was Rs. 11.21 lakhs as per accounts): Rs. 2.51 lakhs on aerial operations and Rs. 6.92 lakhs on purchases of pesticides. Rupees 1.87 lakhs representing the maximum admissible assistance at the rate of Rs. 7 per acre for 26,752 acres were received from the Government of India in March 1974 and pesticides worth Rs. 3.85 lakhs remained unutilised. The balance expenditure of Rs. 3.71 lakhs was fully recoverable from the cultivators and of this, Rs. 2.54 lakhs should have been realised in advance from the cultivators of Alleppey and Kottayam Districts. Government stated (December 1974) that the cultivators' share had been fully collected in Alleppey District and that in Kottayam District Rs. 0.69 lakh had been collected. Cultivators of Trichur District under the terms of agreement executed by them were to pay the remaining sum of Rs. 1.17 lakhs within 60 days from the date of the completion of the spraying, i. e. the 20th November 1973, but amount collected so far (December 1974) was only Rs. 0.21 lakh.

(d) *Unutilised stock of pesticides:*

3,700 litres of Phosphomidon and 7,600 litres of Fenithrothion were purchased at a cost of Rs. 6.92 lakhs for spraying by aerial operations. Of these, 2,625 litres of the former and 2,831 litres of the latter representing 71 per cent and 37 per cent respectively of the total quantity purchased and valued at Rs. 3.85 lakhs, remained unutilised with the Department (March 1974). The unutilised stock included the entire quantity of 1,500 litres of Phosphomidon (cost: Rs. 1.54 lakhs) in Trichur District. The quantities remaining in stock in December 1974 were reported by Government to be 2,116 litres of Phosphomidon and 1,759 litres of Fenithrothion.

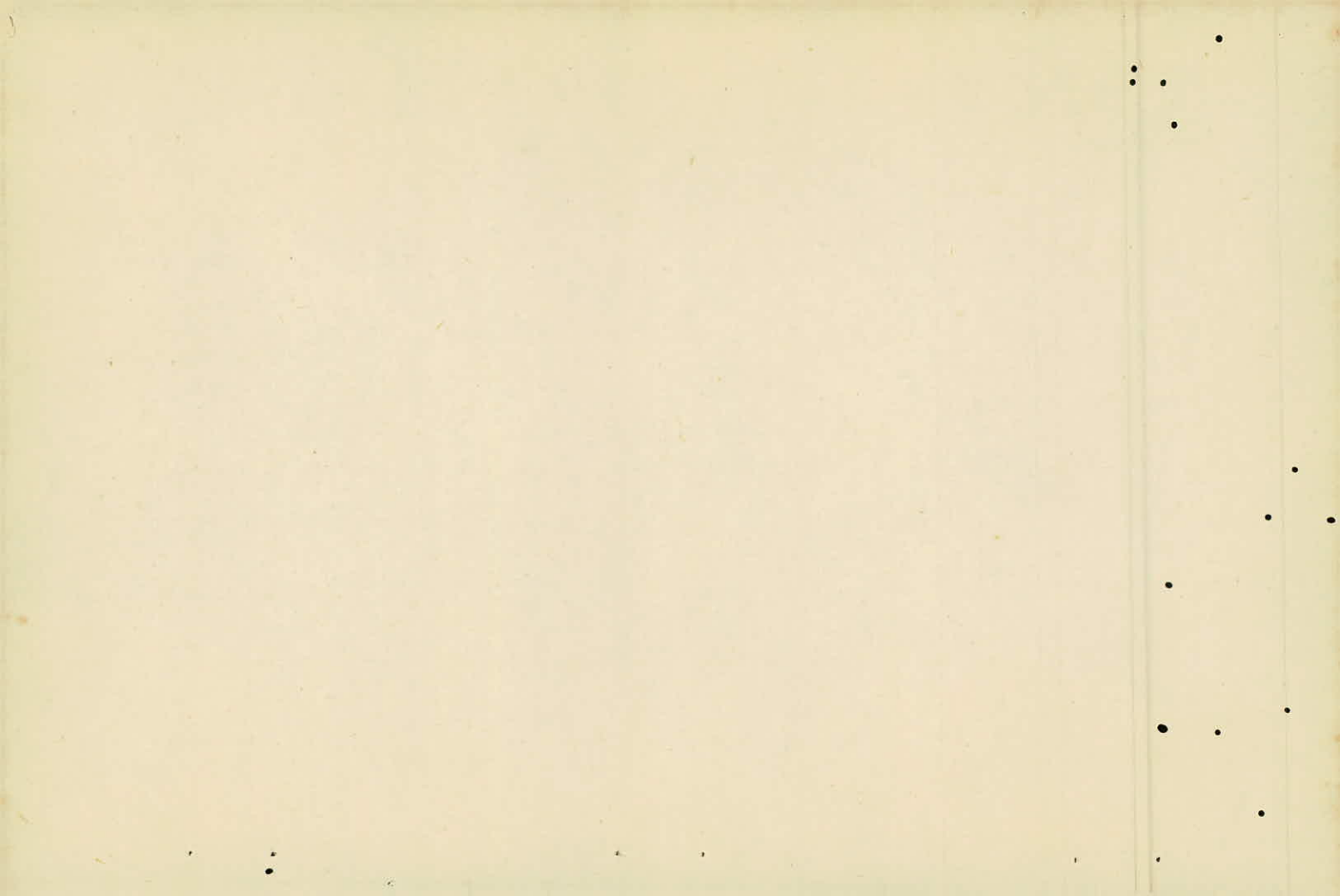
(e) *Evaluation of the scheme:*

No technical evaluation of the performance and the results has been done, although Government of India, while conveying administrative approval to the continuance of the scheme during 1973-74, desired that the State Government should set up an evaluation machinery consisting of scientists from the local Agricultural Colleges or Universities, etc., for assessing the realisation of the objectives of the scheme. In January 1974 the Director of Agriculture sent proposals to the Government for the constitution of the committee. An Evaluation Committee was constituted by Government in December 1974.

**22. Brown hopper attack on paddy crops during 1973-74**

The brown hopper pest was first noticed during 1973—Virippu crop (April/May-August/September), in some parts of Trichur 'Kole' area, but the damage to the crops was not reported to be serious. During the 1973-74 Mundakan crop (August/September-December/January) the outbreak of the pest in the Kuttanad and Trichur 'Kole' lands was wide-spread.

The pest appeared again with greater intensity during the Puncha crop season 1973-74 (December/January to March/April) and 50,000 acres (20,000 acres in Kuttanad and 30,000 acres in Trichur) were reported to be affected by the pest. At this stage the Department sought the advice of the experts of the Agricultural College, Trivandrum and the Central Rice Research Institute, Cuttack who after surveying the areas affected, during the third and fourth week of January 1974, submitted their reports. The







factors responsible for the outbreak of brown hopper and grassy stunt virus epidemics, according to the experts, were:—

(i) improper agricultural practices like continuous cropping during all the three cropping seasons which facilitated migration of the hoppers to the next crop;

(ii) direct sowing of high-yielding varieties, which resulted in the dense growth of crop;

(iii) failure of aerial spraying during Mundakan crop and indiscriminate use of insecticides in the past, which resulted in eliminating predators which feed on the brown hopper and keep the multiplication of brown hopper under check;

(iv) failure to detect brown hopper in the early stage of the crop and to take effective control measures; and

(v) limited stock of pesticides with the Department.

The experts also observed that the brown hopper pest could be controlled only if effective measures were taken when the crop was young.

As the crop in the Lower Kuttanad area (10,000 acres) had already matured by the end of January 1974, the Department decided to take measures to control the pest attack only in the Upper Kuttanad and Trichur 'Kole' lands where the crop was comparatively young. According to the reports from the District Collector, Alleppey in March 1974, the loss of paddy in the Lower Kuttanad was around 58,000 tonnes valued at Rs. 5 crores approximately. Proposals for protecting the crop in the Upper Kuttanad (10,000 acres) and the Trichur 'Kole' lands (30,000 acres) were accordingly sent by the Director of Agriculture to the Government on the 23rd February 1974, *inter alia*, seeking sanction of the Government for the purchase and sale (to the cultivators) of 150 tonnes of Furadon (considered effective in the early stages of the crop) and another 50 tonnes of B. H. C. technical and 20 tonnes of Sevin (technical) (to be used in the later stages). Furadon being a costly chemical (cost under Department's rate contract was Rs. 8,591 per tonne), was proposed to be sold to the cultivators at 50 per cent subsidised cost. The other two chemicals, which were cheaper, were proposed to be sold on no-profit no-loss basis. Considering the urgency, Government's permission for effecting the purchases without observing the Store Purchase Rules was also sought. It was expected that by timely application of these pesticides standing crops could be saved during the summer (puncha) crop of 1974. These proposals were sanctioned by the Government on the 2nd March 1974 and orders for the purchase of the chemicals were

placed by the Director of Agriculture telegraphically between the 8th and the 14th March 1974. The quantities of the chemicals ordered, the quantity received, distributed and the balance with the Department (at the end of April 1974 when season for the summer crop was over) were as indicated below:—

<i>Name of chemical</i>	<i>Ordered</i>	<i>Received</i>	<i>Issued</i>	<i>Balance at the end of April 1974</i>
		<i>(in tonnes)</i>		
Furadon	150	26.130	10.514	15.616
	@Rs. 8,591 per tonne			
B.H.C.	25	25.000	18.400	6.600
10 per cent	@Rs. 700 per tonne			
Sevin	20	20.000	2.277	17.723
50 per cent	@Rs. 23,700 per tonne			

It may be seen from the above that the bulk of the chemicals purchased remained unsold with the Department at the end of April 1974 when the summer (puncha) crop season was over. Even the chemicals shown as issued were actually found to have been issued to Block Development Officers, Junior Agricultural Officers, etc., for sale to agriculturists. Information regarding the sales actually effected was, however, not available with the District level officers.

The low offtake of chemicals from the stock was, according to Government (December 1974), due to the fact that by the time the chemicals were received the infestation assumed very serious proportions in many of the areas in Alleppey and Trichur Districts rendering it inadvisable to apply the chemicals to the crop which was almost devastated and hence only such areas where the crop could be saved by plant protection measures received the benefit of the application of the chemicals purchased under the scheme. According to the Director of Agriculture, all plant protection operations should stop two weeks prior to harvest in order to eliminate all chances of residual toxicity in the grains. The object of timely application of these pesticides would not thus appear to have been achieved.

According to the report of the District Collector, Alleppey sent to Government on 16th March 1974, very severe incidence of brown hopper was observed in the Upper Kuttanad area and the major portion of the crops was likely to be destroyed and the extent of damages could be assessed only after some time. Government





stated (December 1974) that the crop loss was estimated to be 22,940 tonnes of rice (value: Rs. 1,60.58 lakhs) in 1,06,000 acres in Kuttanad and 13,570 tonnes of rice (value: Rs. 94.99 lakhs) in 46,000 acres in Trichur District.

On the ground that the firm with whom orders for supply of 25 tonnes of B. H. C. 10 per cent at Rs. 700 per tonne were first placed had no further stock and that additional supplies were urgently required for distribution in all the districts of the State, the Director of Agriculture placed orders with another firm for supply of 200 tonnes of B. H. C. 10 per cent at the rate of Rs. 1,500 per tonne without observing the Store Purchase Rules. The total quantity received on the basis of this order and issued to the end of April 1974 was 199,880 tonnes and 14,456 tonnes respectively.

Several long term measures designed to prevent occurrence of the epidemic in future were recommended by the experts from the Central Rice Research Institute. Government stated (December 1974) that a scheme for intensifying plant protection services by establishing 100 Pest and Disease Surveillance units had been sanctioned by Government in October 1974 on the basis of the suggestion made by the experts of the Central Rice Research Institute. A pilot project to develop an integrated approach to pest control incorporating cultural practices, varietal resistance, etc., was also expected to be started in Kuttanad during 1974-75 by the Indian Council of Agricultural Research. Further developments are awaited (January 1975).

### **23. Soil conservation schemes**

The soil conservation measures taken by the Government are governed by the Kerala Land Development Act, 1964. Under the Act the Government is to prepare and carry out schemes for the control and prevention of soil erosion, preservation, and improvement of soil, reclamation of saline and water-logged areas, etc. The soil conservation schemes in the State are executed through the agency of the Land Development Board and the District Land Development Committees constituted under the Act.

The Land Development Board considers and approves the schemes prepared and recommended by the District Committees, suggests ways and means for the speedy execution of the schemes and fixes the physical and financial targets for each district.

The schemes sanctioned by the Board are executed by the District Soil Conservation Officers/District Agricultural Officers who are the Executing Officers under the Act.

The actual execution of the soil conservation works is generally entrusted to the beneficiary landowners or their nominees at 'approved rates' (worked out by the Department with reference to the Public Works Department schedule of rates) without calling for tenders. The Government, however, has the right to carry out the works itself, when the owners of the lands fail to execute them.

The cost of each work taken up under the scheme is initially borne by the Government and on completion of the work, 75 per cent of the expenditure is treated as loan given to the beneficiaries and the balance as a subsidy. On completion of each work, the Executing Officer has to prepare a statement of rights and liabilities of the beneficiaries and publish a notice to that effect which is open to inspection and appeal by the beneficiaries. Interest at 6 per cent on the loan is payable only from the date of publication of the notice and is recoverable in 15 equal instalments commencing one year after the date of publication of the notice.

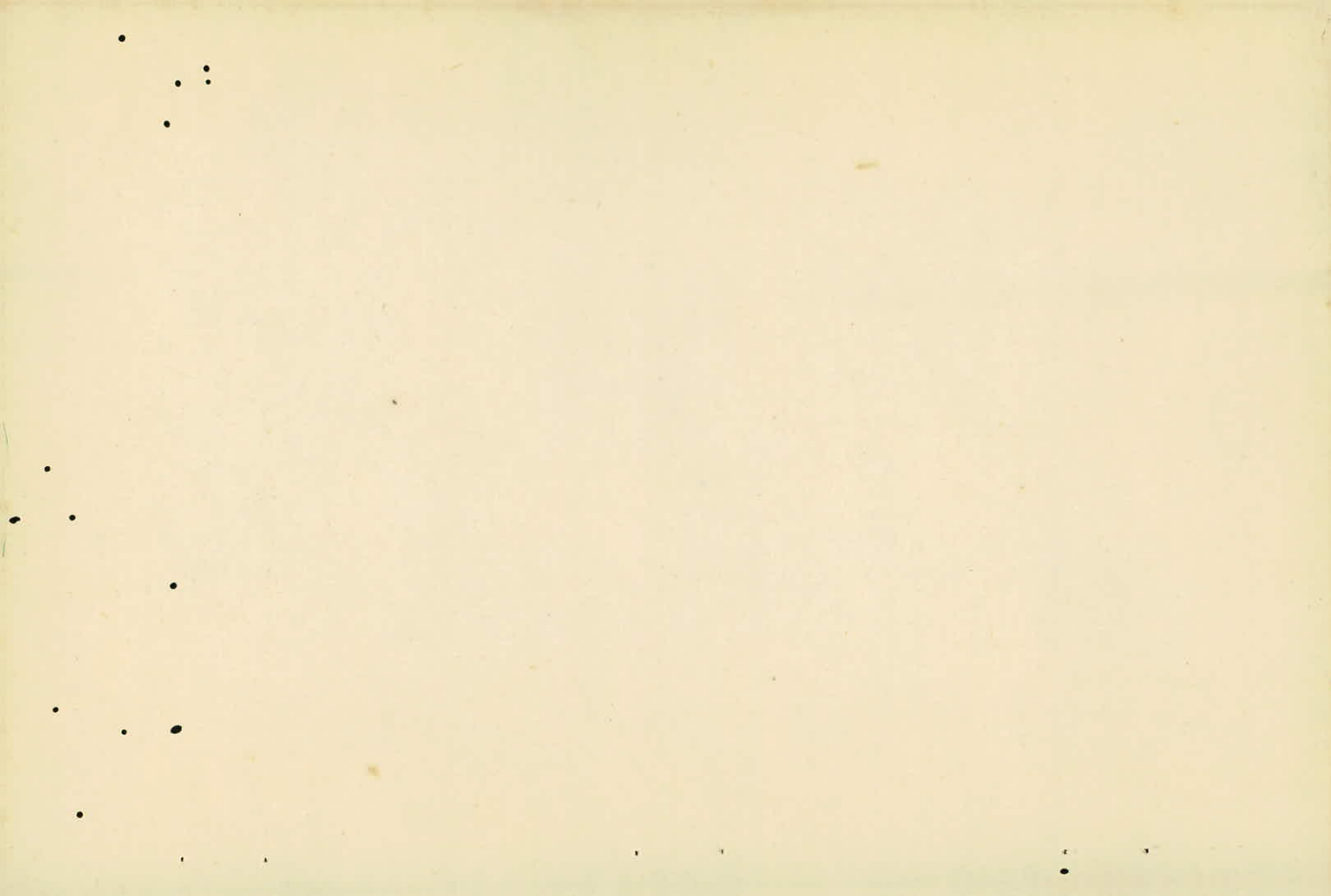
Mention was made in paragraph 21 of Audit Report 1969 about some points noticed in audit of the execution of certain works under the soil conservation programme. A review of the programme conducted between July and September 1974 with particular reference to its implementation in Kottayam, Trichur and Palghat Districts disclosed the following points:

(i) The Land Development Board has so far (July 1974) issued directions for the preparation of 714 soil conservation schemes. Statistical details regarding the works executed under the programme during the period 1964-65 to 1973-74 are given below:—

<i>Number of schemes</i>	<i>Cost</i>		<i>Benefited area</i>	
	<i>Estimate</i>	<i>Actual</i>	<i>Estimate</i>	<i>Actual</i>
	<i>(in lakhs of rupees)</i>		<i>(in hectares)</i>	
Sanctioned	325	886.46	..	85,690
Completed	209	521.90	250.12	64,241
Incomplete	39	241.82	70.80	15,074
Abandoned	20	2.21	*	2,760
Yet to be taken up	57	146.10	..	7,348

\*Expenditure incurred on investigation of the schemes abandoned has not been computed by the Department.







According to the Department, the shortfall in the area benefited by the 209 completed schemes and the abandonment of 20 schemes were due to:

- (a) failure to conduct investigation of individual holdings while preparing the schemes,
- (b) reluctance and lack of co-operation on the part of the beneficiaries to execute/continue the schemes,
- (c) execution of works (in some cases not conforming to the prescribed standards) by the beneficiaries without assistance from Government and
- (d) closing of some schemes without waiting for the completion of the entire works envisaged in the scheme.

As regards the 57 schemes sanctioned but not yet taken up for execution, the Department stated (December 1974) that lack of funds was the main reason for not taking them up for execution.

(ii) No target dates have been fixed for completion of the schemes sanctioned/taken up under the programme.

(iii) *Maintenance and repair of completed works:*

Section 21 of the Act contemplates proper maintenance and repairs of completed works by the beneficiaries to the satisfaction of the Collectors. If any beneficiary fails to maintain or repair the work, the Act empowers the Collector, after giving due notice to the beneficiary, to arrange for the maintenance or repair of the works and to recover the cost from the beneficiary. There was, however, no machinery or arrangement in the Collectorates for attending to this work. On this being pointed out by Audit (November 1974), the Government instructed (January 1975) the District Collectors to make suitable arrangements to ensure the maintenance and repairs of completed works, in consultation with the Director of Agriculture (Soil Conservation Unit).

(iv) *Loss of interest:*

As interest (6 per cent per annum) on the amount recoverable from the beneficiaries accrues only from the date of publication of the notice regarding statement of rights and liabilities, delay in publication of the notice results in loss of interest. Under the existing procedure the beneficiaries who execute the works are paid for each work after it is completed and check-measured. But the statement of rights and liabilities is prepared only after the entire scheme is completed, resulting in delayed recovery of loans and

loss of interest to Government. An instance in point is given below:—

In Kottayam District, soil conservation works under scheme No. 195—Vellikulam (estimated cost: Rs. 10.37 lakhs) for protecting 611.29 hectares were commenced in January 1967. Works in individual holdings were completed between March 1967 and March 1973. After covering an area of 374.31 hectares at a cost of Rs. 5.87 lakhs the scheme was closed on 6th August 1973 and the statements of rights and liabilities published on 15th September 1973. Had the Department taken action to prepare the record of rights and liabilities as soon as the work in individual holdings was completed, loss of interest amounting to Rs. 0.94 lakh could have been avoided.

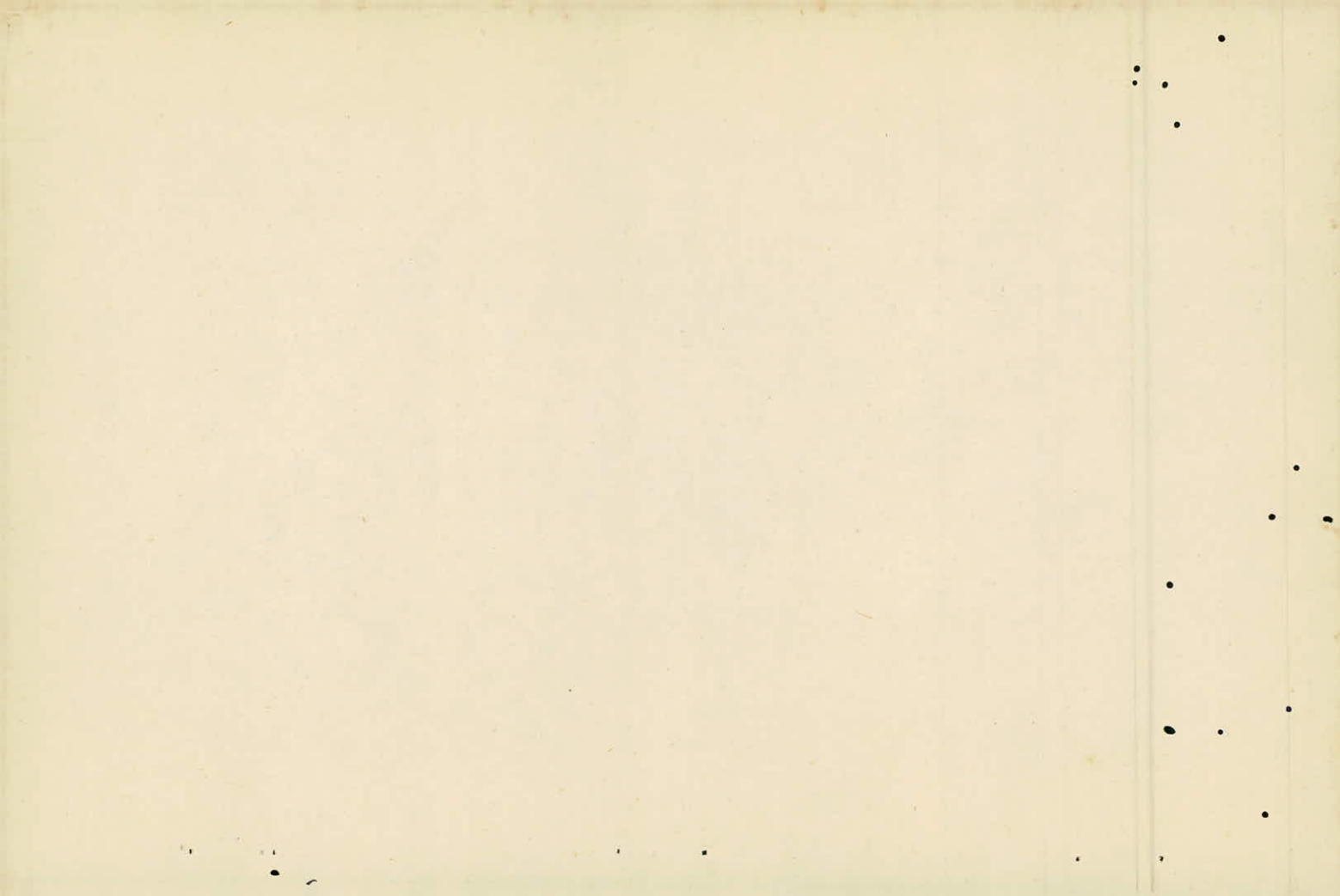
Government stated (December 1974) that the Department had suggested (July 1974) amendment of the Act to enable preparation of the statement of rights and liabilities in respect of each individual holding soon after completion of work in that holding, and that the matter was under consideration.

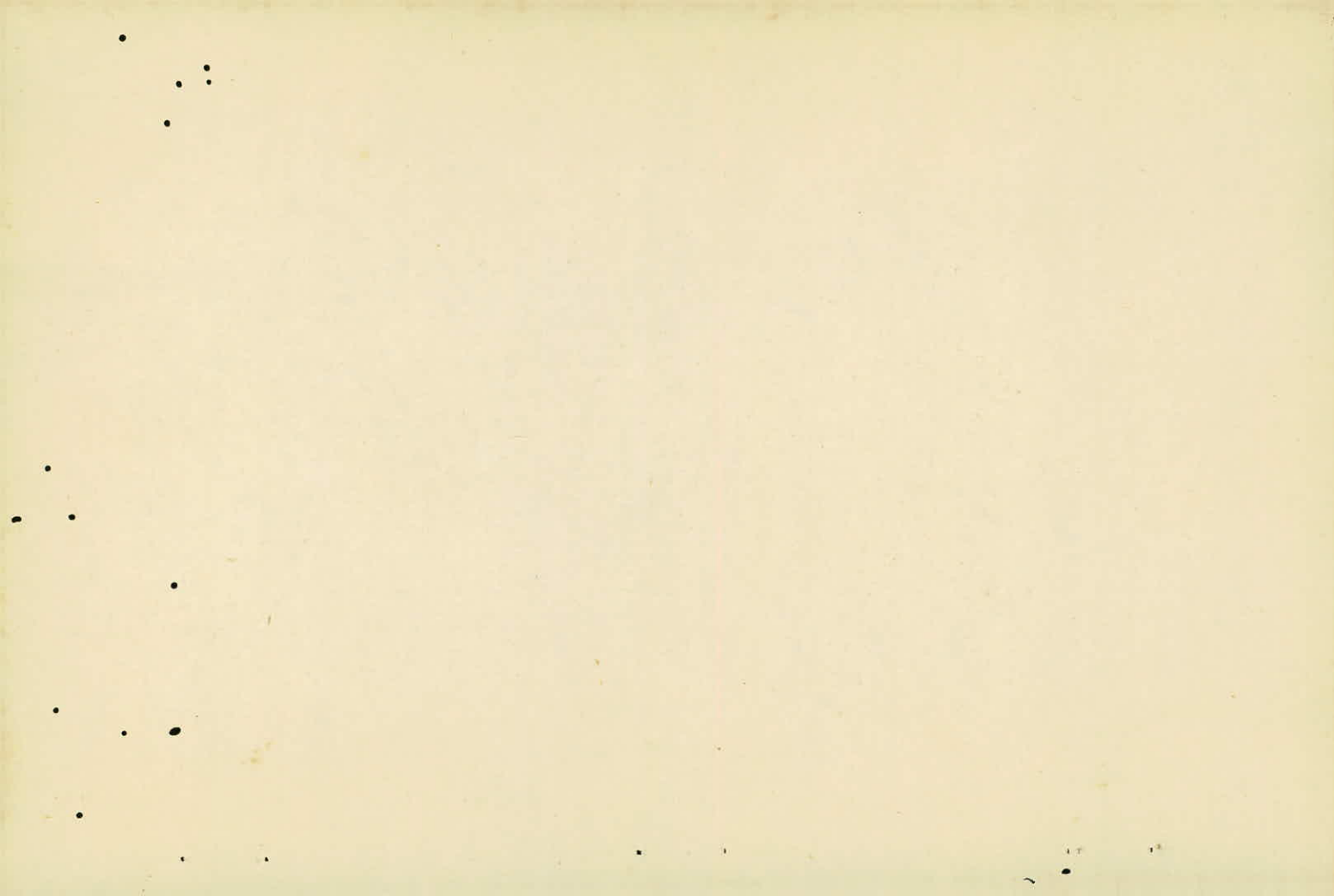
(v) *Defaults in repayment of part costs treated as loan:*

(a) There is heavy default in the recovery of part costs (treated as loan) from the beneficiaries. The Public Accounts Committee in its Second Report 1969-70 (paragraph 3.5) had viewed with concern the heavy accumulation of arrears which then amounted to Rs. 11 lakhs and had suggested that suitable steps might be evolved for the expeditious collection of the arrears. Since then, the position has further deteriorated; the amount overdue for recovery as at the end of March 1974 was Rs. 54.10 lakhs (principal: Rs. 22.82 lakhs; interest: Rs. 31.28 lakhs).

The percentage of the principal amount of loans overdue to total loans is going up from year to year, as can be seen from the following table:—

<i>As on 31st March</i>	<i>Outstanding balance under principal</i>	<i>Overdues under principal</i>	<i>Percentage of (3) on (2)</i>
(1)	(2)	(3)	(4)
(in lakhs of rupees)			
1970	1,86.41	10.32	5.54
1971	2,02.47	13.53	6.68
1972	2,20.44	15.21	6.90
1973	2,44.94	20.59	8.41
1974	2,53.29	22.82	9.01





Under Section 27 of the Kerala Land Development Act 1964, the dues are recoverable in the same manner as arrears of land revenue.

(b) Section 15 of the Act requires that in the event of default by a beneficiary in paying three consecutive instalments, the entire unpaid balance is to be recovered in lump unless otherwise ordered by Government. Even though there have been heavy defaults, the Department has not taken action to invoke this provision. The position in three Districts is given below:—

In 1,152 cases in Trichur District, the default at the end of March 1974 was for more than three years, involving Rs. 2.80 lakhs of which Rs. 1.16 lakhs related to 628 cases where the default was for more than five years.

A test check of schemes in Kottayam District (Scheme No. 33 Karukachal and Scheme No. 39—Madappally) disclosed that the defaults were for more than three years in 66 cases involving Rs. 0.17 lakh (more than 5 years in 54 cases involving Rs. 0.13 lakh). The District Soil Conservation Officer stated (July 1974) that in 47 cases the Tahsildars concerned had been requested in October 1973 to take appropriate action but with no result.

In Palghat District defaults were for more than 3 years in 235 cases involving Rs. 2.53 lakhs (more than 5 years: 141 cases involving Rs. 1.14 lakhs) towards principal and Rs. 0.59 lakh (more than 3 years: 141 cases involving Rs. 0.34 lakh) towards interest.

(c) The scheme 'Construction of permanent bunds in Manalur Thazham Padavu' (Trichur District) intended to cover 618 acres in Manalur Village was completed (in August 1971) at a cost of Rs. 12.50 lakhs. The Executive Engineer, Minor Irrigation, Trichur (Executing Officer) prepared the statement of rights and liabilities in November 1971. But most of the beneficiaries appealed to the Collector whose decision rejecting the appeals was given in June 1974. No amounts have been realised towards the part cost of Rs. 9.37 lakhs (75 per cent) treated as loan, so far (December 1974).

(vi) *Defects in accounting of loans:*

According to rules framed under the Act, Tahsildars are responsible to effect recovery of amounts due from the landowners and to submit monthly returns to District Soil Conservation Officers. But according to information collected from Trichur and Palghat Districts, the Tahsildars in the Districts are not forwarding the returns in the prescribed form regularly. This has rendered the proper maintenance of demand, collection and balance statements and other prescribed records by the District Soil Conservation Officers difficult. As a result, little control is being exercised over

recoveries. In reply to an enquiry by Audit, the District Soil Conservation Officer, Palghat stated (September 1974) that the Tahsildars were not correctly calculating and collecting interest (6 per cent per annum) while penal interest (2 per cent per annum) due under the rules was not being collected at all.

The amounts remitted by the beneficiaries are to be adjusted first against interest due and the balance against principal. In Trichur and Palghat Districts, the amounts remitted have been adjusted first against the principal amount due resulting in loss of interest to Government. In the case of three schemes in Trichur District, the loss of interest on this account amounted to Rs. 0.11 lakh.

Government stated (December 1974) that necessary instructions were under issue to the District Collectors for ensuring that such delays and defects in accounting of loans were avoided in future.

(vii) *Chalady-Pazhankole Scheme:*

The Chalady-Pazhankole Scheme (fully aided by Government of India) to cover 600 acres of 'kole' lands (low lands adjacent to backwaters) in Trichur District, was sanctioned in March 1967 at an estimated cost of Rs. 10.90 lakhs. It provided for raising the height of the then existing permanent stone walls in the perimeter of the area and dewatering the fields for facilitating cultivation of two crops of paddy. The work entrusted to a co-operative society was commenced in November 1967. It was to be completed by March 1969 but after execution of only a portion of the scheme incurring an expenditure of Rs. 8.59 lakhs, the work was discontinued by the society from 1st April 1969.

The spillover works were expected to be completed by the end of March 1971 but the society resumed work only in February 1972 on account of delay in negotiation with the society and completion of other formalities and preliminaries required under the Act. The spillover works estimated in August 1970 to cost Rs. 2.57 lakhs are expected to cost Rs. 6.66 lakhs according to the revised estimate of March 1972, consequent on revision of schedule of rates (1970). Till the end of March 1974 Rs. 5.50 lakhs were spent on the spillover works. Government stated (December 1974) that the balance work was expected to be completed by the end of March 1975.

The staff sanctioned in August 1970 when the work came to a standstill was retained till the end of March 1971 involving expenditure of Rs. 0.18 lakh. During this period the staff was stated by Government to have attended to "preliminary works".

In July 1973, the partly erected bund breached and Rs. 22,792 were spent in closing the breach.







## 24. Purchase of seeds

In the wake of a threat by the owners of paddy lands (1,700 acres) in Kuttanad Kayal area to keep the area fallow, Government in September 1972 sanctioned a scheme for direct departmental cultivation of the land, by invoking the provisions of the Defence of India Rules based on a proposal sent by the Director of Agriculture in August 1972. With a view to completing the sowing operations during the then current pancha season, the Agriculture Department purchased 94.905 tonnes of paddy seeds at a cost of Rs. 1.34 lakhs during September-November 1972 from cultivators through the District Agricultural Officer, Kottayam. Out of this, only 37.18 tonnes were found fit for sowing. A shortage of 1.575 tonnes was noticed in the balance which was attributed by the Department (November 1973) to storage in godown for about one year. The remaining 56.15 tonnes which were found to be sub-standard and hence unfit for sowing were disposed of by sale to cultivators and in auction for Rs. 0.57 lakh. The loss resulting from shortage (Rs. 0.02 lakh) and purchase of sub-standard seeds (Rs. 0.23 lakh) amounted to Rs. 0.25 lakh. A report (October 1972) of the Special Officer, Kuttanad Kayal Cultivation Scheme, indicated that the suitability of the seeds for cultivation was tested only after the purchase.

## DEVELOPMENT DEPARTMENT

### 25. Housing and Colonisation of Fishermen

Kerala has nearly 40,000 families of fisher-folk who live in huts in congested parts of the coastline. The State Government sanctioned in November 1961 a scheme for developing housing colonies for fishermen along the coastal area. The object of the scheme was to improve the living conditions of fishermen in general by providing them with cheap houses and basic amenities like pathways, wells, common latrines, bathrooms, etc. The scheme is still continuing.

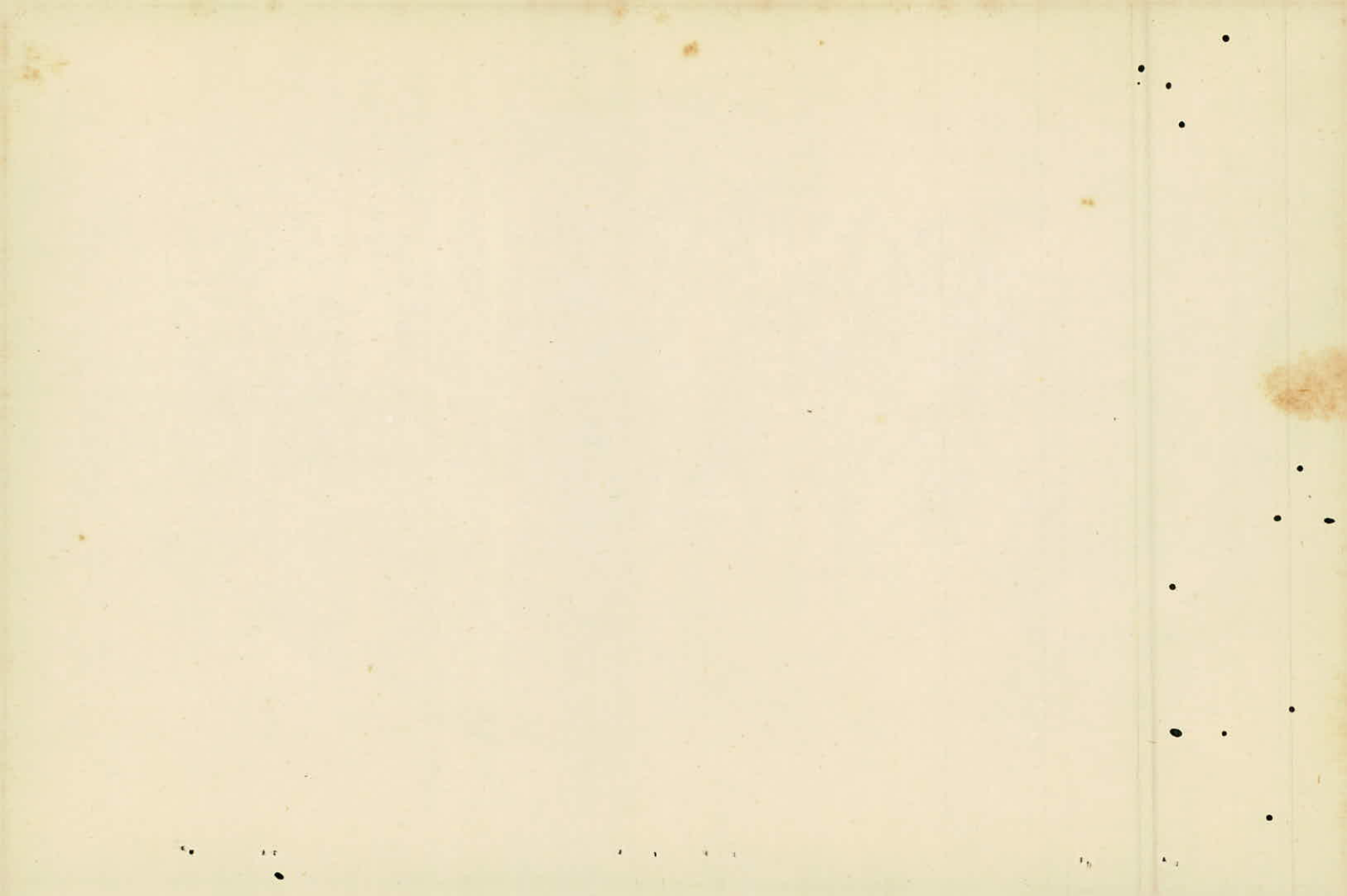
Under the scheme the Director of Fisheries was declared as the authority to implement the scheme. He was to select the places for implementing the scheme, having regard to provision in the budget, availability of land, etc. The selection of beneficiaries under the scheme was to be made by a committee consisting of departmental officers and non-officials including members of the State Fishery Advisory Board/Block Development Committee, etc. Each beneficiary was to be allotted three cents of developed house site. In the case of acquired land, the cost per site including

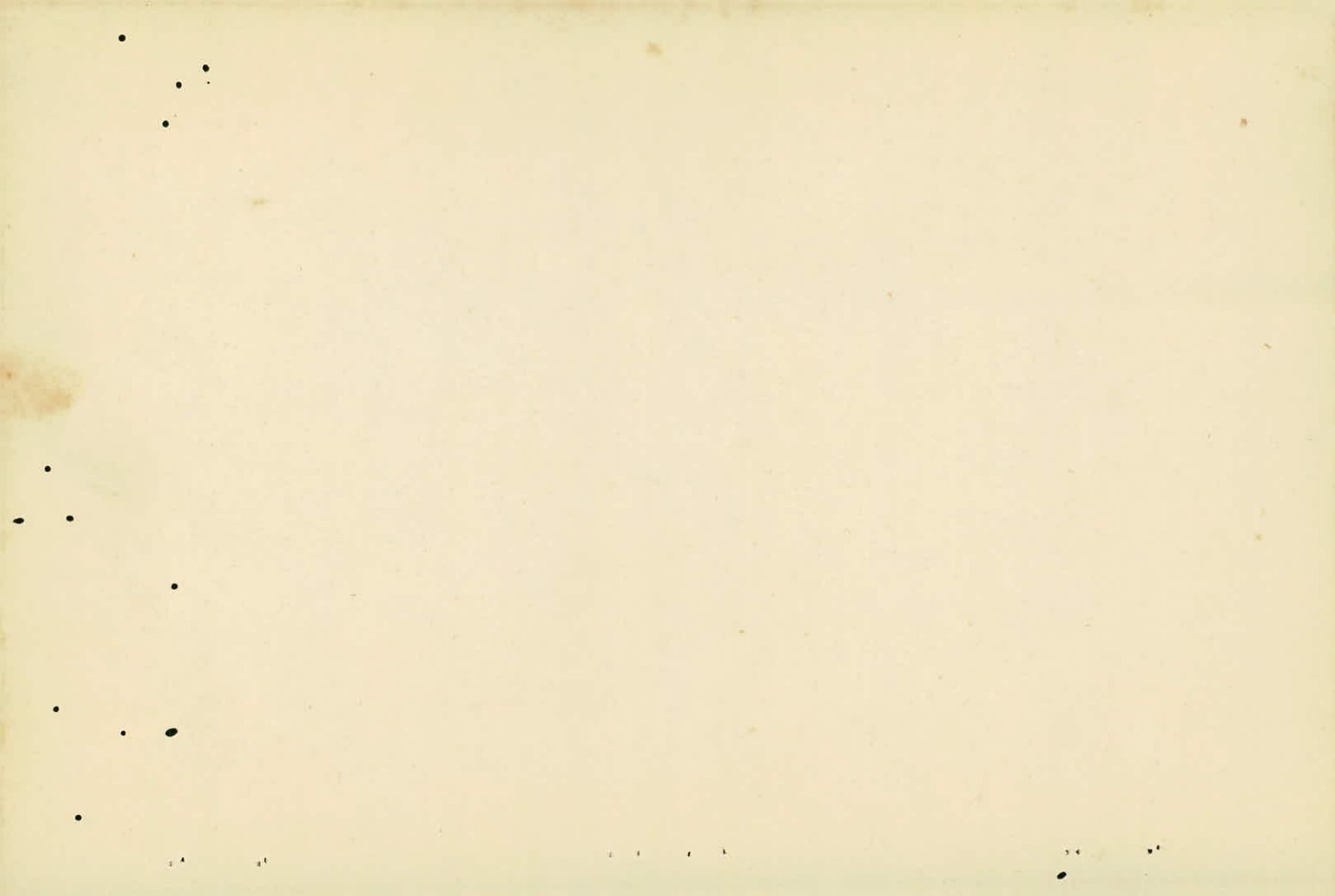
cost of development was not to exceed Rs. 500. In the case of poramboke land, cost of development was not to exceed Rs. 300 per site. Houses were to be constructed according to the type and design approved by the Director of Fisheries after getting the technical estimates prepared and sanctioned by the Public Works Department. Each house constructed under the scheme till July 1967 was to cost not less than Rs. 1,000 of which a maximum of Rs. 900 was to be given by Government as grant to be disbursed in 3 equal instalments of Rs. 300 each. The balance (not less than Rs. 100) was to be raised by the beneficiary as his contribution in cash or by way of labour. The construction was to be done either through co-operative societies of beneficiaries or by the Fisheries Department. In July 1967, the ceiling for cost of each house and for payment of grant was raised to Rs. 1,500 and the condition regarding contribution by beneficiaries was dropped. The construction work was to be undertaken departmentally by the Fisheries Department. In November 1967, the construction cost per house was enhanced to Rs. 3,000. It was also ordered, that the houses would be constructed by the Junior Engineers attached to Community Development Blocks under the supervision of the Public Works engineers. In places not covered by the Community Blocks the works were entrusted to the Public Works Department for execution. In all cases the beneficiaries were to execute agreements in the prescribed form, the terms of which included, *inter alia*, that the beneficiaries would not acquire an alienable right over the houses, the occupancy right would vest with the beneficiaries only so long as at least one member of the family continued to be a fisherman and the Government would have the right to resume the land and building in case of infringement of rules and regulations of the scheme.

In the colonies to be set up under the scheme, welfare amenities, viz. roads, wells, latrines, community halls, fish landing centres, water supply, etc., were to be provided. The responsibility for provision of such amenities was entrusted to the Director of Fisheries who was to get the works executed through the Block Development Offices or, where these did not exist, through the Public Works Department. Water supply schemes were to be executed by the Public Health Engineering Department. Funds required for the purpose were to be made available by the Director of Fisheries.

(i) *Preliminary investigation and survey:*

• No detailed survey preceded or followed the launching of the scheme, to ascertain the number of homeless and landless fishermen eligible for assistance under the scheme.





the areas where the assistance was most needed, the number of colonies to be established, the land to be acquired and number of houses to be constructed and the overall financial commitment involved in implementing the scheme. Government, however, stated (October 1974) that although no general survey was conducted, the location of the houses was decided based on the reports received from departmental officers who made recommendations after necessary enquiries on the representation submitted by fishermen.

(ii) *Targets and achievements:*

The targets and achievements during the period from 1961-62 to 1973-74 were as follows:—

	<i>Physical</i>		<i>Financial</i>		
	<i>Targets</i>	<i>Achievements</i>	<i>Total Plan outlay</i>	<i>Budget allotment</i>	<i>Expenditure</i>
	(in number)		(in lakhs of rupees)		
1961-62				0.30	1.21
1962-63	1000	260	20	1.50	0.87
1963-64	(yearwise details not available)			1.00	1.45
1964-65				2.00	0.39
1965-66				1.00	1.32
			<b>Total</b>	5.80	5.24
1966-67	Scheme held in abeyance			..	..
1967-68	No target	30	No target	10.00	2.54
1968-69	do.	189	do.	14.50	5.87
1969-74	1051*	1012	50	68.50	45.26
	<b>Grand total</b>	1491	..	98.80	58.91

(iii) *Non-provision of essential amenities:*

One of the objects of the scheme was to provide basic amenities like wells, latrines, bathrooms, etc., in the colonies. Such amenities have, however, not been sanctioned and provided by the Fisheries Department in the 31 (out of 51) colonies, in which 903 houses were constructed and allotted to fishermen between March 1967 and May 1974. It was stated (October 1974) by Government that provision for amenities could not be made in these colonies for want of adequate funds.

(iv) *Delay in execution of works:*

Long delay was noticed in the execution of works in several cases. The Department attributed this to delays in selection of sites, preparation of estimates and settlement of contracts, the

\*A crash programme for the construction of 1051 houses was sanctioned during 1971-72. Only ten houses were completed during 1971-72. Later, 879 more houses were completed during 1972-73 and 1973-74.

adoption of a uniform estimate for the construction of houses in all the places alike, lack of adequate supervision by the Public Works Department, irregularities in the execution of work by the agencies and change in the agency for execution of works. A few instances are mentioned below:—

(a) *Bheemapally Colony (Trivandrum District):*

The construction of 25 single houses at Bheemapally at a cost not exceeding Rs. 3,000 per house was administratively sanctioned by the Director of Fisheries in June 1971. The proposal was modified in October 1971 and sanction was accorded for the construction of 12 duplex houses at a cost not exceeding Rs. 6,000 per duplex house. The approval of the Trivandrum Corporation for the construction was obtained in February 1972. Necessary land for the purpose was got transferred from the Revenue Department in December 1972. Even before these preliminaries were completed, the Executive Engineer, Buildings and Roads, Trivandrum invited tenders for the work in December 1971. There was no response to this enquiry. After negotiation, a quotation to undertake the work at 40 per cent above the estimate rates was obtained by the Executive Engineer (September 1972). When it was forwarded for acceptance, the Chief Engineer directed (November 1973) the Executive Engineer to retender the work as it was considered by him that sufficient publicity and time were not given in the tenders invited for the work in December 1971. The work was accordingly retendered in December 1973 and again in January 1974, but there was no response. The estimate was thereafter revised by the Executive Engineer to Rs. 1,02,600 with reference to current schedule of rates and revised administrative sanction sought (November 1974) from the Director of Fisheries is awaited (February 1975).

(b) *Thankassery Fishermen Colony (Quilon District):*

Two acres and twenty cents of land were acquired at Thankassery in 1963 for establishing a colony for fishermen. (The Department had not then decided about the total number of houses to be constructed in this colony). Forty houses were constructed in 1965. The Director of Fisheries requested the Public Works Department in July 1970 to prepare an estimate for the construction of another ten to fifteen houses in this colony. Accordingly, the Public Works Department prepared in November 1970 an estimate of Rs. 52,350 for the construction of ten houses which was revised to Rs. 38,400 in March 1971. The estimate was again revised by the Public Works Department to Rs. 59,710 in October 1971 increasing the number of houses to be constructed from ten to twenty. The work was arranged through the Public Works Department and completed in May 1973. Proposals for construction of another 45 houses in the remaining area were submitted in July 1972. Sanction has not been accorded so far (January 1975) due to paucity of funds.







(c) *Thevarvattom Colony (Alleppey District):*

In 1969, 1.22 acres of land were acquired for construction of houses at Thevarvattom without fixing the number of houses to be built in this colony. The Block Development Officer, Thycattussery was requested in June 1969 to prepare an estimate for construction of 10 duplex houses although under the rules framed by Government the estimate was to be prepared by the Public Works Department. An estimate for Rs. 1,25,000 prepared by the Block Development Officer in July 1970 exceeded the ceiling cost of Rs. 60,000 for 20 houses and had to be revised. It took another year for the Block Development Officer to revise the estimate. A revised estimate for Rs. 59,500 prepared in July 1971, was technically approved by the Executive Engineer, Public Works Department in November 1971. Sanction for construction of the houses was issued by the Director of Fisheries in December 1971. As the only offer received in response to the tender called for in December 1971 was 25 per cent above the estimate rates, a fresh quotation obtained after negotiation at 13 per cent above the estimate rates was accepted with the sanction of the Government and work was arranged in October 1972 through the Block Development Officer. The construction of the twenty houses was commenced in March 1973 and eventually completed in December 1974 at a total cost of Rs. 0.91 lakh (including Rs. 0.37 lakh spent on land acquisition). The houses are yet (January 1975) to be allotted.

(d) *Quilandy (Panthalayani) Colony (Kozhikode District):*

In order to establish a colony for fishermen in Kozhikode District, the Fisheries Department sent a requisition to the District Collector in September 1961 for acquisition of 9.58 acres of land at Quilandy. In July 1963, the Department revised the requirement to 5.28 acres without deciding the number of houses to be constructed in the colony. The land was acquired in September 1964 at a cost of Rs. 0.25 lakh. Construction of 15 duplex houses at an estimated cost of Rs. 0.90 lakh was sanctioned by the Fisheries Department in November 1967. The work was entrusted (January 1968) to the concerned Block Development Officer. The work was commenced and completed during 1968-69 and the buildings were handed over to the Fisheries Department by the Block Development Officer in July 1969. Proposals initiated in September 1961 thus materialised only after the lapse of nearly 8 years.

(e) *Azhikode Colony (Cannanore District):*

Seventy-three cents of lands at Azhikode was acquired in November 1963 at a cost of Rs. 7,751 for the construction of five duplex houses. The Public Works Department prepared in August 1964 an estimate of Rs. 31,780 for the construction of

these five duplex houses. At that time the ceiling cost per house in force was Rs. 1,000. Subsequently, in November 1967, after revision of the ceiling cost of construction of each house from Rs. 1,000 to Rs. 3,000, the Director of Fisheries accorded sanction for taking up the construction of these houses which were completed in May 1968 at a cost of Rs. 0.38 lakh. Construction of the houses in this case was commenced after a delay of nearly five years after acquisition of land.

(f) Construction of seventy houses in three colonies (Marianad in Trivandrum District; Poonjavi in Cannanore District and Kadapuram in Trichur District) started during 1971-72 and 1972-73 has not yet been completed (July 1974). The Department attributed the delay to scarcity of cement, difficulties in transport of materials due to dismantling of a bridge, etc. The expenditure on these works till the end of March 1974 was Rs. 1.41 lakhs.

(v) *Defects in construction:*

The construction of 15 duplex houses at Padnekadappuram was arranged through the Community Development Block, Nileswar. The houses were completed in January 1974. In July 1973, when the construction work was still going on, the Deputy Director of Fisheries received complaints that the construction was defective on account of short usage of cement for flooring and plastering works, and use of wood, tiles, etc., of poor quality. A Sub-Inspector of Fisheries who was directed to enquire into the allegation reported in October 1973 that the allegation was true. But no action was found to have been taken on this report.

(vi) *Non-utilisation of land:*

(a) No houses have been constructed yet (July 1974) on 1.78 acres of land acquired in January 1965 for Kadapuram colony in Trichur District and one acre of land acquired in November 1965 for Neerkunnam colony in Alleppey District, although twenty houses in the former colony and ten duplex houses in the latter were proposed to be constructed.

(b) Land acquired or got transferred from Revenue Department for 2 colonies (Pallithottam and Thankassery) in Quilon District, one colony (Munambam) in Ernakulam District and one colony (Padnekadappuram) in Cannanore District aggregated 8.55





acres (3.97 acres in 1963 and 4.58 acres in 1972). Only 145 houses have been constructed in these colonies so far (July 1974). At the rate of three cents per house the land required in the four colonies was only 4.35 acres. The cost of one acre of land acquired in excess in Pallihottam colony was Rs. 40,000 while information about the cost of 3.20 acres of land remaining unutilised in the other three colonies called for from the Department is awaited (February 1975).

(vii) *Construction of houses on wrong site:*

After 80 cents of land had been obtained in Neyyattinkara taluk as gift, the Director of Fisheries sanctioned the construction of 20 houses for a colony there. The work was entrusted to the Block Development Officer, Athiyannur for execution. The work was completed (March 1969) at a cost of Rs. 0.58 lakh and the houses taken over by the Department in May 1969. In February 1974, it was found that the houses had been constructed on a wrong site and that except for one cent, the construction was not on the land received as gift. The land on which the houses were actually constructed belonged to three different parties and has not yet been got transferred to the Fisheries Department or acquired (July 1974).

(viii) *Delay in allotment of houses:*

There has been delay in the allotment of houses after completion in many cases due to various reasons like delay in constitution of selection committee, non-receipt of sufficient applications from eligible fishermen, delay in the approval of selection list by the Director of Fisheries, etc. Such delays noticed in 123 cases ranged from 8 months to 48 months.

(ix) *Vacant houses and houses under unauthorised occupation:*

(a) In the case of 35 houses constructed (at South Kollengode and Paruthiyoor in Trivandrum District) the allotment made in June and July 1973 based on the recommendations of a selection committee was cancelled in August 1973. A fresh committee constituted for making the selection found (November 1973) that the houses were under unauthorised occupation. Pending decision on a writ petition filed by one of the encroachers against eviction, the houses continue to be under unauthorised occupation (July 1974).

(b) Twentytwo houses constructed in six colonies between 1966 and 1972 (10 in Edakazhiyoor colony, 5 in Nattika colony, 4 in Kalnadu colony and one each in Puthenkadappuram, Pala-petty and Tanur colonies) remain vacant (July 1974) for want of eligible applicants.

(c) In Pallikara colony in Cannanore District, two beneficiaries to whom two houses were allotted in October 1963 did not occupy the houses. The Department came to know of it only in May 1965 when a petition was received from two persons for allotment of the houses to them. As the agreements executed by the original allottees were reported to have been lost by the Department, no action could be taken. The houses were subsequently reported (October 1971) to be under unauthorised occupation of two others from October 1970.

(x) *Allotment of houses to ineligible persons:*

The rules require that the beneficiary selected should not have any house or landed property either in his name or in the name of any member of his family. But in 10 cases (Malappuram District: 9; Quilon District: 1) houses had been allotted in March 1973 and June 1973 to persons who, according to enquiry reports of the concerned Inspectors of Fisheries, already possessed their own houses.

(xi) *Departmental inspection of houses:*

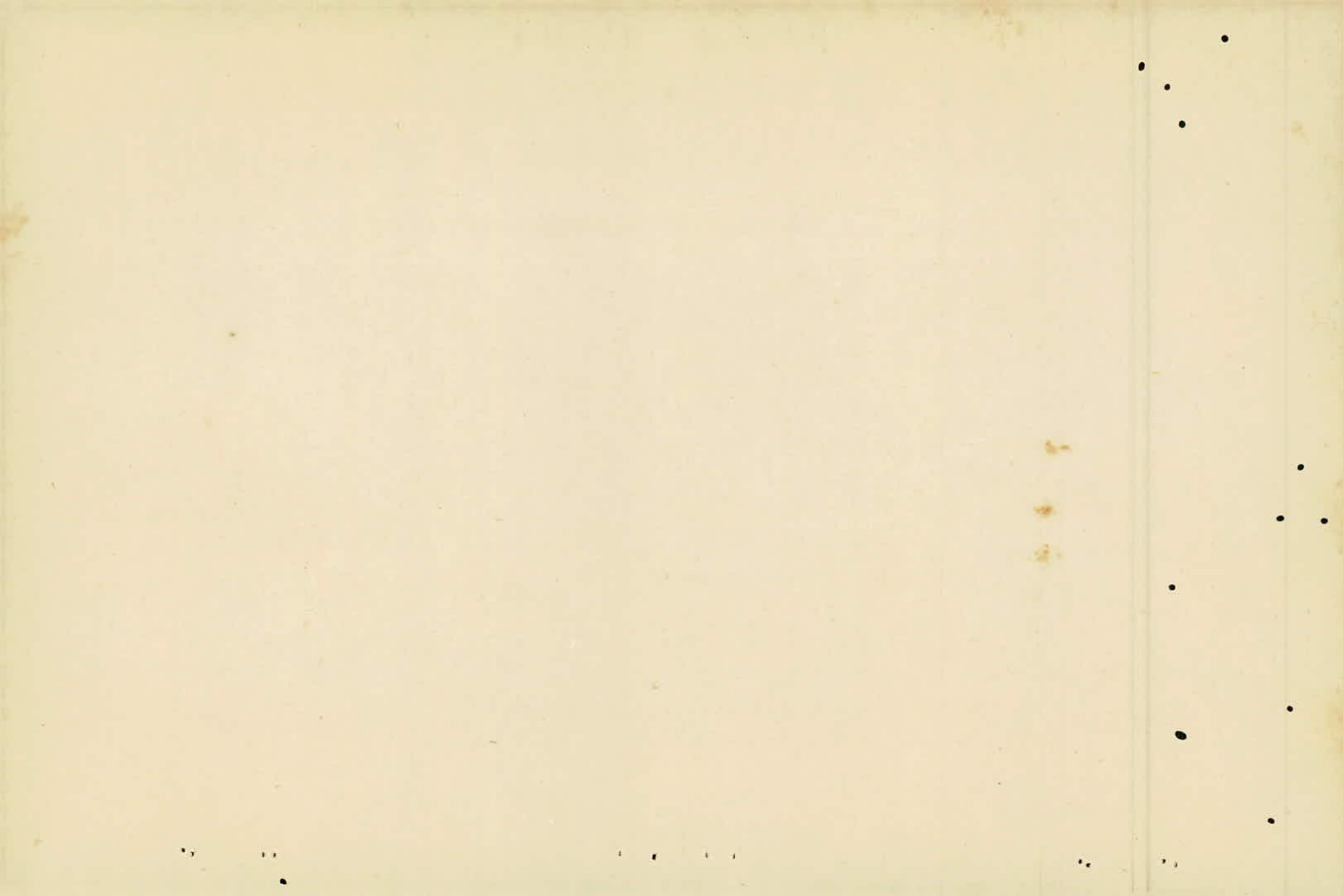
In terms of the agreements required to be executed at the time of allotment beneficiaries are to keep the houses well-maintained. They are also not allowed to alienate the houses or use them for non-residential purposes.

There was, however, no system in the Department for periodical inspection of the houses to ascertain whether these conditions were being observed.

## 26. Cranes at Alleppey Port

Four cranes (two operated by electricity and the other two by steam power) were installed at Alleppey Port for use by steamer agents for lifting import/export cargo at the Port.

The Port authorities do not maintain any log book for watching the extent of utilisation of the cranes or the tonnage lifted. However, based on the figures of import/export cargo handled at the Port, the tonnage lifted using the four cranes during the seven years from 1967-68 to 1973-74 comes to 2,00,562 tonnes.







Even though the services of these cranes are being utilised by steamer agents for lifting import/export cargo, no cranaage fee is being levied on the ground that no rules authorising the levy have been framed so far (December 1974). Computed at the lowest rate of cranaage fee (34 paise per tonne) prescribed for other ports, the amount that could have been levied for the tonnage lifted during the period 1967-68 to 1973-74 at Alleppey Port amounted to Rs. 0.68 lakh. The Department stated (August 1974) that necessary action would be taken to prescribe the cranaage fee for the Port.

Expenditure incurred on operating the cranes during the seven years from 1967-68 to 1973-74 was Rs. 1.34 lakhs (pay and allowances of the crane crew: Rs. 0.97 lakh; cost of repairs and spare parts, etc., Rs. 0.06 lakh; electricity charges: Rs. 0.06 lakh and other contingencies: Rs. 0.25 lakh).

## FOOD DEPARTMENT

### 27. Purchase of wheat from open market

In pursuance of the discussion a representative of a private firm had with the officials of the Government of Kerala on 10th June 1974, the firm made an offer to supply within one month 5 to 10 thousand tonnes of Punjab/Haryana wheat at Rs. 185 per quintal F. O. R. any broad gauge railway station in Kerala. Accepting the offer, Government authorised the Kerala State Co-operative Consumers' Federation (on 12th June 1974) to purchase within one month 5,000—10,000 tonnes of wheat from the firm or its agents at the rate stipulated by it. The agreement entered into by the Federation with the firm on 22nd June 1974 stipulated that deliveries were to be completed by 12th July 1974 and in respect of deliveries effected after that date, price was to be refixed through negotiation. The agreement also provided that 98 per cent of the price of each consignment was to be paid on presentation of the despatch documents by a letter of credit to be opened in favour of the firm, the balance 2 per cent being payable when the delivery was completed. In case the opening of letter of credit was delayed, an advance of Rs. 25 lakhs was to be paid to the firm.

Till 12th July 1974 the firm despatched 2,103.63 tonnes of wheat (value: Rs. 38.92 lakhs) and was paid advances aggregating Rs. 50 lakhs by the Federation (letter of credit was not opened by the Federation). On the firm's representation (6th July 1974)

that it had not been able to complete the deliveries as the Federation had not provided it with necessary funds in time. Government extended the date of completion of delivery to 15th August 1974. The firm despatched another 3,658.12 tonnes of wheat (value: Rs. 66.03 lakhs) by the extended date and was paid further advances totalling Rs. 50 lakhs. Against 5,761.75 tonnes of wheat despatched in all by the firm (till 15th August 1974) the Federation received 5,730.31 tonnes (7.56 tonnes were received short). The Federation also incurred Rs. 4.30 lakhs on railway freight, demurrage and wharfage charges which were recoverable from the firm.

On 9th August 1974 the Kerala State Civil Supplies Corporation entered into an agreement with the same firm for the purchase of the balance quantity of wheat remaining to be delivered to the Federation at the rate stipulated in the agreement of the Federation. No specific delivery date for completion of supplies was, however, indicated in the agreement of the Corporation. In addition, the Corporation paid (on 9th August) an advance of Rs. 25 lakhs for delivery of wheat within one week of the payment of the advance viz., the 15th August 1974. On the 19th August 1974, Government authorised the purchase of the balance of the quantity of wheat by the Corporation instead of by the Federation stipulating that the purchase of wheat was to be completed by the Corporation by 31st August 1974. No wheat was actually supplied by 15th August 1974; the firm, however, handed over to the Corporation by that date railway receipts for 1,578.77 tonnes of wheat reported to have been despatched by it. Till the end of October 1974 the Corporation had received 3,335.08 tonnes of wheat. The Corporation paid further advances amounting to Rs. 34.80 lakhs (on 19th and 23rd August and 7th September 1974).

The following points were noticed in this connection:—

(i) In accordance with the Wheat (Price Control) Order, 1974 issued by the Government of India on 5th June 1974, a ceiling price of Rs. 150 per quintal F. O. R. despatching station was fixed for inter-State transactions in wheat. This rate was inclusive of cost of gunnies, sales tax and all incidental charges upto the stage of loading into wagons. The freight charge for transportation of wheat from stations in Punjab and Haryana to Kerala ranged from Rs. 6.12 to Rs. 6.68 per quintal. In view of this the rate of Rs. 185 per quintal F. O. R. any railway station in Kerala paid to the firm was excessive. According to the records relating to export permits issued to the licensed dealers for exporting wheat in favour of this firm from Punjab





and Haryana, during June and July 1974, the firm had purchased 84,075 quintals of wheat in the Punjab and 5,990 quintals of wheat in the Haryana mandies at prices ranging from Rs. 135-150 per quintal.

(ii) According to the information furnished by the Punjab Government to the Accountant General of that State, the ruling market rates of wheat in the mandies during June 1974 varied from Rs. 105-138 per quintal (exclusive of the cost of gunnies, sales tax and incidentals). The price of wheat in the Punjab mandies recorded a downward trend during July and August 1974 and varied from Rs. 111-126 per quintal (Rs. 111-125 per quintal in July and Rs. 117-126 per quintal in August). The Federation had also come to the conclusion in July—August that further purchases should not be made from the dealer "since the market had gone down". Despite this, the contract with the firm was not determined nor was the price re-negotiated in terms of the agreement even though the firm failed to despatch the agreed quantities by the stipulated date of 12th July 1974 or the extended date of 15th August 1974.

During July—October 1974 the Federation and Kerala Civil Supplies Corporation had also purchased another 22,817 tonnes of wheat against allotments made by the Punjab State Co-operative Supply and Marketing Federation and Punjab State Civil Supplies Corporation at the rate of Rs. 150 per quintal F. O. R. despatching station (inclusive of cost of gunnies, sales tax and incidentals). The price of this supply F. O. R. any broad gauge railway station in Kerala (including freight at Rs. 6.60 per quintal) would work out to Rs. 156.60 per quintal as against Rs. 185 per quintal paid to the firm. With reference to the price viz., Rs. 156.60 per quintal at which wheat was imported by the Federation and the Corporation from Punjab, the extra expenditure incurred in purchasing 90,968 quintals of wheat through the private firm viz., Rs. 185 per quintal works out to Rs. 18.71 lakhs.

(iii) The first extension of delivery period to 15th August 1974 was granted by Government on the firm's plea that the Federation had not provided necessary funds to it in time. The Federation, however, informed the Government on 12th August 1974 that there was no delay in providing funds to the firm. The Federation had actually advanced Rs. 50 lakhs to the firm till 12th July 1974, against which the firm had supplied wheat valued at Rs. 38.92 lakhs.

(iv) The provision for advance payments made in the agreements executed with the firm by the Federation and the Kerala Civil Supplies Corporation was not in accordance with the offer made by the firm or the Government Order accepting the firm's offer. In the case of the Civil Supplies Corporation, a consideration for an advance of Rs. 25 lakhs was to obtain supplies within one week of the date of the agreement viz., 16th August 1974. This,

however, remained unfulfilled. The advance payments of Rs. 1,00 lakhs and Rs. 59.80 lakhs made by the Federation and the Kerala Civil Supplies Corporation respectively conferred an unintended benefit on the firm. The Federation and Corporation incurred an expenditure of Rs. 0.29 lakh on account of interest charges to provide the advances.

## HIGHER EDUCATION DEPARTMENT

### 28. Performance allowance to Government Press employees

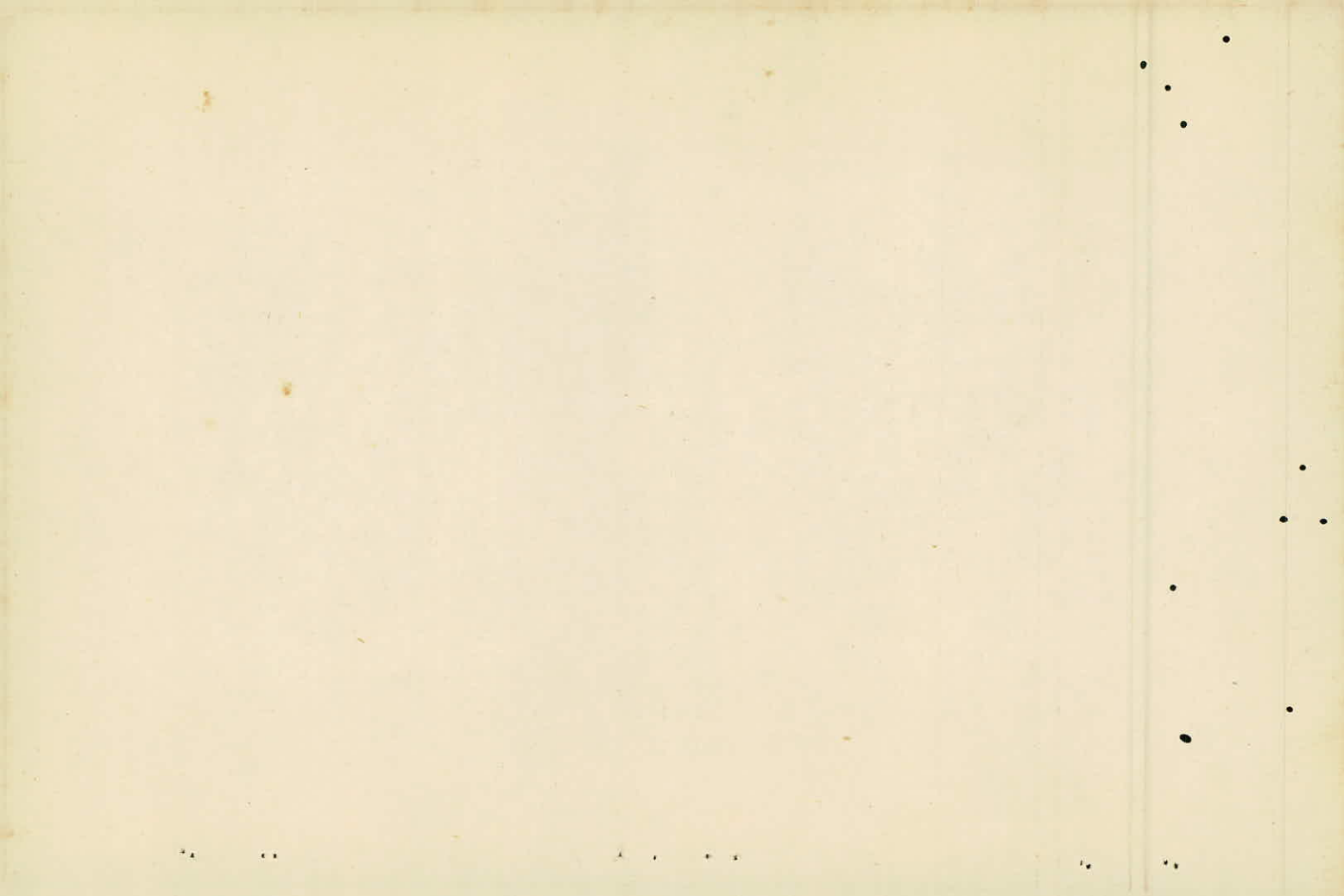
In March 1974, Government sanctioned payment of an allowance called 'performance allowance' to the employees of the Government Presses, for satisfactory performance of their duties during 1973-74. Between March 1974 and September 1974, Rs. 2.82 lakhs were paid on this account to 1,912 employees (gazetted officers: 18; non-gazetted officers: 1,894). The amount paid to each employee was 5 per cent of the total pay and allowance drawn by him during the year 1973-74.

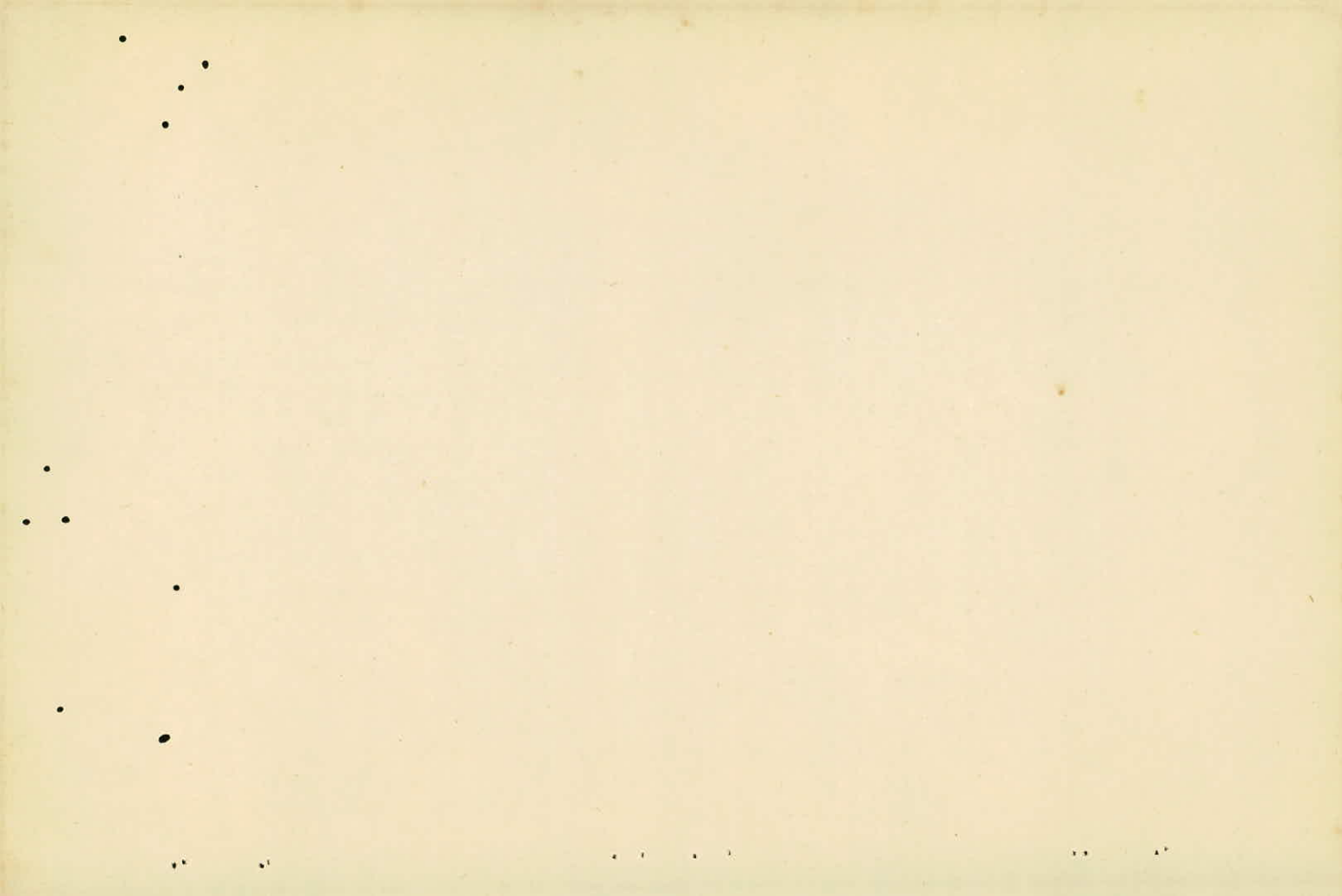
It was pointed out to Government by Audit in June 1974 that satisfactory performance of duties was an implied condition of Government service and so the payment of a lump sum allowance to a section of the employees in addition to their regular pay and allowances was not proper. Government clarified (August 1974) that the staff in the presses applied themselves to their work in spite of many provocations which would have induced them to neglect their duties and that grant of performance allowance was in recognition of the special efforts made by them in performing their duties. Government also admitted that the payment was "in the nature of an *ex-gratia* payment not within the purview of the rules".

## HOME DEPARTMENT

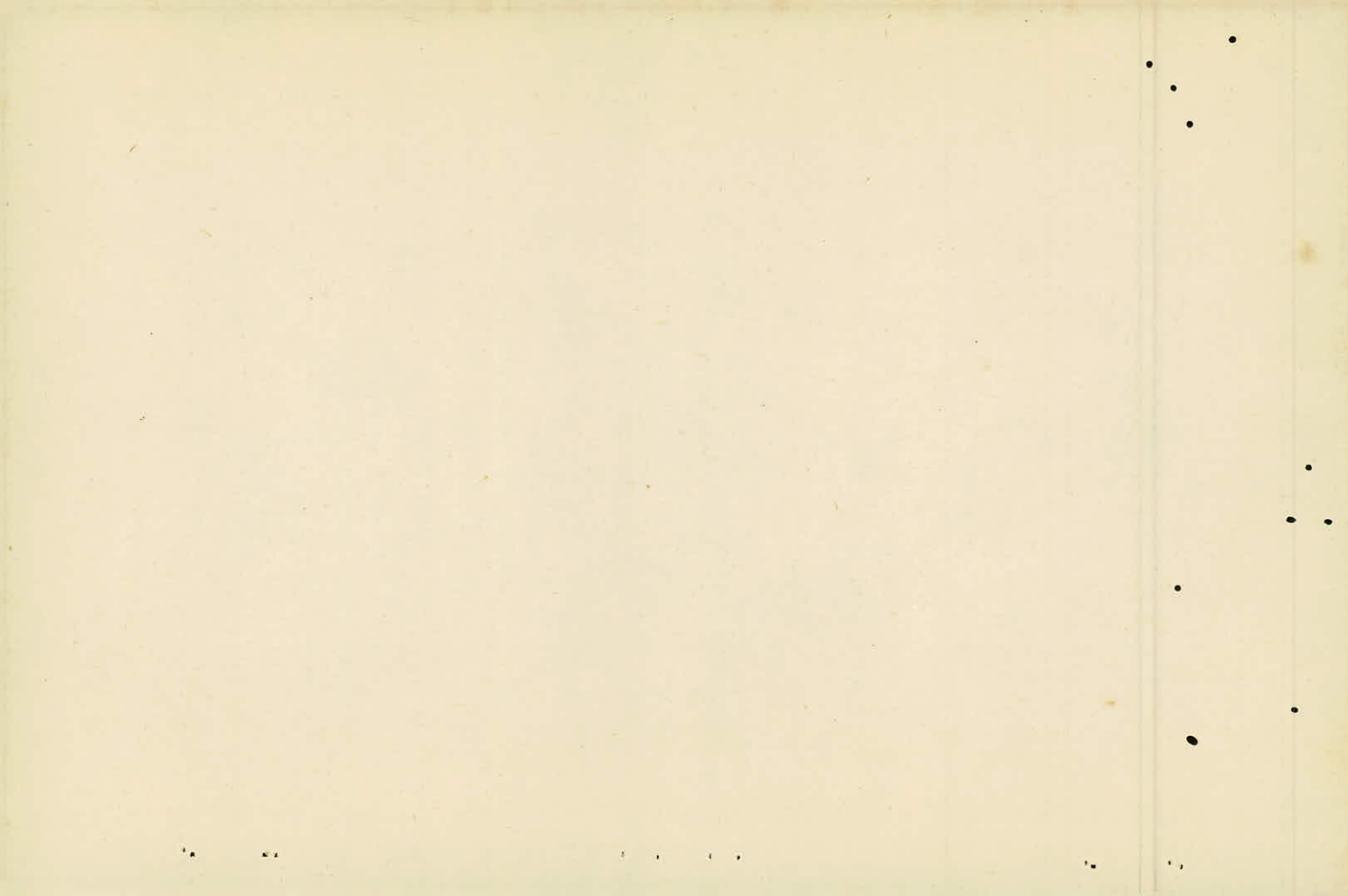
### 29. Purchase of cattle feed

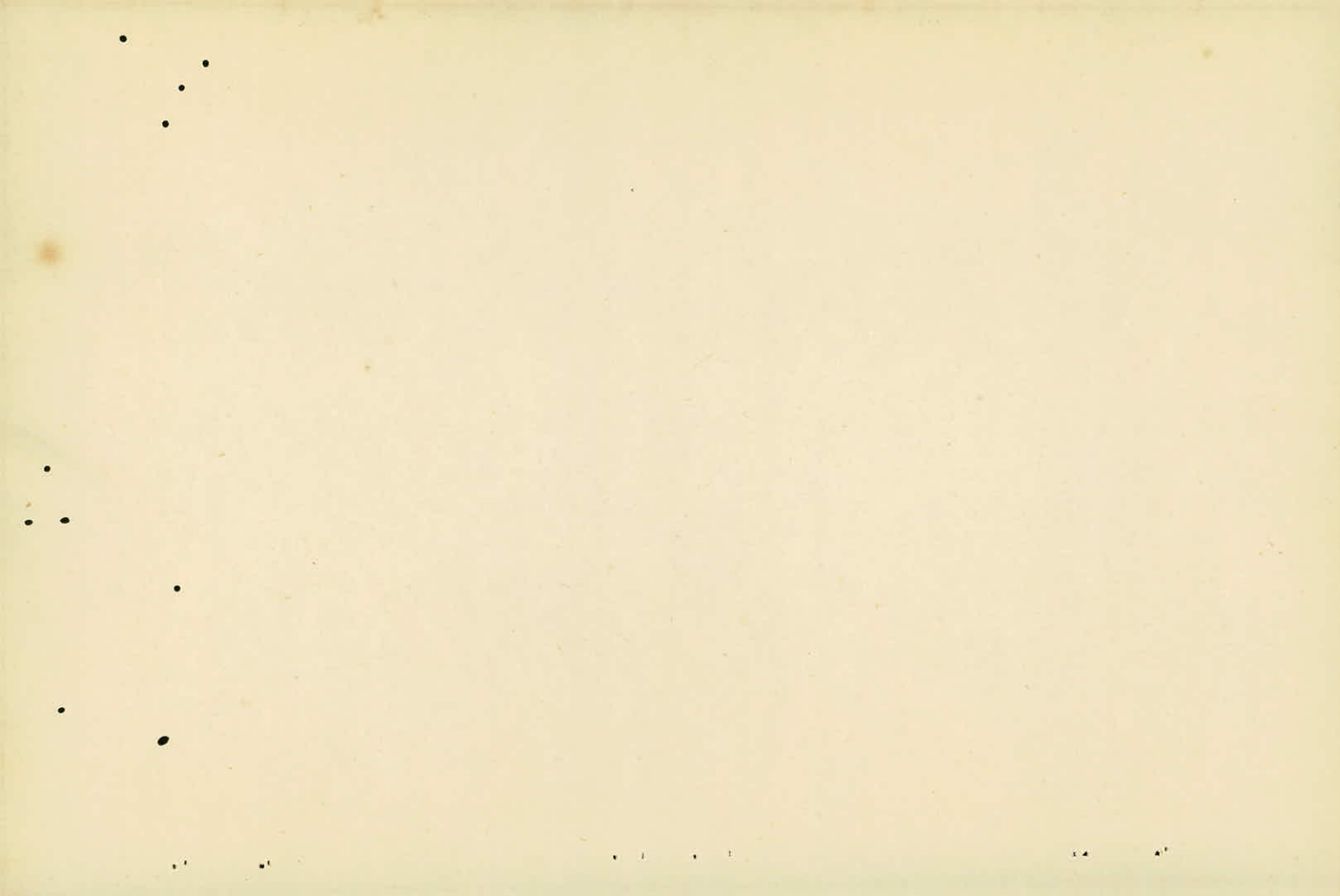
The Central Jail, Viyyur maintains forty-two heads of cattle for farm operations and milk production. They used to be fed on a diet scale (fixed by Government in December 1969) consisting of oil cakes, wheat flour, rice bran, salt, tapioca chips, gram bran, etc. These materials were purchased from private suppliers on the basis of contracts settled annually. A feed compounding factory at Malampuzha (run by the Animal Husbandry Department) had started manufacture of a balanced but cheaper variety of cattle feed in September 1970. The financial rules of the Government require that articles which could be manufactured and supplied by Government Departments should be obtained from these sources by all











(a) *Targets and achievements:*

Year-wise details of units sanctioned, amount allotted, expenditure incurred and units completed and handed over are given below:

Year	No. of units sanctioned	Amount allotted	Expenditure incurred	No. of units completed and handed over
		(in lakhs of rupees)		
1966-67	18	9.00	0.83	..
1967-68	18	9.00	5.99	..
1968-69	..	13.00	3.51	2
1969-70	..	2.00	3.72	5
1970-71	4	4.00	3.29	1
1971-72	20	10.00	3.81	7
1972-73	16	6.00	8.26	4
1973-74	20	7.00	7.42	3
Total	96	60.00	36.83	22

The table above shows that:

- (i) against 96 units sanctioned during the eight years from 1966-67 to 1973-74, only 22 units could be completed and handed over to the entrepreneurs till the end of March 1974;
- (ii) progress in the implementation of the scheme so far (March 1974) has been very slow;
- (iii) out of Rs. 29 lakhs allotted during the Fourth Five Year Plan period a sum of Rs. 26 lakhs was required for completion of 34 out of the 36 units sanctioned during the three previous Annual Plan periods. A sum of Rs. 3 lakhs only was thus available for the 60 units sanctioned during the Fourth Plan period; and
- (iv) even the amount allotted was not fully utilised by the Department in five out of eight years since the inception of the scheme.

Details received from the Department (January 1974) indicated that out of 74 sanctioned units which remained to be completed, work on 33 units was in progress (in 6 cases only land had been acquired; in 18 cases buildings had been constructed and in the

remaining 9 cases machinery had been purchased). In another 20 cases although allotment of units to individuals/institutions had been made nothing tangible had been done so far (February 1974). In 6 other cases allotment made had to be cancelled consequent on the beneficiaries backing out. In the remaining 15 cases even the selection of the allottees had not been done. At the rate of rupees one lakh per unit, the additional amount required for completion of the remaining units (74) so far sanctioned comes to about Rs. 59 lakhs.

(b) *Non-inspection of units:*

The hire-purchase agreements empower the officers of the Industries Department to inspect the units to ensure that there is no misutilisation of the assistance given by Government. Such inspection is not being conducted. In the absence of this, it cannot be ensured that the units completed and handed over to beneficiaries are functioning satisfactorily and are producing the goods for which they were started.

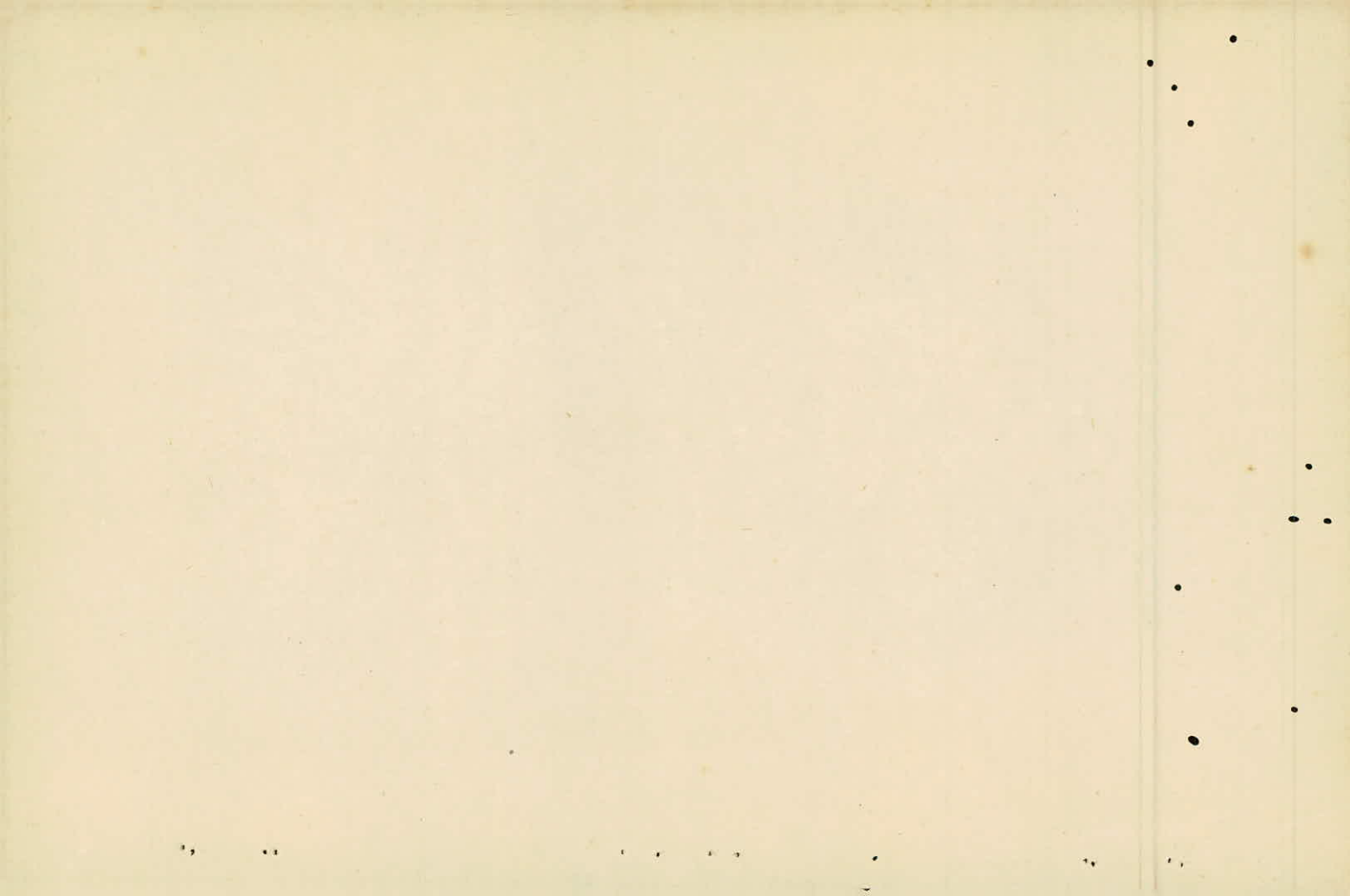
(c) *Arrears in collection of dues:*

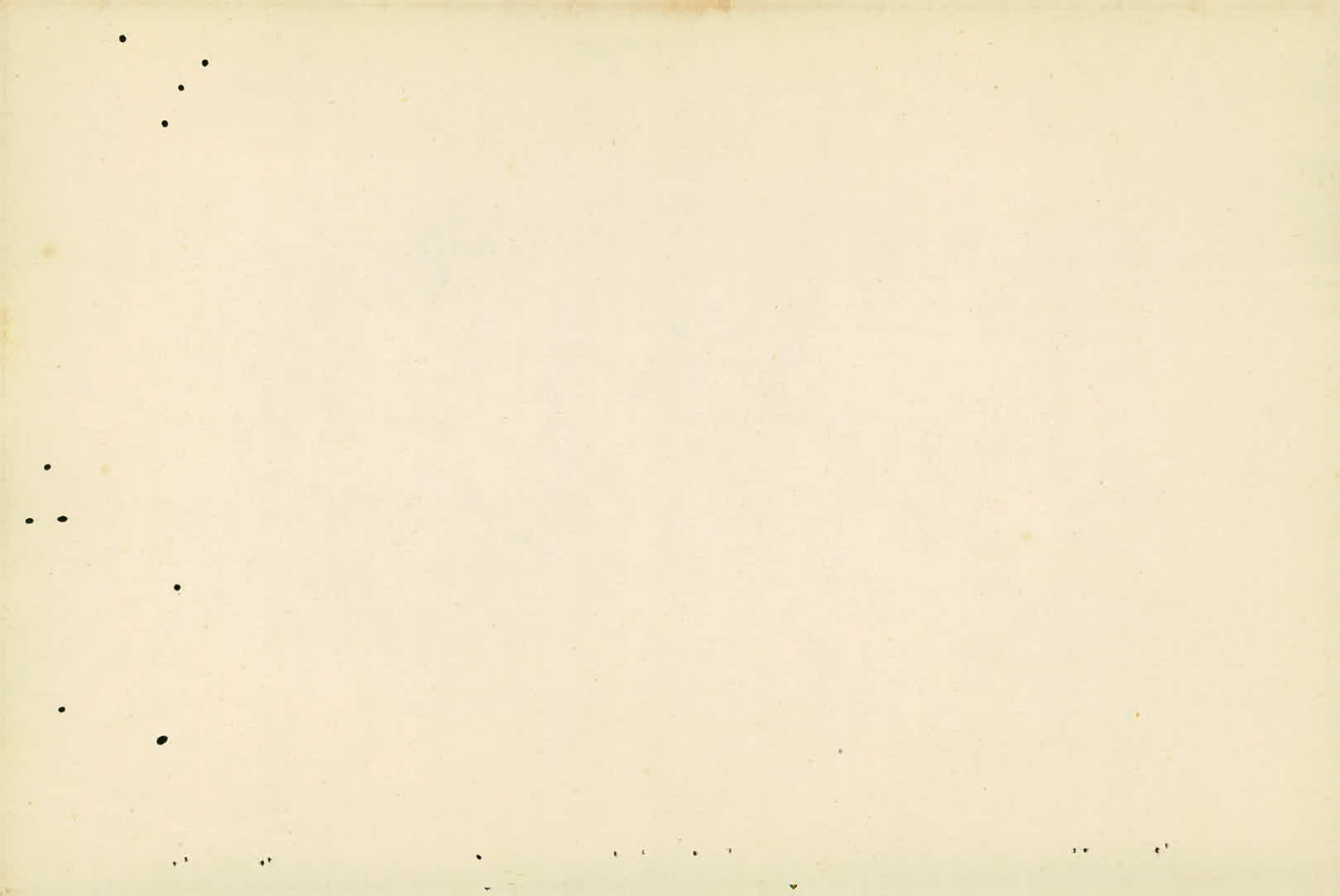
Out of Rs. 3.98 lakhs (principal: Rs. 2.45 lakhs; interest: Rs. 1.53 lakhs) which fell due for repayment till December 1973, in respect of 17 completed units handed over to beneficiaries upto December 1972, Rs. 3.32 lakhs (principal: Rs. 2.12 lakhs; interest: Rs. 1.20 lakhs) were pending recovery (January 1974). The overdues work out to 83 per cent of the demand. In terms of the agreements executed by the hirers, sums due are recoverable under the provisions of Revenue Recovery Act.

Some instances of default are mentioned below:—

(i) Small Scale Production Centre No. I, Quilon (a foundry and engineering works) was handed over to an entrepreneur in August 1969. On the hirer's failure to pay the instalments amounting to Rs. 25,133 (principal: Rs. 15,836; interest: Rs. 9,297) due in August 1970, 1971 and 1972, the Department took possession of the unit in March 1973. On instructions from Government, issued on the basis of a representation from the hirer, the unit was restored to him in September 1973 after his making a part payment of Rs. 5,000 and executing a fresh agreement providing for a revised schedule of payments. No further payment has been made by the hirer so far (March 1974). Total amount overdue (March 1974) was Rs. 33,887 (principal: Rs. 23,153; interest: Rs. 10,734).

(ii) Small Scale Production Centre No. IV, Trichur (an ice plant) was handed over in November 1970 to an entrepreneur after accepting Rs. 5,772 against Rs. 17,315 due towards initial payment





Government offices and institutions irrespective of the cost of any single order. In response to an enquiry (March 1972) from the Superintendent of the Jail, the Factory offered in March 1972 to supply the entire cattle feed required by the Jail at Rs. 650 per tonne, free of transportation charges. The per head cost of this feed was cheaper than the cost of feed purchased from contractors according to the then existing diet scale. But the proposal for substituting the new feed for the feed purchased from contractors was sent by the Superintendent of the Jail to the Inspector General of Prisons only in February 1973, i.e., about one year after the factory had made the cheaper offer. The Inspector General's approval to the proposal was communicated only in August 1973 and Government's orders modifying the diet scale (prescribed in 1969) for live stock of the Jail Department were issued in October 1973. From the fourth week of November 1973 onwards, the animals of the Jail's farm are being fed on the new feed.

Computed on the basis of the difference in cost of feed purchased on the old diet scale from private suppliers and the cost of feed of Malampuzha factory, the delay of nineteen months (from April 1972 to third week of November 1973) in switching over to the balanced but cheaper feed resulted in an extra expenditure of about Rs. 0.35 lakh.

Government stated (November 1974) that the delay in processing the proposal by the Superintendent of the Jail was mainly due to the delay of seven months from May 1972 in filling up the post of Agricultural Demonstrator of the Central Jail and the strike by a section of the employees from 10th January 1973 to 4th March 1973.

## INDUSTRIES DEPARTMENT

### 30. Small Scale Production Centres

Under the Community Development Programme, a scheme for establishing workshops in rural areas and giving them on hire purchase basis to entrepreneurs or co-operative societies of agriculturists was taken up and implemented by Government during the Third Five Year Plan, spending Rs. 4.72 lakhs. The ready response to this scheme prompted Government to launch in October 1966 a new scheme for the establishment of 'small scale production centres'.

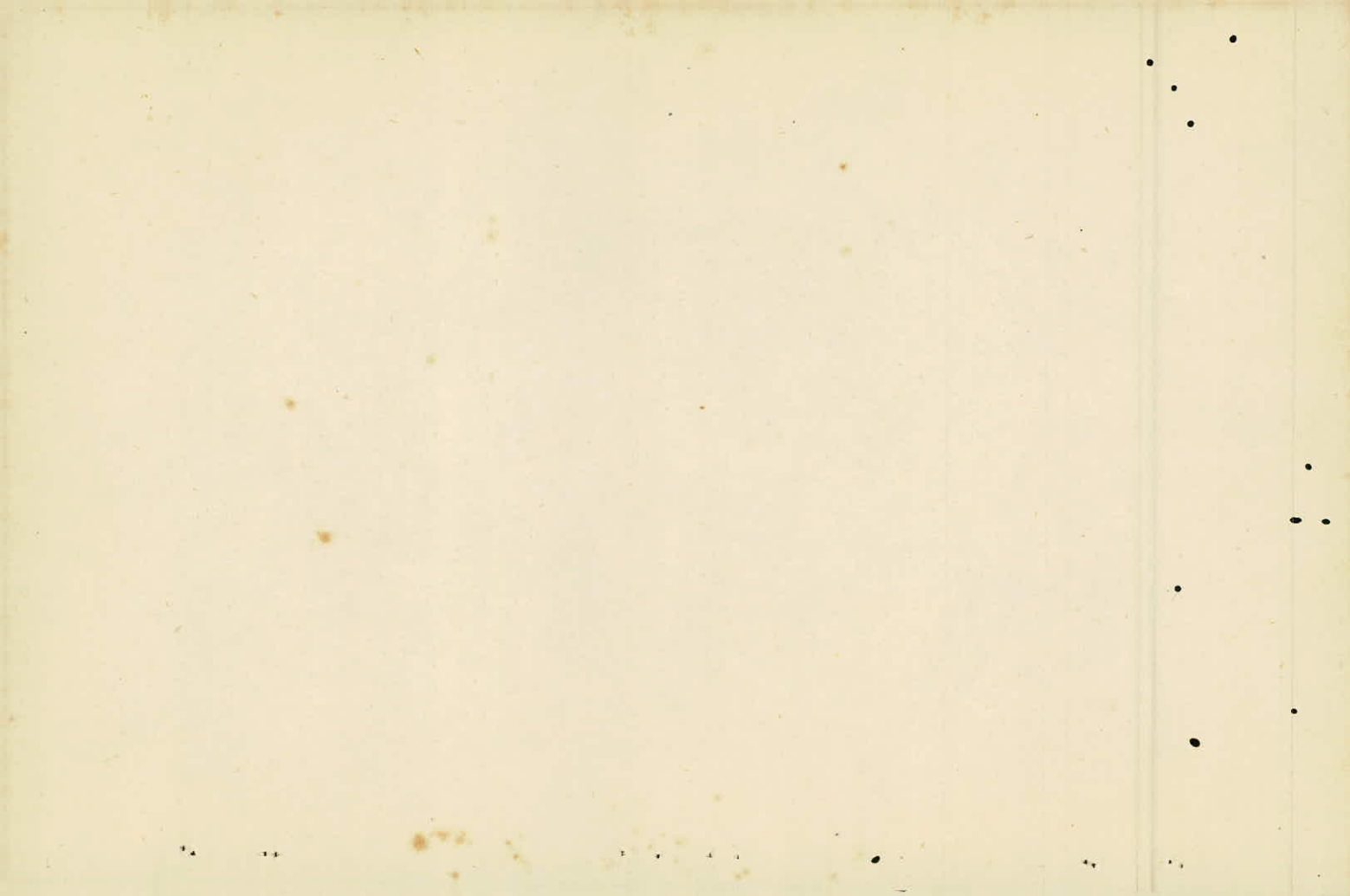
This scheme envisaged setting up of small scale production centres in N. E. S. Blocks on the same lines as the rural workshops. Each production centre was estimated to cost about rupees one lakh

(land: Rs. 0.08 lakh; building: Rs. 0.20 lakh; machinery: Rs. 0.70 lakh; electrification and erection: Rs. 0.02 lakh). The Industries Department was to arrange for acquisition of land, construction of building and installation of machines. Hirers could surrender the land owned by them if they had clear title to the land and preference was to be given in allotment of the production centres to such hirers. The site for locating each centre was to be selected with due regard to the potentialities for development of the area. The allotment of units was to be made on the basis of applications from individuals or institutions after considering the technical feasibility of the proposals made by each applicant, his financial ability, industrial aptitude, etc. On allotment, the hirers were to remit Rs. 5,000 as earnest money deposit, adjustable against the first payment due on taking over of the unit. Preference was to be given to industries manufacturing defence-oriented or export-oriented items or those utilising locally available raw materials and resources. An agreement was to be executed by the beneficiary before the unit was handed over to him.

Twenty per cent of the cost of the unit (excluding cost of land and building) was to be paid by the hirer while taking over the unit. The balance eighty per cent was payable in nine equal instalments, the first instalment falling due on completion of two years from the date of takeover. The cost of land and building was to be paid by the hirer in twenty equal annual instalments, the first instalment being payable on the date of takeover. Hirers holding a degree in any branch of technology, were to pay only five per cent of the cost of the unit (including cost of land, building and machinery) as initial payment at the time of taking over the unit, the balance being payable in nineteen equal instalments. The hirers were to pay interest at 5.5 per cent per annum on the annual instalments and penal interest at two per cent per annum over and above the normal rate on defaulted instalments.

Mention about non-completion of some units sanctioned under the scheme during 1966-67 and 1967-68 was made in paragraph 34(2) of the Report of the Comptroller and Auditor General of India for the year 1969-70. The Public Accounts Committee (1971-72) was informed by the Department that revision of the rules was under consideration to avoid the procedural delays in the implementation of the scheme. The Committee in paragraph 2.36 of its Ninth Report had urged that the proposed revision of the rules should be taken up without delay and that vigorous steps should be taken to expedite the implementation of the scheme. Action taken by Government thereon has not been intimated so far (November 1974). On a further review of the scheme conducted by Audit the following points were noticed:—







under orders of Government. Three months' time was allowed for payment of the balance amount (Rs. 11,543). But neither the balance due towards initial payment nor the further annual instalments had been paid by the hirer (November 1973). Revenue Recovery Proceedings initiated by the Department in July 1972 were stayed by Government in November 1972, pending disposal of a petition submitted by the hirer. The amount defaulted till November 1973 was Rs. 41,718 (principal: Rs. 28,824; interest: Rs. 12,894). In July 1974 Government vacated the stay order and Revenue Recovery Proceedings for the realisation of the dues from him are reported to be in progress (November 1974).

(iii) Small Scale Production Centre No. I, Alleppey intended for the manufacture of automobile spares was completed in March 1970 at a cost of Rs. 73,724. Though it was handed over to an entrepreneur in August 1971, it is yet to start production (March 1974). On the hirer's failure to pay instalments due (principal: Rs. 6,914; interest: Rs. 6,813) the District Industries Officer initiated (November 1972) action to resume possession of the unit, but this was stayed (November 1972) by the Director of Industries and Commerce. In November 1974 Government stated that, in view of financial difficulties, the party had entered into a partnership deed which was under scrutiny and that the unit was expected to go into production immediately.

(iv) Small Scale Production Centre No. IV, Kottayam District (for the manufacture of coconut-shell products) was allotted to an entrepreneur in October 1969. After spending Rs. 9,532 on the unit (cost of land: Rs. 8,000; preliminary expenses in connection with purchase of machinery: Rs. 1,532) the Department in September 1972 cancelled the allotment as the hirer backed out of the scheme. Government ordered (February 1974) the forfeiture of the earnest money deposit of Rs. 5,000 furnished by the entrepreneur and recovery in lump of the balance dues with interest. The balance amount (Rs. 4,532) and interest due (Rs. 2,234) have not been remitted by the party so far (October 1974). The District Industries Officer, Kottayam stated (October 1974) that the unit had been allotted to another party for the manufacture of modern woodcraft, and the party had remitted the earnest money deposit of Rs. 5,000.

(v) Machines worth Rs. 85,492 were handed over to the hirer of a production centre (Small Scale Production Centre No. I) in Malappuram District in January 1969, on his paying 20 per cent of the cost as initial instalment. Further instalments were not paid by him. On a representation from him (expressing financial difficulties, non-availability of raw material, market competition etc.) Government, in August 1972, agreed to reschedule the repayment. In January 1973 the hirer sent another petition to Government requesting for exemption from payment of interest (Rs. 15,046) which

had accrued upto January 1973. Government instructed the Department in February 1973, that no action need be taken for recovery of the dues till the disposal of the petition. In January 1974 Government permitted the party to remit the defaulted interest in four quarterly instalments. Subsequently in September 1974 Government, however, permitted him to remit Rs. 500 before the 30th September 1974 and the balance in annual instalments. Further developments are awaited (November 1974).

(d) *Machines not used:*

(i) Machines (cost: Rs. 20,709) purchased in October 1969 and April 1971 for a cattle feed unit in Trichur District remain unused (November 1974) for want of certain additional machinery even though the unit was handed over to the hirer in August 1972. In March 1974 Government sanctioned Rs. 25,000 to the hirer for purchase of additional machinery. Further developments are awaited (November 1974).

(ii) Machines (cost: Rs. 42,250) purchased for Small Scale Production Unit No. 4 in Cannanore District between June 1971 and May 1972 remain unused (March 1974) as the construction of the building in which they were to be installed had not been completed by the entrepreneur so far. In May 1974 the Department cancelled the allotment of the unit in favour of the party and ordered forfeiture of the earnest money deposit. On a representation from the party, Government, however, stayed (July 1974) the execution of the orders issued by the Department till December 1974.

(e) *Extra expenditure, losses etc.:*

(i) Machines costing Rs. 16,685 purchased for Small Scale Production Centre No. 1, Edakode (Trivandrum District), which reached the railway station on 7th February 1973, were cleared only on 11th June 1973 necessitating payment of Rs. 11,887 as demurrage and wharfage charges. Out of this, Rs. 6,566 were met by the suppliers as delay till 14th March 1973 was due to non-receipt of despatch documents from them. The balance was met by the Department. In November 1974 Government stated that as per the legal opinion obtained, the responsibility for delay in clearing the consignment was with the suppliers and that the District Industries Officer had been directed to file a civil suit against the suppliers for recovery of the balance also.

By the time the machines were cleared (11th June 1973), their parts got rusted as packing cases had been completely damaged during transit. According to Government (November 1974), an amount of Rs. 1,500 would be required for the repairs before the machinery could be put to use.

(ii) Four Hand Screw Presses (cost: Rs. 15,000) were ordered for a centre in Trivandrum District. Rupees 13,500 were paid towards 90 per cent cost in March 1971 against despatch documents produced by the supplier. The packages received in May 1971 were taken delivery of by the hirer on behalf of the Department. As there were some complaints about the supplier, the Department wanted to open the packages in his presence. But he did not respond to notices sent to him; finally when the packages were opened on 27th November 1971, it was found that the crates contained only the bottom blocks and top blocks of the screw presses and that the presses proper were missing. After obtaining legal advice, the Department served (September 1973) notice on the supplier to refund the amount paid to him. In November 1974 Government stated that the matter was under investigation by the Vigilance Department.

(iii) A unit for manufacture of electronic capacitors situated in Shoranur Industrial Estate, (Small Scale Production Centre No. I) in Palghat District, for which machines worth Rs. 76,587 had been purchased, though completed in July 1969, was taken over by the hirer only in September 1971. The delay was ascribed by the Department to reallocation of the unit in June 1971 to one of the partners after dissolution of the partnership. As interest was payable by the hirer only from the date of taking over the unit, the delay has resulted in loss of interest amounting to Rs. 9,000 for the period July 1969 to September 1971.

(iv) In connection with the establishment of a unit in Cannanore District for the production of dehydrated fruits and vegetables the Department permitted (April 1970) an entrepreneur to construct a building on the land proposed to be acquired for the unit. Rupees 8,000 were paid to the entrepreneur for the building in May 1970 when the construction reached basement level and Rs. 10,000 in September 1970 when the construction reached wall plate level. Possession of the land was taken by the Department on 13th August 1970. According to land acquisition award passed in June 1971, Rs. 10,767 were paid to the landowner as compensation for the land and improvements thereon. The improvements paid for included 'laterite stone masonry upto basement level' valued at Rs. 5,560 put up by the entrepreneur with funds advanced by Government and for which no amount was payable to the landowner.

LOCAL ADMINISTRATION AND SOCIAL WELFARE  
DEPARTMENT

### 31. One Lakh Houses Scheme

#### (1) Formulation of the Scheme:

① The Government of India formulated in October 1971 a Central Sector Scheme for providing developed house sites of 100 sq. yards each (2 cents) free of cost to the landless workers in the rural areas who had not been benefited from the Land Reforms Legislation conferring homestead rights in respect of sites on which their houses/huts stood. The scheme was to be implemented through the State Governments. The object of the scheme was to enable the landless workers to build houses/huts with their own resources so that they might live there without being constantly faced with the threat of eviction. The scheme envisaged assistance to the State Governments, equal to the full cost of acquisition of the land for the house sites and cost of development of the land subject to a maximum of Rs. 150 per house site (in the case of Kerala the assistance for development was limited to 50 per cent of the cost subject to a maximum of Rs. 75 per house site). The administrative expenses were, however, to be met by the State Governments from their own resources. The State projects were to be undertaken for implementation in one district at a time, only after approval by the Government of India.

②  
③ The State Government decided in December 1971 to implement the scheme and to combine it with a massive housing project of its own for provision of houses to the landless workers in rural areas in the State who had not been benefited by the various housing schemes sponsored in the past. The scheme, as amplified by the State Government, contemplated allotment of 96,000 house sites (of 4 cents each) with a small house constructed on each site to the landless workers at the rate of 100 houses in each of the 960 Panchayats. Fifty per cent of the houses to be constructed in each Panchayat were to be earmarked for allotment to the landless workers belonging to Scheduled Castes and Scheduled Tribes. The market value of each house was estimated to be between Rs. 2,000 and Rs. 2,500 (with material component of Rs. 500 to Rs. 600). The labour for the construction of houses and development of land was expected to be obtained through voluntary efforts of beneficiaries, students, unemployed people and voluntary organisations. The scheme was approved by the Government of India in April 1972.

→ P.87 This is only a letter to the Ag convey  
C.V. sanction for the release of these instalment  
of grant

① P. 1 of the Booklet I Government of Andhra Scheme  $\frac{C 29}{C I}$   
Adaptation to Kerala - Pt. 1 of  
the Booklet I

② P. 1 of the Booklet II and clause 3(ii) of the  
Government of Andhra Sanctions dated 12-4-72  
 $\frac{C 19}{I}$

③ C 1/I

④ P. 12, 513 of BK I

⑤ P. 6/I - Panchayat Rules 1972 (Published on  
6-4-1972)

⑥ P. 24/BK I

- ① P. 12 of BK I
- ② P. 25 of BK I and Govt. reply (12/74) at  $\frac{P. 85}{\sqrt{V}}$
- ③ Cost of land . . . . Rs. 6.06 crores @ Rs. 150 . . . . !  
 Dev. works @  
 Rs. 75/-      Rs.  $\frac{0.72}{6.72}$  . . . . . P 23 & 26 of BK

④ Rough estimate based on the statement at  $\frac{C_1}{C_2}$

⑤  $960 \times 5000 = 48,00,000 = 0.48 \text{ cr}$

⑥  $96,000 \times 100 = 96,00,000 = 0.96 \text{ cr}$

⑦ Para 1 (P 87/ $\sqrt{V}$ ) of Govt's reply (12/74) & Para 2 at C102

⑧ Para 1 of Govt. letter (12/74) P 87 & Para 3 at C. 102

→ Average quantity of log required for a duplex

$300 = \frac{\text{Av. cost/cm}}{\text{including sawing, etc.}}$

from BK II (P 8)  
 $= 1.34 \times \frac{4}{3} = 1.5 \text{ cm roughly}$   
 $= 1.5 \times 48,000 \times 300 = \text{Rs. } 2.16 \text{ cr}$   
 $= \text{Rs } 2 \text{ cr. roughly}$

① P 23 / BK I



Although the scheme as approved by the Government of India was intended to be implemented from district to district, the State Government decided to launch the scheme simultaneously in all the districts of the State.

(2) Sources of funds:

The scheme envisaged creation of assets worth about Rs. 30 crores (land: Rs. 6,06 lakhs; development: Rs. 2,00 lakhs and houses: Rs. 21,94 lakhs). The Project Report did not, however, indicate the estimated cost of construction of the houses. The resources required for implementation of the scheme were expected to be raised from the following sources:—

<i>Source</i>	<i>Amount</i> <i>(in crores of rupees)</i>
(i) Government of India (Cost of land and 50 per cent of the expenditure on development of land)	6.78 (3)
(ii) State Government (Supply of timber, transport and sawing charges)	2.00 (1)
(iii) Contribution by Panchayats (Rs. 5,000 to be contributed by each Panchayat at the rate of Rs. 50 per house site)	0.48 (5)
(iv) Contribution by allottees (Rs. 100 to be paid by each allottee in 10 monthly instalments)	0.96 (6)
(v) Contribution expected from the public to be routed through the Kerala Chief Minister's Housing Fund constituted in May 1972	3.00 (7)
(vi) Public contribution to be raised by Panchayats, in cash and voluntary labour	2.00 (8)
Total	15.22

The total resources thus anticipated by Government for implementation of the scheme which was expected to create assets worth Rs. 30 crores were only Rs. 15.22 crores.

(3) Targets:

The land to be acquired/developed was 4,680.49 acres (excluding 119.51 acres already in the possession of the Government/

① Panchayats). The target date fixed by the Government (as per Project Report) for the completion of acquisition and development of the land and allotment of house sites was 1st May 1972. The construction of 96,000 houses was to be completed within a period of six months thereafter i. e., by the end of October 1972 so that completed houses could be handed over to the allottees on the 1st November 1972, the anniversary of the birth of the Kerala State. The target date for the completion of the houses was subsequently revised to end of March 1973 and again to the end of March 1974 as seen from the press releases issued by the Government in August 1972 and January 1974. Government, however, stated in July 1974 in reply to an audit enquiry that it was not possible to fix a target date for completion of the scheme and the intention was to complete the scheme as a whole as early as possible.

④ (4) *Administrative and financial arrangements:*

(i) *Agency for implementation:*

⑤ The implementation of the scheme was entrusted to the Panchayats by framing rules under the Kerala Panchayats Act. The Panchayats were made responsible for the selection, purchase and development of the land, the allotment of house sites, the purchase of materials other than those supplied by Government, the construction of houses, the mobilisation of voluntary labour and the collection of the contributions at the Panchayat level. For this purpose, three committees were constituted in each Panchayat: the house site committee for selection and allotment of house sites, the house construction committee for arranging and supervising the development of land and the construction of houses, and the technical committee for providing technical guidance and supervision. The technical committee was to be assisted by the officials of the Public Works Department and the Public Health Engineering Department.

⑦ The Panchayats were to purchase the house sites through negotiation after the suitability of the sites and the reasonableness of the agreed rates were certified by the authorised Revenue Officers not below the rank of Tahsildars. Under the rules issued by Government in April 1972 the Panchayats were required to publish a list of lands offered for sale and price demanded before arranging the purchase. One third of the price was payable in cash (to be paid by the Tahsildars) after getting the sale deeds executed (which were exempt from Stamp Duty and Registration charges) and the balance by the issue of compensation bonds encashable after one year/two years.

① P<sub>23</sub> - Bk I. Please see also page 25 where  
it is stated that the 16th & 17th months  
to be completed within 7 months.

② In vol. I by ③ at C<sub>47</sub> / XIII

④ C<sub>201</sub> / C II

⑤ Rules C<sub>5-11</sub> / I

⑥ C<sub>3</sub> / Bk II

⑦ C<sub>7</sub> (Nanchayat Rules 5 & 6) and

C<sub>23</sub> / I. Notification regarding

issue of Bond dt. 26-5-72 at C

⑧ C<sub>77-79</sub> / I

39  
I.

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① P. 12 Bonnet II in VII  
+ P. 87 | VII

② P. 63 | VII. Pp. 63-65

③ P. 123 | IX

④ P. 123 | VII C-I

⑤ P. 87 | VII C V (Pans)

⑥ P. 3 Bonnet II in VII

⑦ P. 4 Bonnet II in VII

The development of the land was to be in accordance with the layouts prepared by technical personnel and was to comprise levelling of land, laying of streets and construction of drains and wells. The assistance for this purpose received from the Central Government was to be passed on to the Panchayats by the State Government by making a provision in the Budget. The grant was to be released to the Panchayats after getting details of the expenditure incurred and the monetary value of the voluntary labour. (1)

The rules issued by Government in August 1972 for the functioning of the committees envisaged opening of Deposit Accounts in the name of the committees in the nearest nationalised or scheduled bank or in a co-operative institution. All amounts received by the committee from the Government, the Kerala Chief Minister's Housing Fund, the Panchayat and by way of contribution from the public were to be credited to this account and all expenditure on the development of house sites and on the construction of houses was to be debited to this account. The detailed accounts of the Deposit Account were to be maintained by the Executive Officer of the Panchayat, who was to be the convener of the committee; the accounts were subject to inspection by the officers of the Panchayat Department and audit by the Examiner of Local Fund Accounts. Government, however, instructed the Panchayat Department in May 1973 "not to interfere indiscriminately or without good reasons with the actions of the Panchayats in respect of this scheme" as this might adversely affect its implementation. In reply to an audit enquiry, the Examiner of Local Fund Accounts stated in May 1974 that the audit of the accounts of the scheme had not been taken up by him for want of information regarding the finalisation of the accounts. Government stated (December 1974) that the intention was that the audit would be arranged after the scheme was fully completed and accounts settled in each Panchayat. However, according to the instructions issued by Government (1972) the accounts were subject to audit by the Examiner of Local Fund Accounts after the close of each year. (2) (3) (4) (5) (6)

(ii) *Co-ordination at the Block level:*

In every Community Development Block, a Block level advisory committee with the Block Development Officer as the convener was formed to co-ordinate the activities of the Panchayats falling within the jurisdiction of the Block and to arrange for distribution of building materials among the Panchayats in accordance with the directions of the Government and the District Collectors. (7)

(iii) *Co-ordination at the District level:*

The District Collectors were to be in overall charge (within their districts) of the implementation of the scheme. A technical committee at the district-level was also constituted to advise the District Collector on technical matters relating to the scheme. The District Collectors were also to be in charge of the arrangements for the procurement and distribution of cement, tiles etc., required for the Panchayats in each district and also to help the Panchayats to procure other materials, the responsibility for the collection of which was on the Panchayats.

A deposit account was opened in each district in the name of the District Collector in the State Bank of Travancore or the Syndicate Bank or the Union Bank of India, for meeting expenditure to be incurred by the District Collectors for the implementation of the scheme in the districts. All amounts allotted from the Kerala Chief Minister's Housing Fund and received by way of contribution from public were to be credited to this deposit account. Detailed accounts for the receipt/expenditure in the deposit account were to be rendered by the District Collectors to the Finance Secretary to the Government and were subject to audit by the latter and his staff.

(iv) *Co-ordination at the Government level:*

Instructions connected with the implementation of the scheme were being issued from time to time by the Government in the Local Administration and Social Welfare (Housing) Department. An assessment of the achievements under the scheme was to be done at the State level by the Government on the basis of the fortnightly progress reports to be received from the Executive Officers of the Panchayats.

(v) *Progress Reports:*

The Executive Officers of the Panchayats were to report fortnightly the progress of construction work to Government. The Block Development Officers and the District Collectors were to watch the progress closely and were to arrange the supply of materials in time. The Officers of the Panchayat Department were also to inspect and supervise the functioning of the Panchayats regularly with particular reference to the maintenance of accounts.

(5) *Review of implementation:*

The implementation of the scheme was reviewed by Audit with reference to the records maintained in the State Secretariat,

① P. 405 z. Beschrift. II in Vol. I.

② PP. 231-232 | C II.

③ P. 14 z. Beschrift. II in Vol. I.

④ P. 14 do do

① Target date |  $\frac{5}{21}$  P. 2-3 g BK I  
|  $\frac{11}{21}$  in Vol I

② P. 5 | Vol I - Pl-Rids

③ P. 23 | Vol I

④ P. 39 | Vol I

⑤ P. 50 | Vol XIII

⑥ P. 6 g Pairs Returns | Vol I

⑦ P. 7 | Vol XIII

⑧ P. 59 | XV

⑨ P. 7 | Vol XIII (Eggs in Maxine  
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P. 201 | C-II



the District Collectorates and the District Panchayat Offices and in two selected Districts—Trivandrum and Kottayam—in the Community Development Blocks and Panchayats as well. The points noticed by Audit are given below:—

(i) *Achievements:*

(A) *Physical:*

The target date fixed for the completion of the acquisition of the entire 4680.49 acres of land required for the scheme was 1st May 1972. Rules for the acquisition of land were, however, issued by the Government only on the 6th April 1972 and the Notification regarding the various Revenue Authorities who were to certify the suitability of the sites and reasonableness of their prices was issued by the Government on the 3rd May 1972. The terms and conditions for the issue of Compensation bonds for part value of the land acquired were notified by the Government on the 26th May 1972. Action for the acquisition of the land could therefore be initiated only after the expiry of the original target date. Till the end of December 1972 (two months after the expiry of the target fixed for the completion of all the 96,000 houses) only 3840.56 acres of land had been acquired. The construction of houses under the scheme commenced only in October 1972.

The details of land purchased and developed, the houses completed and handed over and the houses under construction as at the end of July 1974 were as follows:—

(a) Land purchased	4482.64 acres	(7)
(b) Land developed	3501.79 acres (70035 house sites)	(8)
(c) Houses completed	25933	
(d) Houses handed over	17128	
(e) Houses under construction:		(9)
(i) Upto plinth level and	} 19458	}
(ii) Upto roof level		
(iii) Completed except plastering	3120	

Government informed Audit in July 1974 that as the scheme was being implemented by the Panchayats by raising local resources etc., its completion in each Panchayat depended on local enthusiasm, initiative and other local conditions. The District-wise details showing the target of houses to be completed, the number

of houses constructed and the number of houses under construction as at the end of March 1974 are given below:

Sl. no.	District	Target	Houses constructed	Houses under construction
1.	Trivandrum	7900	1868	2744
2.	Quilon	10100	2068	4506
3.	Alleppey	9400	648	3170
4.	Kottayam	6900	1366	2048
5.	Idukki	4600	672	867
6.	Ernakulam	8600	3895	1169
7.	Trichur	9400	3478	752
8.	Palghat	8900	1364	4697
9.	Malappuram	9100	688	2775
10.	Kozhikode	8900	3632	1875
11.	Cannanore	12200	1220	2898
	Total	96000	20899	27501

Although as per the original target date, the houses were to be completed by October 1972 the percentage of houses completed by the end of March 1974 varied between 7 per cent in Alleppey District and 45 per cent in Ernakulam District. The details furnished by the Collectorates (Trivandrum, Quilon, Alleppey, Kottayam, Idukki and Cannanore) indicated that in 35 Panchayats not even a single house had been completed. By the end of March 1974 only 55 out of 960 Panchayats had completed the target of 100 houses while in 51 other Panchayats the construction of 50 houses or more had been completed.

The slow progress in achieving the target, was attributed by the Executive Officers of certain Panchayats in Trivandrum District to (i) want of sufficient funds, (ii) difficulty in getting the required stock of sawn timber and tiles and (iii) lack of enthusiasm and whole-hearted co-operation of the members of the House Construction Committee, etc.

(B) *Expenditure incurred:*

(a) *Acquisition of land:*

The expenditure incurred to the end of July 1974 on cost of acquisition of 4,482.64 acres of land (as could be gathered by

(f) P. 26 / Bandteil I (Fh. vol I)

(g) P. 59 / vol XV

(e)

P. 65 / vol XV

35 Panchegebs-

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P. 20 + XIII + P. 68 / XIX

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① P. 7 / XVII

② P. 21 / XXIII

④ P. 77 / XXV

⑤ P. 207 / XXV

⑥ P. 124 / XXIII

⑦ P. 25 / XX

⑧ P. 29 / XX

Audit) was Rs. 4,57.41 lakhs (including Rs. 1,62.89 lakhs in the shape of bonds awaiting discharge).

(b) *Development of land:*

Separate accounts of the expenditure incurred on the development of land out of the deposit accounts opened in their names and of the voluntary labour mobilised by them for the purpose were not maintained by the Panchayats. The total expenditure incurred by the Panchayats on the development of the house-sites including the voluntary labour as on 31st March 1974 was not thus available.

(c) *Construction of houses:*

According to details furnished by 13 out of 15 Forest Divisions in the State 26,937 cubic metres of timber (value: Rs. 64.02 lakhs) was supplied up to March 1974 free of cost by Government for the construction of houses. From the data gathered from the Collectorates a total quantity of 32,662 cubic metres appears to have been supplied by the Forest Department to the Collectorates up to the end of March 1974. An expenditure of Rs. 5.85 lakhs was incurred on account of sawing charges by 8 Collectorates (Details in respect of the remaining 3 Districts were not available).

Expenditure on transport of timber from the Forest Divisions to the sawmills was met by Government and that on the transport of sawn timber from the mills to the Panchayats from the deposit accounts opened in the name of the District Collectors. As per details furnished by 13 out of 15 Forest Divisions the total expenditure incurred from Government Funds on the transport of timber from those Divisions to the sawmills was Rs. 6.98 lakhs.

An expenditure of Rs. 58.53 lakhs was incurred on purchase and supply of cement and tiles by the Collectorates (as per the data collected from the Collectorates) to end of March 1974.

The outlay on other materials required for the construction of the houses was met by the Panchayats from the deposit account opened in their names and the actual amount spent by them to the end of March 1974, though called for, was not made available.

As such, the total expenditure incurred on the construction of houses to the end of March 1974 could not be worked out. This information was not available with the Government also. Government, however, stated (December 1974) that a correct assessment

of the expenditure at the Panchayat level could be made only after the accounts were settled after completing the scheme.

(ii) *Assistance from the Government of India:*

The entire cost of the land acquired under the scheme was to be met by the Government of India as a grant. Fifty per cent of the expenditure on the development of land acquired under the scheme was also to be reimbursed by the Government of India. To the end of August 1974 the Government of India sanctioned grants amounting to Rs. 3,44.76 lakhs towards cost of land out of which the State Government had received Rs. 2,94.28 lakhs (inclusive of Rs. 1,42.83 lakhs towards redemption of negotiable bonds issued towards part cost of land). Out of Rs. 72 lakhs sanctioned towards cost of development of land to end of the same period the State Government had received Rs. 54 lakhs. The Government of India had also paid grants aggregating Rs. 12.30 lakhs towards interest charges paid on the bonds issued to owners of land.

The State Government was to furnish quarterly statements of expenditure incurred to the Government of India and also audited statements of accounts at the end of each financial year. No quarterly statements or annual audited statements for 1972-73 and 1973-74 were sent by the State Government to the Government of India till the end of September 1974.

(iii) *Assistance to Panchayats by the State Government:*

(a) *Grant for the development of land:*

Assistance amounting to Rs. 41.24 lakhs out of Rs. 54.00 lakhs received from the Government of India was passed on to end of March 1974 to the Panchayats for the development of sites.

According to the instructions issued by the Government (November 1972) the assistance to the Panchayats for the development of sites at the rate not exceeding Rs. 75 per site was to be released by the District Panchayat Officers only after scrutiny of the details of expenditure incurred by the Panchayats including the value of the voluntary labour mobilised by them. As no separate accounts of development expenditure incurred or voluntary labour mobilised by them were maintained, the basis on which the District Panchayat Officers satisfied themselves about the correctness of the expenditure stated to have been incurred by the Panchayats and released the grants totalling Rs. 41.24 lakhs could not be ascertained.

In relaxation of their earlier orders (November 1972) the Government sanctioned in January 1973 advance payment of grants for the development of land to the Panchayats in order to provide them

10 P. 65 / vol XV

11 ~~do~~

12 ~~do~~

13 P. 66 / XV

14 P. 1A-20 / vol I

15 P. 67 / vol XXIII

P. 87 / vol I

16 P. 87 / vol I

17 P. 85 / vol I

$$\textcircled{1} \text{ P. 159 | } \overline{\text{XV}} +$$

$$\text{P. 671 | } \overline{\text{XXIII}}$$

$$\textcircled{2} \text{ P. 121 | } \overline{\text{Vot IX (Tea)}}$$

$$\textcircled{3} \text{ P. 69 | } \overline{\text{Vot I}}$$

$$\text{und P. 69 | } \overline{\text{Botsel II}}$$

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$$\textcircled{5} \text{ P. 91 + 94 | } \overline{\text{Vot XV}}$$

$$\textcircled{6} \text{ P. 69 | } \overline{\text{XXIII}}$$

$$\textcircled{7} \text{ P. 735 76 | } \overline{\text{XXIII}}$$

$$\textcircled{8} \text{ P. 73 | } \overline{\text{Vot C-V}}$$

$$\textcircled{9} \text{ Apr 48 P5}$$

$$\text{ene 33 P5}$$



with funds for speedy implementation of the scheme. On this basis Rs. 19.88 lakhs were disbursed to 300 Panchayats to the end of March 1974. The advances were, however, to be paid only after the layouts of the sites in the concerned Panchayats were prepared and development work commenced and on getting the estimates of the works involved. Detailed reports regarding the expenditure incurred duly approved by the Panchayat Construction Committees were also required to be submitted to the District Panchayat Officers. During scrutiny of the records of the District Panchayat Officers, it was found that in none of the offices checked, there was evidence the grants had been released after the District Panchayat Officer had verified that the layout and the estimates were ready and that no watch had been kept over the receipt of the detailed expenditure statements from the Panchayats and the consequential adjustment of the advances.

(b) *Advances to cover contributions to be realised from the allottees:*

Under the conditions of allotment of sites to the beneficiaries, each allottee was required to contribute a total amount of Rs. 100 in ten monthly instalments commencing from the month following the date of execution of the agreement. To expedite the construction of houses the scheme envisaged that Panchayats which were financially sound could advance from their own funds the full amount of contributions due from the allottees, and on recovery from the allottees, credit them to the Panchayat account. In cases where the Panchayats were not in a position to advance the amount from their own resources, the District Panchayat Officers were authorised to advance the funds required for this purpose after verifying the number of houses to be constructed and the agreements executed by the allottees. In view of the stringent financial position, the Government, in September 1972, specially instructed the District Panchayat Officers to pay the advances only according to actual necessity. To the end of August 1974 a sum of Rs. 75.40 lakhs was paid on this account to 923 Panchayats in respect of approximately 76,000 house-sites. Thirteen of the Panchayats which had received advances aggregating Rs. 80,500 to the end of March 1974 had not started the construction at all. Another 81 Panchayats in Alleppey and Cannanore Districts were found to have been paid advances aggregating Rs. 4.18 lakhs in excess, computed with reference to the houses constructed/under construction by them. The advances paid by the District Panchayat Officers do not thus appear to have been strictly related to the urgent requirements of the Panchayats for construction of houses. In August 1974, Government ordered that amounts unutilised by the Panchayats should be refunded to Government account immediately.

According to the conditions laid down by Government for the payment of these advances the responsibility for collecting the monthly instalments from allottees and remitting them to Government rested with the Panchayats and the District Panchayat Officers

had to watch recovery of the amounts from time to time. Even though under the terms of the agreements executed by the beneficiaries the entire amount (Rs. 75.40 lakhs) should have been paid by them before the end of March 1974, Rs. 5.39 lakhs only were remitted by the Panchayats to the Government to the end of July 1974. The Panchayat Department was not in possession of the full data regarding the amounts realised by the Panchayats from the beneficiaries, amounts remitted to Government and whether any action was taken by the Panchayats where the recoveries were overdue. In view of the slow progress in the collection of the amounts due from the allottees, Government in March 1973, issued instructions to cancel the allotment in respect of those allottees who did not remit the monthly instalments of Rs. 10 towards their contribution. No action was seen in audit to have been taken in pursuance of these instructions. Government stated (December 1974) that arrangements were being made to inspect the District Panchayat Offices to ascertain the correct position and issue stringent instructions to the officers concerned to effect recovery of the amounts and remit them to Government promptly.

(c) *Loans to meet the Panchayats' share of contribution:*

Under the rules for the implementation of the scheme each Panchayat was to contribute from its funds a sum of Rs. 5,000 for the construction of 100 houses falling within its area. On the ground that the Panchayats were not in a position financially to make this contribution, Government paid a sum of Rs. 17.80 lakhs as interest bearing loans between March 1973 and July 1974 to 345 Panchayats. The loans were to be repaid on completion of one year from the dates of disbursement and were to be utilised by the Panchayats only for the construction of houses under the scheme. At the end of March 1974 five of these Panchayats which had received loans aggregating Rs. 25,000 had not started construction of even a single house under the scheme, and another 28 Panchayats in Alleppey and Cannanore Districts had received loans aggregating Rs. 95,500 in excess, computed with reference to the number of houses constructed and under construction by them.

(iv) *Mobilisation of voluntary labour:*

(a) The Project Report envisaged that the labour for the development of sites and construction of houses would be voluntarily forthcoming from the unemployed people, beneficiaries, students and voluntary organisations. The voluntary labour so mobilised was to be accounted for in a separate register and its monetary value computed at the local rates of wages of such workers so that the amount of voluntary labour mobilised for the implementation of the scheme as a whole would be available. Most of the Panchayats

① P. 36 | x x III

② P. 103 | vol I

③ P. 91 | vrc C-V

④ P. 2 | Banader II (vol I)

⑤ P. 40 | x x III

⑥ P. 69 | x x III

⑦ P. 73 to 76 | x x III

Apr. 19 P 5  
CME 9 P 5

⑧ P. 24 of Project Paper in Vol I

⑨ P. 47 of Banader II in Vol I

① P. 149 | vor C-I

② P. 6A | vor XV

③ P. 154<sup>20</sup> | XXIII

④ P. 103 | vor I

⑤ P. 301 | C-V

⑥ P. 215 | vor C-II

⑦ I <sup>Wahlrecht</sup> in 10/24 (P. 754  
II <sup>Wahlrecht</sup> in 2/25 (P. 756)

⑧ P. 35 / vor I

⑨ P. 220'  
P. 221 & 222 / vor C.II

did not appear to have mobilised voluntary labour to the extent envisaged in the Project Report, as the construction work was got done through contractors after invitation of quotations. Even in cases where voluntary labour was mobilised, the Panchayats (51 out of 70 Panchayats in Kottayam District and 66 out of 79 Panchayats in Trivandrum District) did not maintain the prescribed records.

(b) The implementation of the scheme was seen to have been hampered in some places due to non-co-operation of the beneficiaries who were expected to provide voluntary labour for construction of their houses. In March 1973 Government ordered that a review of allotment of house sites already made should be done and that the allotments to the landless labourers who failed to provide voluntary labour should be cancelled. In the two Districts of Kottayam and Trivandrum selected for detailed review there was no evidence to indicate if such a review had been conducted in any of the Panchayats. Government stated (December 1974) that "a general review of all the allottees in every Panchayat was neither envisaged nor necessary".

(v) *Loan from the Life Insurance Corporation of India:*

In order to make up the shortfalls in the mobilisation of the resources anticipated for the scheme, Government obtained (August 1974) a loan of Rs. 1,50 lakhs from the Life Insurance Corporation of India for exclusive utilisation on the scheme. The loan was to be released by the Life Insurance Corporation in two equal instalments and was to carry interest at 7 per cent. It was repayable in 20 equal annual instalments, the first instalment to commence after drawal of the second instalment of the loan. The first instalment of Rs. 75 lakhs was received by Government in October 1974 and was kept in a separate account opened in the District Treasury, Trivandrum.

(vi) *Kerala Chief Minister's Housing Fund:*

In May 1972 Government constituted the Kerala Chief Minister's Housing Fund for the accountal of the contributions to this scheme from the public and other sources and for purposes of giving assistance for construction of houses under the scheme. The accounts relating to the Fund are maintained by the Finance Secretary to Government as the Treasurer of the Committee constituted by the Government for administering the Fund. The total collections in the Fund to the end of August 1974 were understood to be Rs. 62.71 lakhs out of which amount advanced from the Fund to the District Collectors/Panchayats for construction purposes was Rs. 61.85 lakhs. These amounts did not include collections for the Fund made by the District Collectors/Panchayats and credited direct to the deposit accounts opened for

construction purposes in their names. The collections so utilised directly for the scheme in the Collectorates other than Trivandrum and Quilon to end of March 1974 were stated to amount to Rs. 10.03 lakhs. The extent of such collections directly utilised for the expenditure on the scheme without routing them through the Fund by the remaining two Collectorates and all the Panchayats was not available.

As the contributions from public were not adequate and for meeting urgent expenditure on the cost of materials to be purchased for the scheme Government sanctioned in June 1973 and April 1974 advances upto Rs. 25 lakhs and Rs. 1,00 lakhs respectively to be drawn from State funds for transfer to the Kerala Chief Minister's Housing Fund. The amount actually advanced to the Fund to the end of August 1974 was Rs. 41 lakhs (Rs. 16 lakhs in 1973-74 and Rs. 25 lakhs in April 1974). As per the sanctions for these advances, Rs. 16 lakhs paid during 1973-74 were due for repayment before end of March 1974. This date was, however, extended by Government (July 1974) to end of August 1974 on the ground that the balance in the Fund was not adequate. Government stated (December 1974) that steps had been taken to repay these advances from the first instalment of the loan of Rs. 1,50 lakhs sanctioned in August 1974 to the State Government by the Life Insurance Corporation of India for the scheme.

(vii) *Acquisition of land:*

(a) *Unutilised land:*

As at the end of March 1974, out of 4,438.40 acres of land purchased at a cost of Rs. 4,51.59 lakhs, 936.61 acres remained undeveloped and construction had not commenced on 882.5 out of 3,501.79 acres of developed land. The value of 1,819.11 acres of land purchased but not put to use for this scheme by the end of March 1974 was Rs. 2,01.70 lakhs.

(b) *Valuation of lands purchased:*

A test check of the sale deeds registered by private parties, in Sub-Registry Offices in the State indicated that the price paid for land purchased for the scheme in some Panchayats was significantly different from the price of land paid by private parties in the same

D.P. 233/vol. C II

② P. 207/vol III

③ P. 211/vol III

④ P. 213/vol III +  $\frac{P. 222}{\text{vol C-II}}$

⑤ P. 141/vol. C II

⑥ P. 215/C-II

⑦ P. 57/vol XV

⑧ P. 59/vol XV

+ P. 71 }  
+ P. 73 }

⑨ Av. value of 936.61 sec - Rs 8076.725  
do of 882.5 " - Rs 2094.111

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Rs 201,708.36

P. 71  

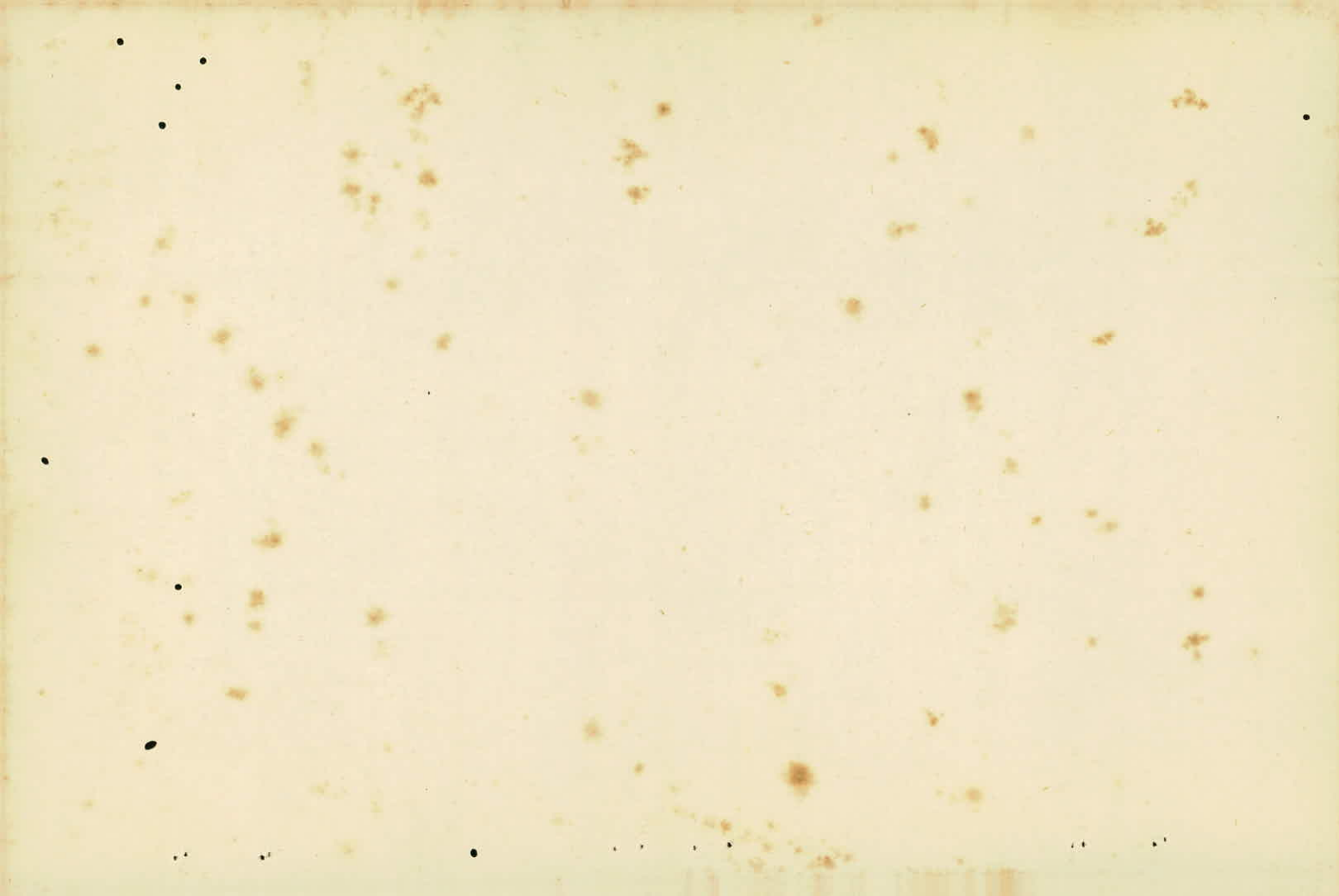
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XV





or adjacent survey areas in about the same period. Some instances noticed by Audit are furnished below:—

Name of District Panchayat  Village	Rate paid per acre of land purchased for this scheme	Rate per acre of land sold to private parties in the nearby plots	Difference in rate per acre	
	Rs.	Rs.	Rs.	
Trivandrum District:				96
Chirayinkil—Sarkara Village	30,000	1,100	28,900	96
Azhoor Village	20,000	7,700	12,300	62
Aryanad +	16,000	500	15,500	97
Kattakada—Aruvikkara Panchayat	15,400	2,800	12,600	82
				Perumkulam village
Quilon District:				
Manrothuruthu Panchayat	22,500	1,666	20,834	93
Oachira—Thazhava Village ✓	31,000	3,000	28,000	90
Karunagappally Panchayat	17,500	5,230	12,270	70
Do.	25,000	5,200	19,800	79
Trichur District:				
Mullassery (venkitarye)	27,000	6,000	21,000	78
Cannanore District:				
Puzhathy Panchayat	18,500	5,410	13,090	71

Government stated (December 1974) that the purchase of land by the Panchayats was made after observing the detailed procedure prescribed in the rules.

(c) Purchase of unsuitable land:

During test check by Audit instances were noticed where the land acquired (13.57 acres—value: Rs. 2.15 lakhs) for the scheme could not be used for the purpose for which it was acquired. Reasons for non-utilisation as gathered from the records made available to Audit are noted against each.

<i>Details of Panchayat/ Block/District</i>	<i>Area with cost (acres/rupees)</i>	<i>Reasons for non-utilisa- tion</i>
Trichur District: Pazhayannur Block	1.05 Rs. 7,350	Narrow steep strip in a rocky hillside.
Malappuram District: Manjeri Block	1.00 Rs. 3,000	Unsuitable for housing accommodation. Proposed to be used as a trenching ground by the Panchayat.
Cannanore District: Cannanore Block Baliyapattam Panchayat	2.93 Rs. 58,600	Land under use for cultivation purposes.
Kanjangad Block Maloth Panchayat	2.00 Rs. 3,000	As the Panchayats had not started the construction of houses, sites are proposed to be distributed to eligible persons free of cost.
Trivandrum District: Nemom Block Balaramapuram Panchayat ✓	2.50 Rs. 62,500	The actual area available as per report of Junior Engineer was 2.09 acres only. Dispute in area yet to be resolved.
Pallichal Panchayat	0.90 Rs. 18,000	Injunction order from Government regarding title.
Athiyannur Panchayat ✓	1.64 Rs. 41,000	Surveyed for utilisation for National Highway 47.
Kottukal Panchayat ✓	0.55 Rs. 11,550	do.
Kazhakuttam Block Attipra Panchayat	1.00 Rs. 10,000	Injunction order from court regarding title.
Total Area: Cost:	13.57 acres Rs. 2.15 lakhs	

Government stated (December 1974) that the Panchayats had been instructed to go ahead with the construction in the first three cases.

① P. 647 | IX

② P. 13 | X

③ P. 33 | XIII

④ P. 13 | XIII

⑤ P. 21422 | XIX

⑥ P. 34 | XIX

⑦ P. 165 | XVII

⑧ P. 66 | XVIII

⑨ P. 95-97 | VOT C-V

① P. 89 Quilley in V  
and P. 65 V of I.

② P. 225 / with XVI ←

③ P. 347 | VIII

④ P. 82 | XV

⑤ P. 71 | XXIII

⑥ P. 99 | CV

⑦ P. 30 | VIII

⑧ P. 31 | XXIII

(viii) *Construction of houses:*• (a) *Free supply of timber by Government:*

Timber required for the construction of houses under the scheme was supplied free of cost by the Forest Depots. The timber was sawn at mills selected by the Collectors and supplied to the Panchayats on the basis of the directions of the District Collectors. The Collectors nominated Charge Officers in each mill to watch the receipt of the logs from the Forest Department, and to maintain details of the timber received from the Forest Divisions, the timber sawn and issued to the Panchayats, wastage in sawing and the stocks of sawn timber as well as timber yet to be sawn. The Panchayats were also required to maintain details of sawn timber received, utilised, and the balance in stock. A test check of the records of the Collectorates and the Block Development Offices revealed that the stock accounts maintained by many Charge Officers were incomplete.

In the instructions issued by the Government in September 1972 it was indicated that the saw mills could produce an outturn even beyond 75 per cent in the sawing process but it was noticed that different percentages were fixed for different districts, by the District Collectors and in 7 out of 11 districts this percentage was lower than that envisaged by Government—65 per cent (Ernakulam, Trichur and Idukki), 67 per cent (Trivandrum) and 70 per cent (Alleppey, Malappuram and Kozhikode). Consequently, Government had to issue 3,433 cu. m. (approximate value: Rs. 8.2 lakhs) of timber in excess for implementation of the scheme in these seven districts. Government stated (December 1974) that the quality of timber differed from depot to depot and hence a uniform outturn could not be fixed throughout the State.

• In August 1972 Government had ordered that the offcuttings and scantlings in sawing should be promptly auctioned by the Block Development Officers after giving publicity. Neither the records of the Block Development Offices nor those of the Collectorates could indicate whether offcuttings and scantlings obtained tallied with the quantity computed according to the outturn fixed. Considerable delay was also noticed in auctioning the wastage in some mills.

• In a test check of the accounts of the Block Development Offices in Trivandrum District it was seen that out of 1,426.942 cu. m. of timber supplied to five saw mills for conversion into planks, scantlings and reepers the quantity of wastage taken over and auctioned was 60.5 tonnes (approximately). Computed with reference to the outturn of 67 per cent for 4 mills and 78 per cent for 1 mill fixed by the District Collector, Trivandrum and wastage at 2 per cent for saw dust, the saw mills should have accounted for 214 tonnes.

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x x 111

The value of shortage of 153.5 tonnes of waste timber was approximately Rs. 7,824 calculated at the average rate obtained in auctions.

The records examined by Audit in the Collectorates/Block Development Offices indicated—

(1) that there were complaints (between January 1973 and July 1973) from the saw mills that the timber supplied by the Forest Divisions was defective and of inferior quality;

(2) that the sawn timber issued by the mills to the Panchayats was not that obtained from the lots received by them from the Forest Divisions (January 1973). Government issued directions (August 1973) to the District Collectors that proper check and vigilance should be maintained regularly over the sawing of timber by surprise inspections.

Security committees were constituted for each saw mill by the District Collectors, consisting of Presidents and Executive Officers of Panchayats, Tahsildars, Junior Engineers of Blocks and Forest Rangers, to look into the receipt of timber, sawing in the mill and transport to the Panchayats. From a report sent by the District Collector, Cannanore in November 1973 to Government it was noticed that this security committee was not functioning properly.

(b) *Purchase of materials other than timber:*

The Government had envisaged in the Project Report that cement and tiles would be procured by the District Collectors in lump, stocked in the Block Offices (cement only) and supplied through the Block Development Offices to Panchayats according to needs. Information regarding the value of these materials supplied to the Panchayats together with the transport charges incurred thereon by debit to deposit accounts with the Collectors was not readily available with the Collectorates.

A total quantity of 8,381 tonnes of cement (value: Rs. 17.46 lakhs) was purchased for the scheme in the 11 districts till the end of March 1974, as could be gathered from the records maintained at the Collectorates. In Kottayam District which was selected for detailed audit 46 tonnes of cement (value: Rs. 11,983) were diverted for utilisation in other Government schemes. In Trivandrum District it was noticed that cement supplied to Panchayats in some cases was not in accordance with actual requirements. Approximately 10 tonnes of cement (value: Rs. 2,459) out of 779 tonnes issued to Panchayats in Trivandrum District upto September 1973 were found damaged due to long storage (August 1974).

$$\begin{array}{l} \textcircled{1} \text{ P. 49 } | \overline{\text{XIII}} \\ \textcircled{2} \text{ P. 115 } | \overline{\text{XIII}} \\ \textcircled{3} \text{ P. 85 } | \overline{\text{IX}} \\ \textcircled{4} \text{ P. 43 } | \overline{\text{VIII}} \\ \textcircled{5} \text{ P. 117 } | \overline{\text{XIII}} \end{array}$$

$$\begin{array}{l} 164 \\ 165 \\ 183 \\ 184 \end{array} \left. \vphantom{\begin{array}{l} 164 \\ 165 \\ 183 \\ 184 \end{array}} \right\} \overline{\text{XVI}}$$

$$\textcircled{3} \text{ P. 118 } | \overline{\text{XIII}}$$

$$\textcircled{4} \text{ P. 25 } | \overline{\text{XV}}$$

$$\textcircled{x} \text{ P. 144 } | \overline{\text{XV}}$$

$$\textcircled{5} \text{ P. 70 } + 75 | \overline{\text{VII}} \overline{\text{XXII}}$$

① R. 129 | vñ c

② R. 105 | c-III.

③ P. 145 | vñ c-I  
P. 147 do.

④ P. 149 | do.  
⑤

⑥ P. 151 | do.

⑦ R. 141 | vñ I.

⑧ R. 99 | vñ c-V

⑨ P. 11 | vñ Projekt Koppen  
do. vñ I.



(ix) *Damage to constructed houses:*

On the basis of the complaints regarding collapse of some houses constructed under the scheme, Government appointed in June 1973 a high level Technical Committee to investigate into the causes thereof. The report of the Committee indicated that of the houses constructed till June 1973, 42 houses had completely collapsed and 65 houses were partially damaged in five districts. These damages were the heaviest in the Cannanore District (41 completely damaged and 23 partially damaged).

According to the Committee the main reasons for the damage were (i) defective quality of work, (ii) lapses in the execution of the work by the contracting agencies in not using the full quantity of cement issued, use of inferior cement mortar, omission of certain items of masonry works involving cement mortar, (iii) absence of technical supervision, (iv) lack of earnestness on the part of the Panchayats and (v) structural defects like complete or partial omission of brick masonry pillars, omission of buttresses for the front gable walls and omission to provide sufficient bondage between walls and wall plates. The Committee had also brought out that the House Construction Committees entrusted with the execution of the construction work were not adequately briefed about the technical specification of the works. The Committee recommended that the allottees themselves should be allowed to participate in the construction work from the very beginning, that the Technical Committees contemplated in the Project Report should be formed and surprise inspections conducted by Junior Engineers of the Public Works Department and that stern action should be taken against the officers at fault for short usage of materials like cement, etc. The Committee also recommended certain technical improvements involving an additional cost of Rs. 200 per house. In September 1973, the Government accepted the recommendations of the Committee including those on structural improvements. Government stated (December 1974) that wherever damages had occurred due to sub-standard work, the defects would be rectified by the concerned Panchayat authorities.

(x) *Selection of beneficiaries:*

The benefits of the scheme were admissible to the landless workers in rural areas not already benefited by the State Land Reforms Act or other schemes regarding free assignment of Government poramboke lands. The selection of the beneficiaries was further subject to the following conditions:

(1) neither the head of the family nor any of the other members owned any land in the village/ rural areas;

(2) the family depended for its livelihood mainly on the unskilled labour of its members; and

(3) the members of the family resided in the village/rural area for the major part of the year.

In Trivandrum District which was selected for detailed audit, it was noticed that in 75 cases the applicants did not satisfy the prescribed conditions. 49 workers were 'Kudikidappukar' (persons who own neither homesteads nor any land on which they could erect homesteads and who have been permitted by persons in lawful possession of any land, to have the use and occupation of a portion of such land for the purpose of erecting homesteads) and consequently had already been benefited under the Land Reforms Act, two were Government employees not coming under the category of landless workers, 6 were goldsmiths (skilled labourers) and 18 others owned lands already in their or in the names of other members of their families.

② In Varkala Panchayat (Trivandrum District) where expenditure of Rs. 1.65 lakhs had already been incurred (March 1974) for the acquisition and development of land and construction of houses, the selection of beneficiaries was not completed (July 1974) on the ground that the finalisation of allotment of poramboke land under another state scheme to some of them was pending.

Although according to rules framed by Government 50 per cent of the house sites in each Panchayat were to be earmarked for allotment to the landless workers belonging to the scheduled castes and scheduled tribes, etc., the application forms to be filled by the intending beneficiaries did not provide for columns to indicate whether they belonged to scheduled castes or tribes. As such the manner in which the proposed reservation of sites for beneficiaries in these categories was implemented cannot be ascertained.

Applications from eligible persons were to be called for by the Panchayats and the selection of the persons for allotments of the house sites made by the House Sites Committee. The selection was to be made by drawing lots when the number of applicants was more than 100. In Trivandrum District this procedure of drawing lots was not followed by 20 out of 79 Panchayats although the number of eligible applicants in each case was more than 100.

• In Kallikadu Panchayat in Trivandrum District although land for 88 house sites only had been acquired, 100 beneficiaries were selected (November 1972) and agreement also got executed without indicating the specific house sites allotted to them.

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① P-9 of Vol. XXIII

② P-76-77 / Vol. XIX

Specimen copy of  
application at Page III of Vol C VI

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Under the rules, agreements were to be executed by beneficiaries after the allotment of house sites to them. Although the beneficiaries were being selected in advance by the House Site Committees and agreements executed, the particular house site allotted to them was not specified till construction of houses was completed. In August 1973 Government for the first time issued instructions that allotment of specific sites should be done simultaneously with the selection of the beneficiaries so that the beneficiaries concerned could participate in the construction of the houses on the sites allotted to them.

(xi) *General appraisal:*

The overall physical achievements to end of July 1974 were as indicated below:

	Target	Achievement
Land to be acquired	4680.49 acres	4482.64 — P. 7/xxiii acres
Land to be developed	—	3501.79 — P. 59/xxv acres
Houses to be constructed	96000	25933 completed 22578 under construction
Houses allotted and handed over		17128

Multiplicity of accounts and agencies, inter-account transfers and incomplete nature of records have handicapped Audit from ascertaining the total amount spent by Government on the scheme either in cash or in kind. The cost of construction of the houses under the scheme is not thus known.

### 32. Writes off, waivers and ex-gratia payments

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

## CHAPTER IV

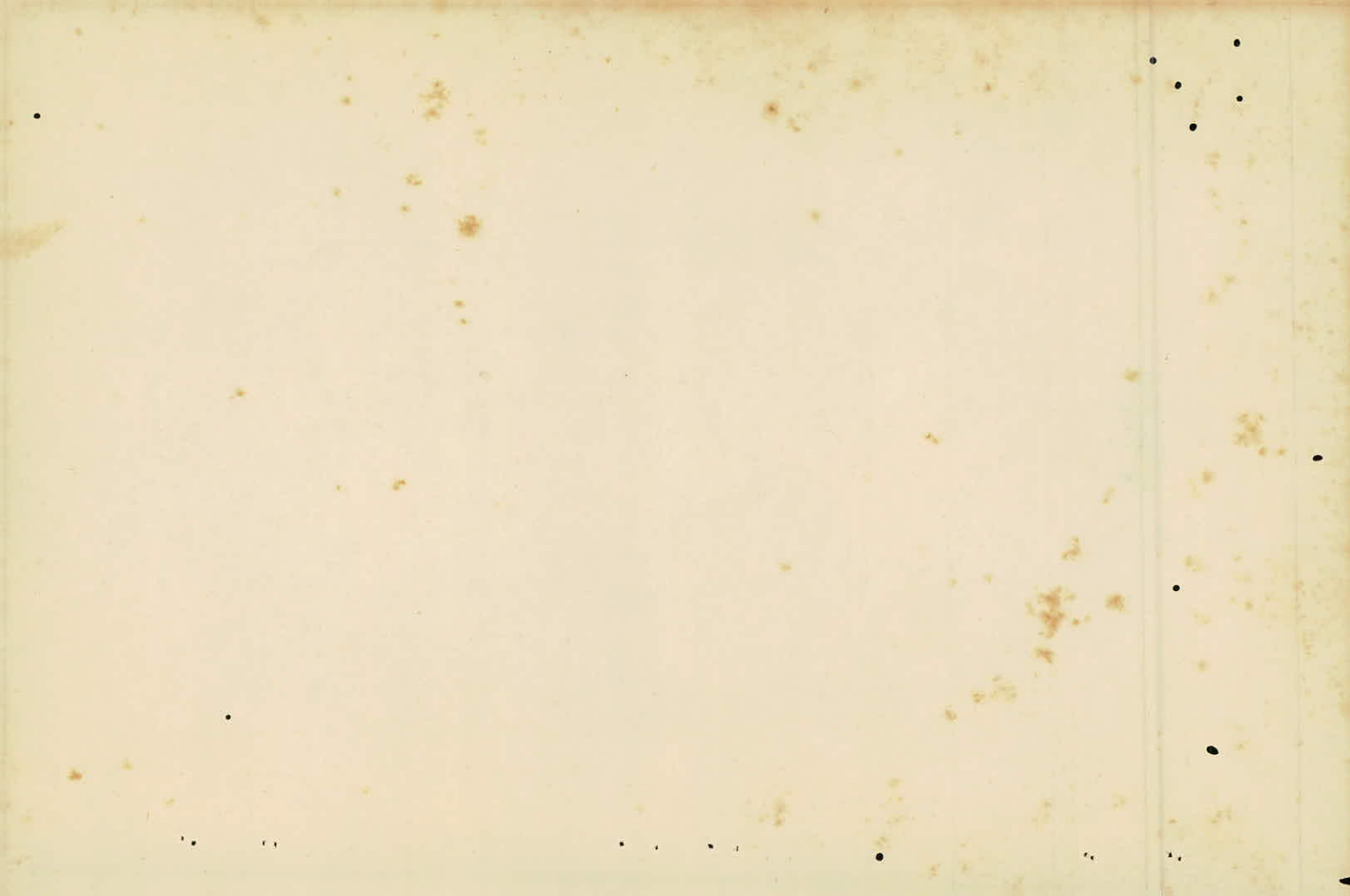
### WORKS EXPENDITURE

#### 33. Major Irrigation Projects

(i) Kerala has forty-four rivers, big and small, spanning the State with an annual estimated run-off of 74,200 M. Cum. of which the utilisable yield is reckoned as 46,600 M. Cum. In spite of the vast water resources of the State, only 3,200 M. Cum. of water is at present utilised for irrigation in about 2.29 lakh acres (mostly double crop) out of a total area of about 12.97 lakh acres under paddy cultivation. Cultivation of paddy, the principal crop in the State, is mainly dependent on the vagaries of the monsoon and is confined to a single crop in the major portion of the cultivable areas. As against the estimated annual requirement of the State of 22.50 lakh tonnes of foodgrains, the production in 1973-74 was about 13.50 lakh tonnes, i.e., 60 per cent only of the total requirement.

(ii) According to a Master Plan for exploitation of water resources prepared in 1958 by the State Public Works Department it was anticipated that a total production of 27 lakh tonnes of paddy could be achieved by 1991 by providing irrigation facilities to an additional area of 8,96,300 acres. The Master Plan accordingly envisaged a phased programme for taking up 46 irrigation projects during the next 33 years at an estimated cost of Rs. 79,44 lakhs.

(iii) In 1956 when Kerala State was formed the State had seven major irrigation projects—Neyyar, Chalakudy, Peechi and Vazhani Irrigation projects constructed by the erstwhile Travancore-Cochin State, and Malam-puzha, Walayar and Mangalam projects taken over from the former Madras State. During the Second Plan period, four projects were undertaken—Periyar Valley, Meenkara, Cheerakuzhi and Pothundi, of which the Periyar Valley project is still to be completed. During the Third Plan period, another six projects (Pamba, Kuttiadi, Chitturpuzha, Kanhirapuzha, Pazhassi and Kallada) were taken up, all of which are yet to be completed. No new project was taken up during the Fourth Plan period. The ten projects completed to the end of March 1974 irrigate, according to the Department, 2,29,340 acres while the seven projects under construction are expected to irrigate another 4,00,000 acres on completion. The total investment on the seventeen irrigation projects to the end of March 1974 amounted to Rs. 63,43 lakhs. An outlay of Rs. 84,28 lakhs (based on the latest estimates) is required for completion of the projects under construction, against which the outlay envisaged in the Fifth Five Year Plan was Rs. 74,20 lakhs.







*Targets and achievements:*

(iv) The targets envisaged in the Five Year Plans and the achievements were as indicated below:—

Plan period	No. of new projects taken up	Plan outlay Expenditure (in lakhs of rupees)	Cumulative area irrigated	Annual food production in last year of Plan period			
				Targets (in lakhs of acres)	Actuals (in lakhs of tonnes)		
				(A)	(B)		
II Five Year Plan	4	7,44.98	7,86.35	2.74	1.83	12.45	10.51
III Five Year Plan	6	15,36.60	9,80.60	3.23	2.04	14.61	10.60
Annual Plans:							
1966-67	..	2,71.50	3,09.97	(*)	2.31	(*)	12.51
1967-68	..	3,95.43	3,13.66				
1968-69	..	3,93.27	4,43.71				
IV Five Year Plan (1969-70 to 1973-74)	..	26,25.00	26,39.76	5.39	2.79	17.50	13.50
Total		59,66.78	54,74.05	..	..	..	..

It may be seen from the above that while the total investment during the above periods was about 92 per cent of the proposed outlay, the area actually irrigated at the end of the Fourth Plan period was only about 52 per cent of the target fixed.

*Delay in execution of projects:*

(v) Delays ranging from 4 to 13 years were noticed in respect of ten irrigation projects taken up during the II and III Plan periods as given below:—

Name of scheme	Date of commencement	Proposed year of completion	Actual year of completion	Cost per acre	
				Estimated	Actuals
				(in rupees)	
1. Mcenkara	1956	1960-61	1970	1,209	2,398
2. Pothundy	1962	1966-67	1971	964	3,375
3. Checrakuzhi	1957	1960-61	1973	1,183	3,069
4. Periyar Valley	1956-57	1960-61	Not completed after 17 years*	550	..
5. Pamba	1961-62	1967-68	Not completed after 12 years	873	..
6. Kanhirapuzha	1961-62	1966-67	Not completed after 12 years	1,521	..
7. Kuttiadi	1962-63	1969-70	Not completed after 11 years@	1,380	..
8. Chitturpuzha	1963-64	1969-70	Not completed after 12 years†	380	..
9. Pazhassi	1961-62	1967-68	Not completed after 12 years	1,106	..
10. Kallada	1961-62	1975-76		1,022	..

(\*) No targets fixed.

(A) and (B) Source:— Five Year Plans, Reviews of Five Year Plans by State Planning Department and information furnished by the Department.

\* Partially commissioned in 1966

@ Partially commissioned in 1973

† Partially commissioned in 1972-73

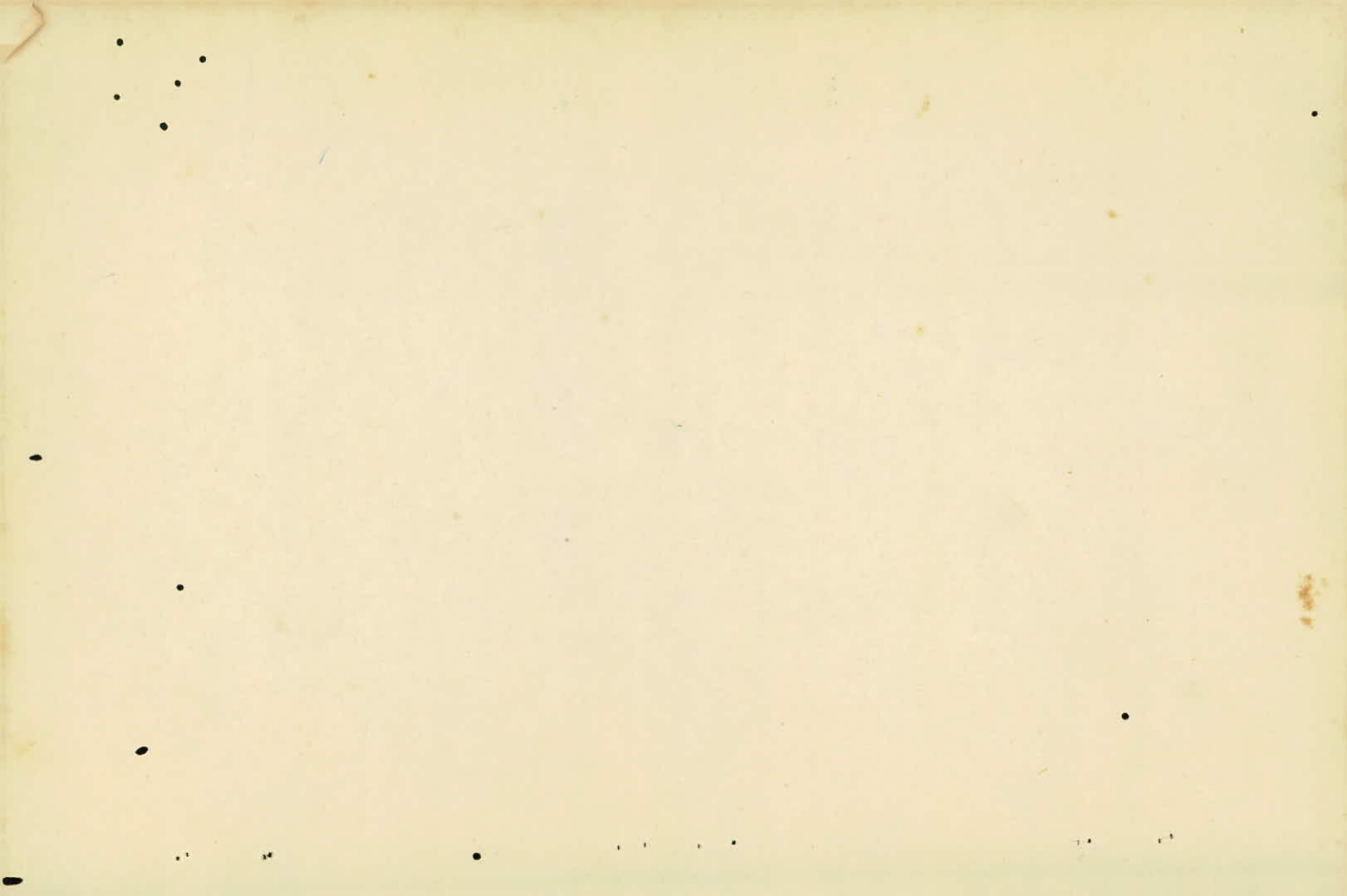
(vi) Paucity of funds, delay in land acquisition, delay in finalising designs and in obtaining plant and machinery and administrative bottlenecks were some of the factors which contributed to the slow progress of work. The Public Accounts Committee had on various occasions urged Government to take effective steps to overcome the financial and administrative problems affecting execution of the projects and to ensure that they are completed as scheduled.

Taking up a large number of schemes simultaneously and taking up of new schemes when many schemes already taken up remained unfinished was one of the main factors which contributed to the general delay in completion of the projects. During the Third Plan period, in addition to 11 spillover schemes (estimated requirement of funds for completion of the projects: Rs. 12,02.38 lakhs), 6 new schemes (estimated requirement of funds during the Third Plan period: Rs. 13,27.73 lakhs) were taken up. Expenditure incurred during the Plan period on the spillover schemes was Rs. 7,90.19 lakhs only and as a result, five out of eleven spillover schemes remained to be completed at the end of the Third Five Year Plan. One of these (Periyar Valley) which was taken up in 1956 and was scheduled to be completed by the end of the Second Five Year Plan has remained incomplete even at the end of the Fourth Five Year Plan. Very little progress was made on the new projects taken up; expenditure incurred during the Third Plan period being Rs. 1,88.96 lakhs only. None of the five new schemes taken up during the Third Five Year Plan (one of which was to have been completed by 1966-67, two by 1967-68 and the other two by 1969-70) was completed till the end of the Fourth Five Year Plan.

(vii) The details of the total expenditure incurred till the end of March 1974 on the seven irrigation projects still under execution and the percentages of establishment expenditure to works expenditure were as indicated below:—

Name of the project	Expenditure			Percentage of establishment expenditure to works expenditure
	Works	Establishment	Total	
(in lakhs of rupees)				
1. Periyar	6,43.55	94.89	7,38.44	14.74
2. Pamba	5,47.31	1,08.03	6,55.34	19.74
3. Kanhirapuzha	2,50.00	55.92	3,05.92	22.37
4. Kuttiadi	9,09.53	1,99.88	11,09.41	21.98
5. Chitturpuzha	1,98.12	43.24	2,41.36	21.83
6. Pazhassi	3,90.29	87.09	4,77.38	22.31
7. Kallada	3,69.89	84.17	4,54.06	22.76





(viii) The revenue from irrigation accrues from water cess and betterment levy leviable as per the Acts governing such taxation. Water cess is collected in the State under the provisions of the different Acts and Rules in force in different areas. Collection of cess on lands benefited by one of the projects in Malabar area (Chitturpuzha Irrigation Project in Palghat District) stands stayed on the basis of court decisions for the reason that the Travancore-Cochin Irrigation Act was not applicable to lands in Malabar area. Amendments to the Travancore-Cochin Irrigation Act proposed by the Board of Revenue in March 1970 to overcome this disability and prescribe a unified rate for the entire State are still under consideration of Government (February 1975).

During the six years from 1968-69 to 1973-74 orders for remission or write off of irrigation revenue involving Rs. 18.47 lakhs were issued by Government and the various authorities in the Revenue Department. (Details for the earlier years were not readily available with the Board of Revenue). The arrears of water cess pending collection at the end of 1973-74 were Rs. 31.89 lakhs of which Rs. 5.87 lakhs related to periods over ten years. One of the main reasons for the arrears pending collection and remission of irrigation revenue was that demands had been raised in respect of lands not actually benefited.

Betterment contribution is leviable at rates specified in the Acts on the difference between the increase in the capital value of each class of land and the cost of making such land fit for advantageous cultivation. The assessment of betterment levy could not be finalised in respect of any of the completed projects due to procedural and legal difficulties involved in the determination of the capital value of the lands as also the value of the produce from the lands. The question of prescribing a new procedure for assessment of betterment levy is stated to be under consideration of Government (January 1975).

The revenue receipts from 7 out of 8 completed projects which have been declared as commercial did not cover even the normal working expenses in any of the years, after the commissioning of the projects. The financial results of the eighth project (Mangalam) showed a surplus of revenue over expenditure during 1972-73 and 1973-74 (1972-73: Rs. 2.93 lakhs; 1973-74: Rs. 1.02 lakhs) but a net loss of Rs. 2.93 lakhs and Rs. 4.84 lakhs in the two years respectively after providing for interest charges on the capital outlay. The excess of expenditure over revenue in respect of the eight completed projects amounted to Rs. 1,55.94 lakhs to the end of March 1974. The net loss after including interest charges on capital invested in these eight projects amounted to Rs. 18,22.99 lakhs. The delay in completion of the projects, which directly increases the construction costs and the time lag in the utilisation of the irrigation potential created have largely contributed to the poor financial returns for the projects completed.

(ix) Reviews on three out of the seven continuing irrigation projects, viz., Pazzhassi, Kuttiadi and Pamba, were included in the Reports of the Comptroller and Auditor General of India for the years 1970-71 (paragraph 39), 1971-72 (paragraph 27) and 1972-73 (Civil) (paragraph 30) respectively.

Results of the review of four irrigation projects are given in paragraphs 34-37 of this Report. Certain aspects regarding water management in one of the completed projects (Neyyar) are also mentioned in paragraph 38.

### 34. Periyar Valley Irrigation Project

Mention was made in paragraph 21 of the Audit Report 1966 and again in paragraph 55 of the Report of the Comptroller and Auditor General of India for the year 1969-70 about the delay in completion and the increase in the estimated cost of this Project. The original cost of the Project (Rs. 3,48 lakhs) was revised to Rs. 6,40 lakhs in August 1965. The work on the Project started in June 1956 was to be completed by the end of 1960-61 according to the original Project Report of 1955 and by the end of 1973-74 according to the revised Project Report 1965. The Project was partially commissioned in 1966. As against an ayacut of 63,300 acres intended to be served by the Project, the ayacut fed was 35,000 acres only at the end of March 1974. Even though 18 years have passed after the work on the Project commenced, the Project has not been completed so far (December 1974).

While giving evidence before the Public Accounts Committee in 1972-73, Government had explained that, apart from the paucity of funds, the delay in completion of the Project was partly attributable to the necessity of fixing alternate alignments for branch canals and distributaries which passed through developed areas. The Committee in its Eleventh Report (September 1972) had observed that the Government should examine the abnormal delay in this case and ensure the speedy completion of the Project.

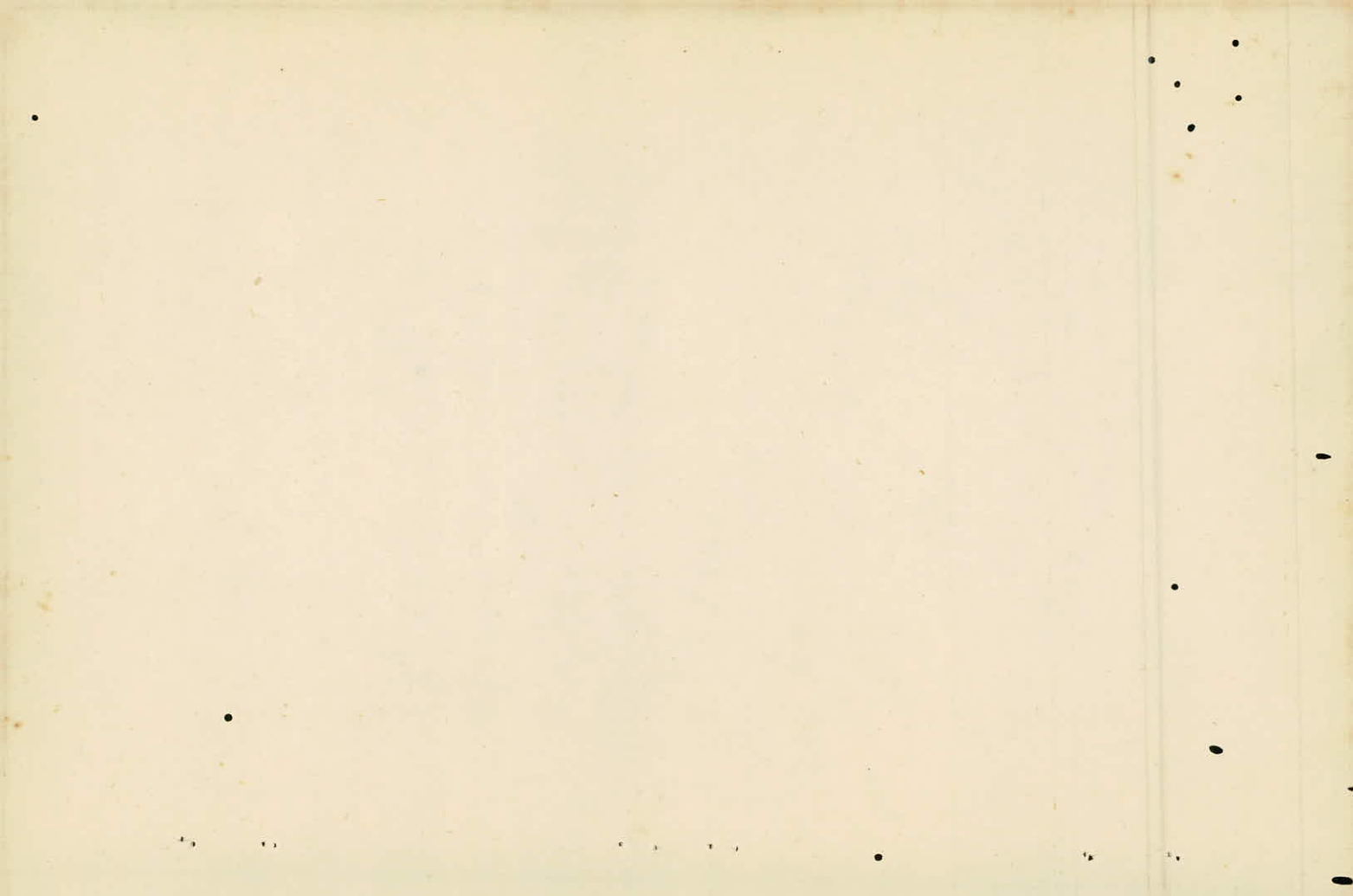
The physical progress of the work till April 1974 was as under:

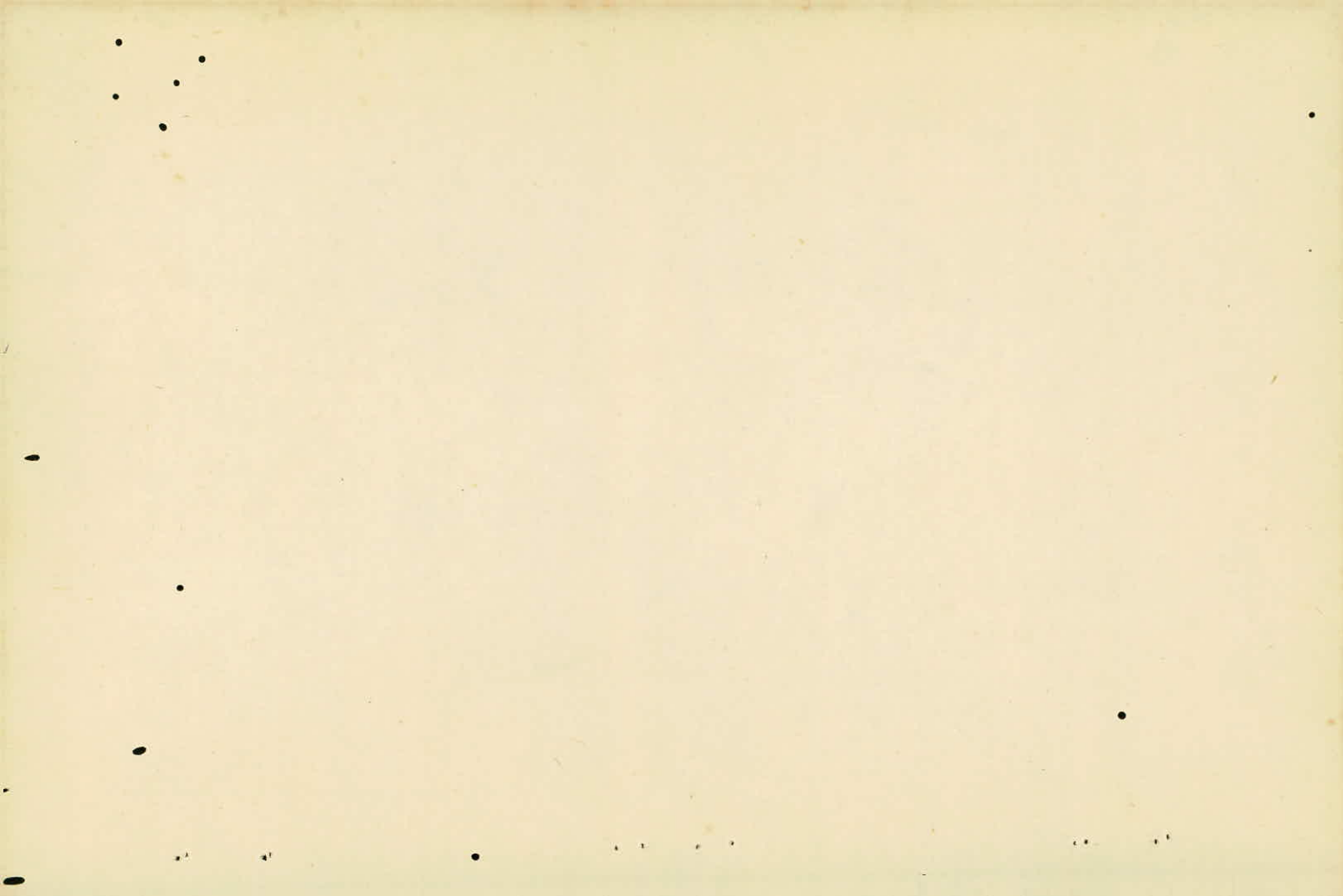
<i>Work</i>	<i>Target as per Project Report 1955</i>	<i>Achievement</i>
Barrage and Head works	..	Completed by 1966-67
Head Regulator	..	Do.
Main canal	29 kms.	Completed by 1962.
Major and minor Distributaries	502 kms.	299 kms.
Field channels	97 kms.	37 kms.

The total expenditure incurred on the Project till the end of March 1974 was Rs. 7,38.44 lakhs.

On a further review the following points were noticed:

(i) The main canal completed in 1962 at a cost of Rs. 87.13 lakhs was constructed with a designed capacity of 20.00 cumecs based on an assumed duty of 90 acres per cusec, as per the Project Report of 1955. In 1961 itself, even before the work on the main canal was completed, the Department found







that the capacity of the canal, as designed, was totally inadequate for irrigating the anticipated ayacut of 63,300 acres. In order to augment the canal capacity, the revised estimate of August 1965 envisaged remodelling of the first reach of the canal to increase its capacity to 24.27 cumecs which was expected to give a more rational duty of 75 acres per cusec. It was found during discussion with the Central Water and Power Commission in May 1971, that the main canal capacity of 24.27 cumecs would be sufficient to irrigate only an area of 40,000 acres out of the proposed ayacut of 63,300 acres. Further augmentation of the capacity of the canal as well as the water supply for feeding the full ayacut was therefore considered necessary.

The project estimate was, accordingly, revised in 1972 co-ordinating the same with the new multipurpose Edamalayar Project, which was cleared by the Planning Commission in September 1973 and taken up by the Kerala State Electricity Board. The revised project envisaged utilisation of the water to be released from the Ennakkal dam (to be constructed by the Kerala State Electricity Board) and the tail race waters of the hydel scheme in the Muthirapuzha tributary of Periyar. In order to augment the storage capacity of the reservoir as well as the capacity of the canal the revised project report 1972 envisaged: (a) improvement of the main canal up to 8th Km. by raising the height of the canal bank to have a top level of +35.95 M., (b) construction of a new high level canal taking off from the main canal at the 8th Kilometre and intended to serve an ayacut of 40,000 acres in the upper reaches and (c) modification of the existing Periyar barrage raising the height of the barrage from F.R.L. of +32.20 M. to +34.95 M., so as to enable irrigation in the upper reaches to be served by the high level canal. The Project ayacut was also proposed to be increased to 81,050 acres and an additional production of 1,24,275 tonnes of paddy (valued at Rs. 7,24.52 lakhs) was anticipated. As per the revised estimate, the cost of the project is Rs. 16,50 lakhs including share of the cost of Ennakkal dam (Rs. 2,33.29 lakhs) payable to Kerala State Electricity Board. The works under the revised estimate were to be taken up in two stages: the first stage costing Rs. 5,67.50 lakhs (excluding Rs. 2,33.29 lakhs to be paid to the Kerala State Electricity Board as part cost of the Ennakkal dam) to benefit 70,038 acres and to be completed in five years' time and the second stage costing Rs. 1,84.21 lakhs to be completed in another three years' time extending irrigation facilities to the entire ayacut of 81,050 acres. The revised estimate of Rs.16,50 lakhs was submitted to the Central Water and Power Commission in April 1973 and on the basis of the Commission's observations, the estimate has been further revised (November 1974) to Rs. 17,95 lakhs.

With reference to the revised estimate of Rs. 16,50 lakhs, the Ministry of Agriculture in January 1974 emphasised the necessity for conducting soil survey of the command area in order to develop a suitable cropping pattern and to plan irrigation on scientific basis. However, on the basis of an assurance given by the Department that soil survey would be taken up early, the Ministry cleared the scheme in September 1974. Approval of the Com-

mission to the revised estimate of Rs. 17.95 lakhs is, however, awaited (December 1974). It would thus be seen that the project estimate has been increased from Rs. 3.48 crores to Rs. 17.95 crores while the ayacut has increased from 63,300 acres to 81,050 acres only.

(ii) According to the Project Report of 1965, the Kizhakkambalam branch canal which takes off from the main canal at 17.5 miles was intended to irrigate an ayacut of 12,000 acres (based on a duty of 90 acres per cusec). The Kolencherry branch is one of the branches of the Kizhakkambalam branch canal. In the original Project Report (1955) the Kolencherry canal was intended to serve an ayacut of 4,000 acres. The revised Project Report of August 1965 envisaged enlargement of the scope of this canal to feed an additional ayacut of 7,000 acres in Kanayannur taluk (which was not originally included in the project) and a provision of Rs. 40 lakhs was included in the revised estimate of 1965.

In September 1968 the Superintending Engineer, Irrigation Central Circle, Trichur reported that the water available in the Periyar Valley Project would not be sufficient to feed this canal. Subsequently, in December 1968, the Chief Engineer reported to Government that the construction of this branch canal could be taken up anticipating water for this canal from the Edamalayar scheme approved by the working group of the Planning Commission for inclusion in the Fourth Five Year Plan. Sanction for taking up this canal to feed an ayacut of 11,000 acres was accorded by Government in December 1968. The design of the canal for the first seven reaches (out of the total nine) was then approved by the Chief Engineer in May 1969. The total cost of construction of the canal, including 25 kms., of minor distributaries, according to rough cost calculations was estimated to be Rs. 64 lakhs. Work on the two reaches of the canal was started in August 1969.

In November 1971 the Executive Engineer pointed out that the designed capacity of the main canal and the Kizhakkambalam canal was inadequate. The designed capacity of the Kizhakkambalam canal was 130 cusecs and this could feed an ayacut of 7,000 acres only (based on the duty of 60 acres per cusec which was considered practical), whereas the ayacut of Kolencherry branch canal alone had been increased to 11,000 acres.

Accordingly in December 1971 the Department decided to stop the work on this canal pending further investigation and consideration of the proposals for co-ordinating the project with the Edamalayar scheme. Work on two reaches of the canal up to a length of 3.5 kms. which had been taken up was accordingly stopped after incurring expenditure of Rs. 5.95 lakhs. In December 1972, consequent on the decision to construct a new high level canal at the eighth kilometre of the main canal contemplated in the Revised Project Report of 1972, the Chief Engineer proposed to Government that the Kolencherry branch canal could be fed by the high level canal which was to join the branch canal at the 3rd kilometre. It was also proposed that the Kolencherry branch canal beyond the meeting point of the new High level canal might be taken at higher levels so as to command new areas and that the portion of the canal where excavation had been completed might be regraded and utilised for feeding the Kizhakkambalam branch canal for meeting the water required for the ayacut below and also for supply to The Fertilisers and Chemicals (Travancore) Limited, Cochin Division. The proposals





of the Chief Engineer were agreed to by Government in July 1973. For regrading the portions of the canal already excavated deep cutting would be necessary and this would entail further expenditure (no separate estimate for this work had been prepared up to August 1974). According to the Executive Engineer no benefit is now accruing (December 1974) from the portion of the canal already completed at a cost of Rs. 5.95 lakhs. Work on this canal would thus appear to have been taken up without a firm idea of the availability of water in the branch canal which was expected to feed it.

(iii) Financial returns expected on completion of this project, as indicated in the revised Project Report of Rs. 16,50 lakhs (1972) include water cess of Rs. 17.06 lakhs per year and a betterment levy of Rs. 4,02.45 lakhs in addition to recovery of Rs. 16.57 lakhs per year for supply of water to the Fertilisers and Chemicals (Travancore) Limited, Cochin Division. Though the scheme was partially commissioned in 1966 and an ayacut of 35,000 acres is actually being benefited no betterment levy has been levied so far (March 1975). According to the revised estimate of Rs. 6,40 lakhs (August 1965), the annual gross revenue anticipated by way of water cess was Rs. 6.76 lakhs. The total amount of water cess realisable for the ayacut reported to have been benefited by the Public Works Department during the years 1966-67 to 1973-74 at the minimum rate of Rs. 10 per acre anticipated in the revised estimate (August 1965) would be about Rs. 20.53 lakhs. But the Revenue Department had raised demands during these years for Rs. 8.31 lakhs only in respect of 15,000 acres for which field verification and preparation of ayacut registers had been completed till the end of March 1974. Out of the total demand of Rs. 8.31 lakhs so raised, a sum of Rs. 4.77 lakhs was pending collection at the end of July 1974. The District Collector stated (February 1975) that due to paucity of staff the field verification of the remaining ayacut could not be conducted and demands raised.

### 35. Chitturpuzha Irrigation Project

The Chitturpuzha irrigation system located in Chittur taluk (Palghat District) had been providing irrigation facilities for the past hundred years or so to about 20,300 acres of land through four anicuts in Moolathara, Kunnamkattupathy, Thembaramadakku and Nurnee constructed across Chitturpuzha (a tributary of Bharathapuzha) and a canal system taking off from these anicuts. With the completion of a dam in Tamil Nadu in 1962-63 across Aliyar, a tributary of Chitturpuzha, as part of the Parambikulam-Aliyar Project, the flow of water into Chitturpuzha became controlled.

(2) In 1958 Kerala was assured by Tamil Nadu, supply at the Kerala border, of 7,250 M. cft. of water from the Parambikulam-Aliyar system to be let down into Chitturpuzha for irrigating the existing ayacut. The two States had also come to an understanding for additional release of up to 2,500 M. cft. of surplus water, if any, over and above 16,500 M. cft.

to be exploited by Tamil Nadu from the Parambikulam group of rivers. A formal inter-State agreement on sharing of the waters (which had retrospective effect from 9th November 1958) was signed by the Governments of Tamil Nadu and Kerala in June 1970. The Chitturpuzha irrigation project was proposed (1962) for utilising the above anticipated supply of 9,750 M.cft. of water for irrigating the existing ayacut of 20,300 acres and an additional 7,500 acres by extending the canal system, thus increasing the total ayacut to 27,800 acres. The existing irrigation system had also fallen into disrepair by passage of time and large scale remodelling, with reconstruction wherever required, was also considered necessary to bring it up to present day standards.

(3) Sanction for taking up preliminary works on the project (estimated cost: Rs. 15 lakhs) was accorded by Government in November 1962 and work was started in May 1963. The estimate for Rs. 1,05.63 lakhs for the project was prepared in two parts, one for remodelling two (Moolathara Regulator and Thembaramadakku weir) out of four existing regulators and canals—Rs. 66.85 lakhs and the other for extension of canals—Rs. 38.78 lakhs. This was sanctioned by Government in August 1965 and November 1969 respectively and was technically approved by the Chief Engineer in October 1965 and January 1970. The estimate was, however, revised to Rs. 5,36.70 lakhs in August 1970 providing *inter alia*, for additional land acquisition (Rs. 42.94 lakhs), reconstruction of Moolathara Regulator and Thembaramadakku weir (Rs. 37 lakhs), extension of canals and distributaries (Rs. 65.48 lakhs), lining of canals to minimise seepage losses (Rs. 1,09.10 lakhs) and construction of additional bridges, regulators and cross drainage works (Rs. 1,04.20 lakhs) to irrigate a total ayacut of 42,700 acres. Steep rise in the cost of materials and labour had also contributed to the increase in cost. The increased ayacut in the revised estimate was considered possible by the Department in view of the reduction in the transmission loss from 20 per cent to 12½ per cent as a result of lining of the canals. The additional annual yield anticipated from the project was 30,520 tonnes of rice valued at Rs. 2.44 crores (at Rs. 800 per tonne). The revised estimate of Rs. 5,36.70 lakhs was forwarded to the Central Water and Power Commission in October 1971. The estimate of the project was further revised to Rs. 6,24.14 lakhs (increase in cost was mainly due to acceptance of comments of the Central Water and Power Commission) and sent to the Central Water and Power Commission in August 1973 and is awaiting clearance from them (December 1974).

(4) There is disagreement between the State Government and the Central Water and Power Commission about whether enough water would be available in the Project. The additional 2,500 M.cft. of water from the Parambikulam system under the inter-State agreement would be available only from the surplus, if any, over the 16,500 M.cft. to be exploited by Tamil Nadu. This was to be determined by gaugings for a period of ten years from July 1970 under the supervision of a Joint Water Regulation Board. The average of the gaugings for the year 1970-71 was to be used as an interim measure, for the first year of operation. The actual yield in the Parambikulam-Aliyar system during the four years from 1970-71 based







on the gaugings carried out jointly by the technical officers of the Kerala and Tamil Nadu Governments was as follows:—

Year	Yield
1970-71	11,684 M. cft.
1971-72	12,596 „
1972-73	8,248 „
1973-74	8,563 „

The Central Water and Power Commission had observed even in 1964 (with reference to the original estimate) that the availability of the additional 2,500 M.cft. of water could not be depended upon and that the inclusion of works in the estimate for (extension of existing canals) was not justified. The Department, however, held the view (September 1964) that even if it was found in an exceptionally dry year that the entire additional 2,500 M.cft. were not available, the shortfall could be made good from the quantity earmarked under the inter-State agreement effective from 9th November 1958 for the Sholayar Hydro Electric Scheme at the expense of power. In August 1972 the Central Water and Power Commission had again observed (with reference to the revised estimate) that, in view of the higher water requirement of crops, the duty calculations, according to it would work out to 23.4 acres per cusec as against duty of 60 assumed in the project report and hence it would not be possible with the available supply of water to cater to the full requirement of the entire command area of 42,700 acres and suggested revision of the Project. In reply to the observations of the Commission, the Department stated (March 1973) that in case the additional 2,500 M.cft. of water is not available, the Government proposed to augment the supply by construction of a dam across the Kuriarkutty river which was under investigation. Subsequently, in August 1973 the Department revised the water requirement calculations, effecting changes both in crop calendar and rate of percolation, based on which it was held that 7,250 M.cft. by itself would be sufficient for irrigating the proposed ayacut of 42,700 acres. The revised calculations of water requirements have not, however, been confirmed by the Commission which considered (March 1974) that the scheme was *prima facie* incapable of meeting the irrigation demands of the project area and the shortage would be even more than 2,500 M.cft. The Department has, however, reiterated (5th April 1974) the position stated in its earlier letter of August 1973. Further comments of the Commission are awaited (December 1974).

The Commission had also observed (May 1972) that the Department had not conducted the soil survey of the command area which was necessary to determine the rate of percolation, crop calendar, etc. The Chief Engineer (Projects) stated (March 1975) that a report on the soil survey of a representative portion of the command area only had been sent to the Central Water and Power Commission in August 1973, but a complete soil survey of the Project was yet to be undertaken by the soil conservation unit of the Agriculture Department.

(5) The project was expected to be completed by 1969-70 as per the original estimate and by 1975-76 as per the revised estimate. All works on remodelling of the two anicuts in the system (Moolathara Regulator and Thembaramadakku weir) have been completed except some minor works (hoisting arrangements to a few shutters, provision of M.S. plates over the deck bridge, electrical wiring, etc.) in the case of the Moolathara Regulator. Remodelling of 19 kms. (out of 24 kms.) of the Moolathara left bank canal has been completed and 27 kms. (out of 66 kms.) of the left bank canal extension has also been completed. Remodelling of the existing Thembaramadakku Canal is yet to be taken up though all works of extension of this canal have been completed. The Department now (June 1974) expects to bring the full ayacut under irrigation in 1979-80.

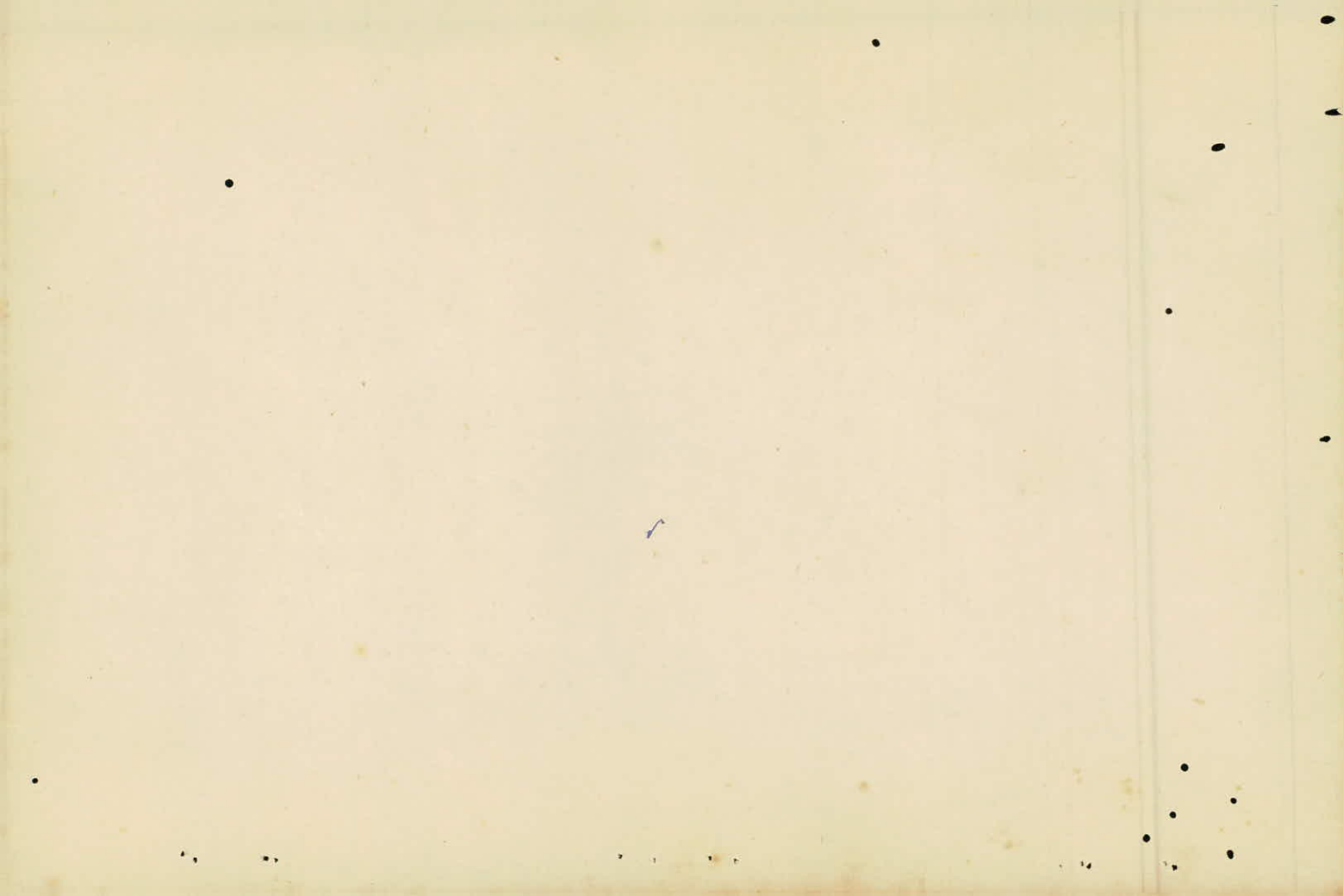
(6) Partial commissioning by giving irrigation water to a fresh ayacut of 2,000 acres was achieved in 1972-73 and another 3,000 acres have been brought under irrigation during 1973-74. A list of benefited ayacuts has, however, not been forwarded to the Revenue authorities so far (August 1974). Collection of water cess in the existing Chittur irrigation system had been stayed by Government earlier in December 1968 on the basis of a court decision that the Travancore-Cochin Irrigation Act was not applicable to the lands in Malabar area. Amendments to the Act proposed by the Board of Revenue to overcome this difficulty are still under consideration of the Government and hence no irrigation cess is being collected at present (December 1974) from the beneficiaries under this project.

(7) Rupees 2,41.36 lakhs were spent on the project till the end of March 1974. The outlay envisaged in the revised estimate, the funds allotted and expenditure incurred during the three years from 1971-72 to 1973-74 were as given below:—

Year	Outlay envisaged in revised estimate	Amount allotted	Actual expenditure		
			on works	on establishment	Total
(in lakhs of rupees)					
1971-72	60.00	19.06	20.20	5.65	25.85
1972-73	1,00.00	40.12	43.40	12.56	55.96
1973-74	1,00.00	31.49	34.07	9.20	43.27

A sum of Rs. 3,82.78 lakhs would be required to complete the project on the basis of the revised estimate of Rs. 6,24.14 lakhs against which an outlay of Rs. 3,00 lakhs only has been provided in the State's Fifth Five Year Plan.

(8) The percentage of establishment expenditure to works expenditure envisaged in the revised estimate of August 1970 was 8 to 10 per cent. In actual execution of the work the percentages were 27, 28, 29 and 27 respectively during each of the years from 1970-71 to 1973-74. Government stated (December 1974) that this was due to the fact that the allocation of funds was insufficient.





(9) Mention of some irregularities in the execution of works connected with the Regulator at Moolathara was made in paragraph 48 of Audit Report 1969 and paragraph 47 of the Report of the Comptroller and Auditor General of India for the year 1970-71.

(10) A case where the extra expenditure to Government due to rearrangement of the balance works still remaining unrecovered from the original contractor is mentioned below:

The work of earthwork excavation for Reach II (chainage 1,700 M. to 2,500 M.) of the Moolathara High level canal was entrusted to the only tenderer for probable amount of contract of Rs. 1.43 lakhs in January 1964 with the time of completion fixed as the end of September 1964. As progress of work was not satisfactory despite several extensions of time, the contract was cancelled in October 1966 at the risk and cost of the contractor. Works costing Rs. 0.30 lakh only had been completed by the contractor till then. Though the balance work was tendered in February 1967 the contract could not be settled as acceptance of the only offer (Rs. 1.74 lakhs) received was communicated by the Department in January 1968, i.e. 8 months after the expiry of the validity period of the tender. The tenderer then expressed (February 1969) his inability to take up the work at his quoted rates. There was no response to fresh tenders invited in July 1969. Tenders were again invited in June 1971 for the balance work on the basis of a revised estimate of Rs. 2.86 lakhs for the work sanctioned by Government in April 1971 (including cost of work already done). As the only tender received was 48 per cent above the estimate rate, fresh tenders were invited in January 1972 and the lowest offer (for Rs. 3.28 lakhs) was accepted by Government in July 1973. Works costing Rs. 1.62 lakhs have been completed by the contractor so far (July 1974). The loss to Government due to rearrangement of the balance work was assessed by the Chief Engineer to be Rs. 2 lakhs. Efforts made by the Department to recover the dues from the contractor by direct correspondence with him (October 1973) and under Revenue Recovery Act through the District Collector, Coimbatore in Tamil Nadu (January 1974) did not evoke any response. The matter was therefore reported to Government by the Chief Engineer in March 1974. Government stated (December 1974) that some further details called for from the Chief Engineer had been received and the question was being further examined by the Government.

### 36. Kallada Irrigation Project

(1) The Kallada irrigation project, the largest taken up in Kerala so far, estimated to cost Rs. 13.28 lakhs and expected to benefit 1,30,000 acres (net) of paddy lands was sanctioned in 1966. It comprises mainly a masonry dam across Kallada river at Parappan, a pick-up weir and sluices at Ottakkal 4 kilometres downstream and a canal system 153 kilometres long. Preliminary work on the project commenced in 1961-62. The project report envisaged partial commissioning by 1971-72 and full commissioning by 1975-76. An

additional annual production of 79,540 tons of rice and a net annual revenue of Rs. 16.21 lakhs at the then existing water rates were anticipated from the project.

Mention was made in paragraph 54 of the Report of the Comptroller and Auditor General of India for the year 1969-70 about the delay in execution of this project and the reasons therefor. The partial commissioning expected by 1971-72 was not achieved and the progress of execution continues to be slow.

The estimate for the project was revised to Rs. 44.91 lakhs and sent to the Central Water and Power Commission (August 1970). The increase in cost was attributed mainly to increase in cost of labour (Rs. 5.34 lakhs) and materials (Rs. 2.06 lakhs); increase in land value and cost of additional land required (602 hectares: Rs. 8.64 lakhs); increase in length of aqueducts (from 2,846 M. to 7,269 M: Rs. 6.66 lakhs); increase in cost due to change in classification of soil on detailed geological study (Rs. 4.25 lakhs) and increase in cost of establishment, audit and tools and plant (Rs. 6.00 lakhs). The estimate is again proposed (November 1974) to be revised based on the 1974 schedule of rates. The cost per acre of area benefited which had already increased from Rs. 1,022 (as per original estimate) to Rs. 3,455 (as per the revised estimate) would also as a result go up further. The observations of the Central Water and Power Commission, on the revised estimate, received in December 1972 still remain to be answered (November 1974). The commission had *inter alia* commented on: (i) the absence of details regarding the salient features of the revised project, (ii) non-submission of plans showing the alignment, cross sections and L sections of main and branch canals and distributaries, (iii) failure to furnish crop-pattern, delta, duty, etc., in support of the proposed intensity of irrigation, (iv) considerable increase in cost of the project due to incomplete investigation of soil, low assessment of land requirements, (v) heavy establishment expenditure working to 16.2 per cent of the cost of works, (vi) high cost of distributary works and water courses (Rs. 515 and Rs. 113 per acre respectively) and (vii) low cost-benefit ratio. The estimate of the project has increased from Rs. 13.28 crores to Rs. 44.91 crores. It would appear that the project was undertaken on the basis of very inadequate studies.

Construction of five out of twelve blocks of the dam at Parappan has been completed and estimates of the remaining seven blocks are under scrutiny (March 1974). Six out of seven spans of the weir at Ottakkal have been completed. Work on some reaches of the Right Bank Canal is in progress (March 1974). Office buildings and staff quarters at Thenmala, Punalur, Kalanjoor and Kottarakkara have been completed. Of the total 1,090 hectares of land required, 461 hectares had been requisitioned by the Department and 269.56 hectares acquired and handed over to the Department till March 1974.

The Department ascribed the slow progress to the allocation of funds far below the expenditure targets indicated in the project report. Against an outlay of Rs. 12,43.75 lakhs envisaged in the project report till the end of

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March 1974, the amount actually provided was only Rs. 5,44.21 lakhs and the total expenditure till the end of March 1974 was Rs. 4,54.06 lakhs as detailed below:—

Year	Outlay as per Project Report	Actual provision	Actual expenditure
	(in lakhs of rupees)		
1961-62	1.95	2.57	1.33
1962-63	5.13	1.68	5.23
1963-64	2.08	2.62	3.46
1964-65	1.67	2.76	3.11
1965-66	8.70	2.00	2.64
1966-67	98.81	10.00	11.53
1967-68	1,54.12	53.36	24.44
1968-69	1,77.41	40.00	46.59
1969-70	1,91.27	51.22	58.48
1970-71	1,93.14	60.00	79.03
1971-72	1,57.16	1,10.00	38.54
1972-73	1,49.47	1,10.00	64.02
1973-74	1,02.84	98.00	1,15.66
Total	12,43.75	5,44.21	4,54.06

The Committee on Public Accounts for 1972-73 in its Eleventh Report desired that Government should overcome the difficulties in finance and ensure commissioning of the project as per schedule.

The percentages of establishment expenditure to works expenditure envisaged in the original and revised estimates were 7.8 and 12 respectively. The actual establishment expenditure at the end of March 1974 (Rs. 84.17 lakhs) came to 22.76 per cent of the works expenditure (Rs. 3,69.89 lakhs). Apparently the establishment entertained is disproportionately high as compared with the annual quantum of works executed. (P. C/129 (IV))

Government of India had considered (September 1970) that the revised estimate of Rs. 44,91 lakhs was excessive and suggested thorough investigation of the entire canal system in order to reduce the cost of the project. Subsequently, it was decided (December 1971) that the alignment of the branch canals and the distributaries should be fixed after an aerial photographic survey of the project. Accordingly, based on the recommendations (January 1972) of the Chief Engineer, the Government sanctioned an aerial survey at a cost of Rs. 13 lakhs (with a foreign exchange component of Rs. 4 lakhs) to be entrusted to the Survey of India. The work, which commenced in

February 1972, is reported (November 1974) to be nearing completion. The expenditure incurred on the aerial survey up to August 1974 was Rs. 13.13 lakhs.

Some other points noticed in the execution of the project are mentioned below:—

(i) *Deviation of Quilon-Shenkottah road from Urukunnu to Ottakkal*

The work (estimated cost: Rs. 9.40 lakhs) was awarded to the lowest tenderer in November 1968 at his quoted rate of Rs. 6.26 lakhs. As the land required was not acquired and handed over to him in time, the contractor withdrew (February 1969) from the contract. It was observed that even as early as October 1968 the District Collector had accorded sanction to invoke the urgency provisions of the Kerala Land Acquisition Act, but action under these provisions was not taken and acquisition in the normal way only was attempted. After acquisition of land in March 1971, the estimate was revised (Rs. 13.43 lakhs) and work was retendered (December 1971) and awarded to another contractor (February 1972) for an amount of Rs. 8.92 lakhs resulting in an estimated extra expenditure of Rs. 2.66 lakhs. The amount actually paid to the contractor till August 1973 amounted to Rs. 8.12 lakhs.

(ii) *Spare parts remaining unused*

Spare parts worth Rs. 0.67 lakh procured during 1969 and 1970 for a Caterpillar-D6 Tractor and a Bull Dozer (bought by the Department in 1951 and transferred to this project in November 1967 after being used in other projects) remain unused as sanction of Government for taking up the repairs, sought in February 1972 has not been obtained (November 1974). The Bull Dozer had been dismantled in June 1971 and remains in that condition since then. Expenditure on the pay and allowances of three operators attached to the Bull Dozer for the period June 1971 to the dates of their transfer to other projects in March 1972, June 1972 and July 1973 was Rs. 0.21 lakh.

### 37. Kanhirapuzha Project

1. The Kanhirapuzha project is intended to provide irrigation facilities to an area of 9,720 hectares (24,000 acres) in Mannarghat, Ottappalam and Palghat taluks of the Palghat District. The work on the project (original sanctioned estimate: Rs. 3.65 lakhs) commenced in October 1961. The project was originally proposed to be completed in five years. A revised estimate for Rs. 9,26.15 lakhs prepared and forwarded to the Central Water and Power Commission in 1970 was revised further in June 1974 in the light of their comments to Rs. 10,52.20 lakhs and is awaiting final clearance of the Central Water and Power Commission and sanction by the Government (January 1975). The upward revision of the estimates in 1970 was attributed by the Department to (i) steep increase in cost of material (Rs. 1,000 lakhs) and labour (Rs. 2,75 lakhs), (ii) increase in value of land and improvements (Rs. 55.35 lakhs) and (iii) increased provision for works found

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necessary on detailed investigation (Rs. 96 lakhs). The project is expected to be completed by 1978-79 as per the revised estimate. A sum of Rs. 3,05.92 lakhs has been spent on the project up to March 1974.

2. Some aspects of the project relating to the revision of the estimate, delay in completion of the project and high cost of establishment were mentioned in paragraph 46 of the Report of the Comptroller and Auditor General of India for the year 1970-71.

3. In a further review of the project in 1974, the following points were noticed:—

(i) Physical progress achieved to the end of August 1974 in the major components of the project was as indicated below:—

	<i>Target</i>	<i>Actual</i>
	<i>(in cubic metres)</i>	
1. Construction of masonry dam	1,30,000	8,700
2. Earth formation for the earth dam	10,81,500	3,84,000
3. Earth work in left bank canal in 11 kms. out of the total length of 56 kms.	37,31,000	6,25,000
4. Earth work in right bank canal 9.36 kms. long	1,63,000	1,40,000
5. Major and minor distributaries (27 numbers)	work not taken up	

The revised estimate of 1970 envisaged that establishment expenditure should not exceed 10 per cent of works expenditure. Due to the slow progress of work and periodical revisions of pay, dearness allowance, etc. the percentage of establishment expenditure to works expenditure rose to 27.86 per cent in 1971-72, 27.46 per cent in 1972-73 and 26.99 per cent in 1973-74.

(ii) The works "Forming filter for earthen dam on the right bank from chainage 895.6 M to 1185 M" (probable amount of contract: Rs. 15 lakhs) and "Construction of masonry dam on the right bulkhead portion up to level +74 M" (probable amount of contract: Rs. 22 lakhs) were awarded to a contractor during March-April 1970. The former was due for completion by March 1972 and the latter by April 1972. The right bulkhead of the masonry dam consisted of four blocks I to IV (each approximately 25 M. long) and a core wall 14 M. long at the top and 21 M. at bottom going fully into the earth dam. Before work on the masonry dam could commence, the work of excavation of foundation had to be completed. This work had been entrusted to another contractor earlier in March 1969 and was due for completion in March 1970. The excavation work was not, however, completed by the stipulated date and as the contractor to whom this work was awarded expired in July 1970, after executing part of the work, the balance work of

excavation of blocks II to IV was arranged through fresh contracts. The excavated sites for blocks II and III of the masonry dam were handed over to the contractor in December 1970 and April 1971:

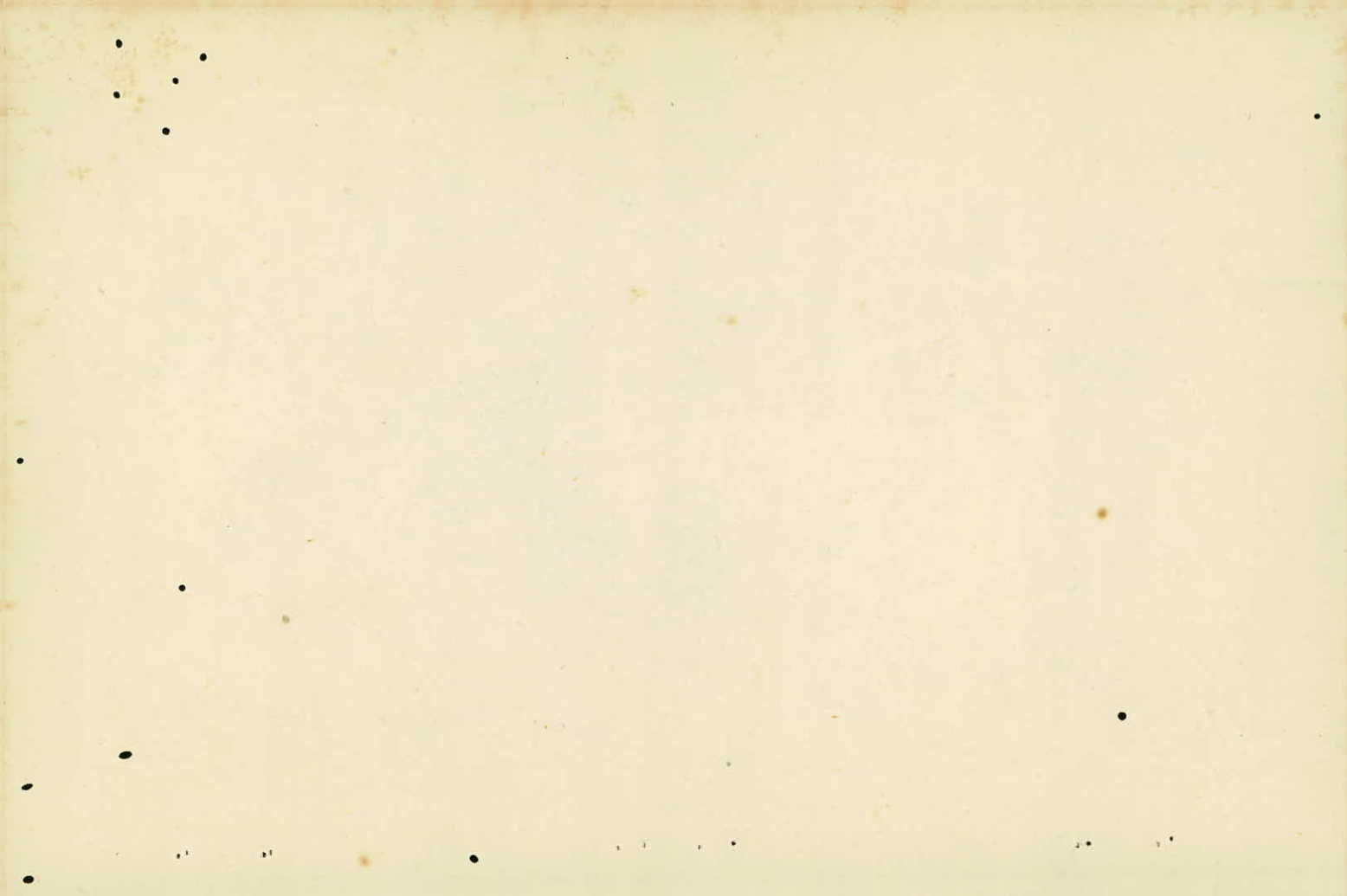
In July 1972 the Department decided to defer the work of excavation of foundation for block I to enable diversion of the river during construction of spillway. The work has not been awarded so far (January 1975) and consequently the work on the masonry dam in block I has not been taken up.

The site for block IV could not be handed over as during the excavation it was found that good rock was not met with even up to depth of 60 M. In view of these difficulties in carrying out work on foundations and considering the consequential increase in cost of the work the Department decided in April 1972 to delete block IV of the masonry dam altogether and construct the core wall from end of block III instead of from end of block IV with a corresponding increase in the length of the earth dam by 23 M. In April 1972 and again in September 1972, the contractor put in claims for enhancement of his rates by 40 per cent for the works remaining to be executed after the period stipulated in the two contracts, compensation for the deletion of the masonry dam work in block IV, and compensation for overhead charges and loss incurred by him on account of delay in handing over sites. The Department, however, rejected (May 1973) all his claims and terminated his contract for both the works at his risk and cost. The contractor moved for arbitration in May 1973 and the Arbitrator awarded (September 1973) payments aggregating Rs. 1.10 lakhs (forming filter for earthen dam: Rs. 0.40 lakh; construction of masonry dam, etc.: Rs. 0.70 lakh) as compensation for loss of profit to the contractor due to delay caused by the Department in making available the sites and due to the termination of the contract. The payments were made to the contractor in November 1973 as the Law Department of the Government advised that there was no scope for challenging the award.

The Department stated (January 1975) that the balance work of forming filter for earthen dam (except in the portion covered by the deleted portion of the masonry dam in block IV), the work of core wall in this portion and the balance work of the masonry dam in blocks II and III had been arranged.

(iii) The work of excavation of foundation of blocks II, III and IV of the left bulkhead portion of the masonry dam (estimated cost: Rs. 1.80 lakhs) was entrusted to a contractor (on the basis of tenders) in July 1967 for Rs. 1.34 lakhs. The work started in December 1967 was to be completed by April 1968. The contractor was fined Rs. 500 in April 1968 for non-completion of the work by the due date, and extension of time was granted up to the end of April 1969, subject to the condition that additional expenditure, if any, on account of dewatering/clearance of silt due to rain or occurrence of floods subsequent to 20th April 1968 would be borne by the contractor. In May 1969, the contractor stopped the work on the ground that wide cracks were noticed on three sides of the site due to tremors caused by blasting operations and were fraught with danger to the lives of labourers engaged on the







work and the work would be resumed only if this position was improved by the Department. The Department on the other hand held the view that the tracks developed due to the failure of the contractor to complete the excavation of the foundation within the contractual period of four months. Twenty-eight months after the stoppage of work, the Department in September 1971 terminated the contract at the contractor's risk and cost. The balance works were rearranged (after inviting fresh tenders) and completed in January 1974 at an extra cost of Rs. 0.35 lakh.

In the meantime on a petition by the contractor the Arbitrator in his award (October 1972) absolved him of the responsibility for the suspension of the work and the consequential extra cost for the execution of balance work. The amount could not, therefore, be recovered from the original contractor. The arbitrator observed that the contractor was made to work in a manner entirely different from the approved plan and estimate and the berms as contemplated in the estimate were not provided by the Department to help the stability of the cut. Berms were, however, provided by the Department while getting the balance work executed through retender.

The Department filed a petition in the court in November 1972 to get the Arbitrator's award set aside. The final outcome of the case is awaited (January 1975).

(iv) The work of excavation of foundation of block I of the left bulk-head portion of the masonry dam (estimated cost: Rs. 1.53 lakhs) was awarded (on the basis of tenders) to a contractor in October 1968 for Rs. 1.20 lakhs and was due to be completed within nine months from the date the site was handed over. While a portion of the site was handed over to the contractor in November 1968, the balance land was handed over only in March 1970. Extension of time was, therefore, granted up to July 1970. The contractor, however, failed to complete the work and finally stopped it (September 1970) and requested (March 1971) for final payment as he was unable to proceed with the work due to delay in handing over the site, ill health, and as rock blasting required was in excess (more than 25 per cent of the agreed quantity). In December 1971 the Department terminated the contract at the risk and cost of the contractor. On a petition by the contractor in October 1971 and another in September 1973, Government upheld (16th October 1973) the orders issued by the Executive Engineer (December 1971) terminating the contract at the risk and cost of the original contractor. The orders of the Government were reported to have reached the Division office in December 1973. But in the meantime the Executive Engineer (there had been change of incumbent) on 23rd October 1973, reversed the earlier orders (December 1971) and absolved the original contractor from all liabilities for the extra cost in the execution of the balance work, even though the Executive Engineer was fully aware that the petition of the contractor was under consideration of the Government. In December 1974, the Chief Engineer stated that the explanation of the Executive Engineer concerned for the lapse was under scrutiny. The work left undone by the original contractor (value: Rs. 15,607 at his rates) was got completed through another contractor at a cost of Rs. 45,006.

### 38. Water management-Neyyar Dam Irrigation Project

#### (a) *General*

Neyyar Dam Irrigation Project consisting of a straight gravity masonry dam across Neyyar river and an extensive canal system with main canals taking off from both the banks was expected to provide irrigation facilities for two crops in about 38,000 acres of wet and dry lands (17,000 acres of existing wet lands and 21,000 acres of dry lands after development) in Trivandrum, Nedumangad, Neyyattinkara and Vilavencode taluks of the erstwhile Travancore-Cochin State. In addition, the sanctioned project report also envisaged raising of third paddy crop in 9,500 acres of wet lands. Consequent on the reorganisation of States with effect from 1st November 1956, a part of the command area measuring approximately 9,000 acres stood transferred to the erstwhile Madras State (Tamil Nadu); the balance of 29,000 acres of command area (consisting of 8,000 acres of wet and 21,000 acres of dry lands) is in Kerala State.

The project, construction of which was taken up in two stages—work on head works and right bank canal system started in 1952 and that on left bank canal system in 1961—was commissioned in May 1964. Expenditure to the end of March 1974 amounted to Rs. 4.27 crores. A decade later (in December 1974) the position was that neither the irrigation potential of the project was fully developed nor the developed potential utilised fully; potential developed and that utilised till then constituted 83 per cent and 38 per cent respectively of the physical target envisaged in the sanctioned project report.

#### (b) *Development of irrigation potential*

The ayacut of 29,000 acres (in Kerala) expected to be benefited by the project, included 2,000 acres of homesteads, poromboke lands, etc., which were not capable of being benefited by the project. Of the balance of 27,000 acres, the ayacut actually irrigated (as reported by the Assistant Engineer, Canal Sub Division to the Executive Engineer, Irrigation Division, Trivandrum in March 1974) was about 24,000 acres (16,000 acres in 1964, 3,700 acres in 1967, 2,000 acres in 1968, 300 acres in 1970 and 2,000 acres in January 1974); the shortfall of 3,000 acres was attributed by him to non-construction of field bothies up to 25 acres limit. According to Government orders of October 1958, the Irrigation Department would bear in full the cost of field bothies up to 100 acres ayacut limit and cost of construction of field bothies in respect of ayacut between 100 and 25 acres was to be shared equally between Government and beneficiaries. In view of the unwillingness of land-holders to share the cost of construction of field bothies between 100 and 25 acres, the Project Advisory Committee (a standing committee set up by Government in October 1968) in its report on ayacut development recommended (January 1970) that field bothies and channels upto an ayacut limit of 25 acres might be constructed at Government cost and that construction be completed within two years, but Government orders to this effect were seen issued in December

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1972 only. Work on the construction of field bothies was reported to have been taken up in 1973 and to the end of 1974, 10 kms. of field bothies benefiting 854 acres were constructed. The Department has not, however, estimated the total length of bothies to be completed under the orders of December 1972.

Field verification of areas claimed to have been benefited was undertaken in January 1974 by the Tahsildar (Betterment Levy), Neyyattinkara at the instance of the Board of Revenue, in connection with the preparation of ayacut register and Demand, Collection and Balance register of water cess. The verification revealed that facilities for irrigation were available in respect of 16,260 acres only (against 22,000 acres reported by the Irrigation Department) and that the remaining areas could not be considered to have been benefited since either the land was lying above water level (1,480 acres) or the Irrigation Department had not provided outlets and sluices for taking water from the field bothies (4,260 acres). There were also arithmetical inaccuracies in the computation made by the Irrigation Department. The Executive Engineer, Irrigation Division, Trivandrum stated (January 1975) that additional sluices would be provided after ascertaining the necessity thereof as and when requests were received from land-owners.

Out of 16,260 acres benefited by the project (as reported by the Tahsildar, Betterment Levy) the area that received irrigation was 9,300 acres only consisting of 7,200 acres of wet lands and 2,100 acres of dry lands. The balance of land (6,960 acres) consisted of dry lands which would not be irrigated as levelling and bunding have not been done, and as such were not fit for cultivation.

(c) *Conversion of dry lands*

Though the sanctioned project report envisaged introduction of paddy cultivation in 21,000 acres of dry lands to the end 1973-74 only 2,100 acres of dry lands were converted into paddy lands which constituted 10 per cent of all the dry lands in the command of the project (21,000 acres) For the conversion of dry lands into paddy lands, levelling and contour bunding were required and these were to be undertaken by the land-holders. In July 1969 the Assistant Engineer, Canal Sub Division wrote to the Executive Engineer, Irrigation Division, Trivandrum stressing the need for extending financial assistance to land-holders for undertaking conversion; he pointed out that all wet lands in the ayacut were receiving irrigation and unless dry lands were converted expeditiously, full utilisation of irrigation potential already developed might not be possible. In January 1970, the Project Advisory Committee, while noting that land-holdings in the ayacut were generally small and lack of capital was retarding conversion of dry lands, recommended that requisite finances might be made available to land-owners through Kerala Co-operative Central Land Mortgage Bank or other similar agencies and commercial banks and that the development programme might be completed within five years commencing from 1970-71. Although no decision has been taken by Government on this recommendation (December 1974), the Central

Land Mortgage Bank is exploring the economics of a scheme involving conversion of 2,000 acres of dry lands at a cost of Rs. 56 lakhs prepared by it in January 1970 and to be undertaken with refinance facilities from the Agricultural Refinance Corporation.

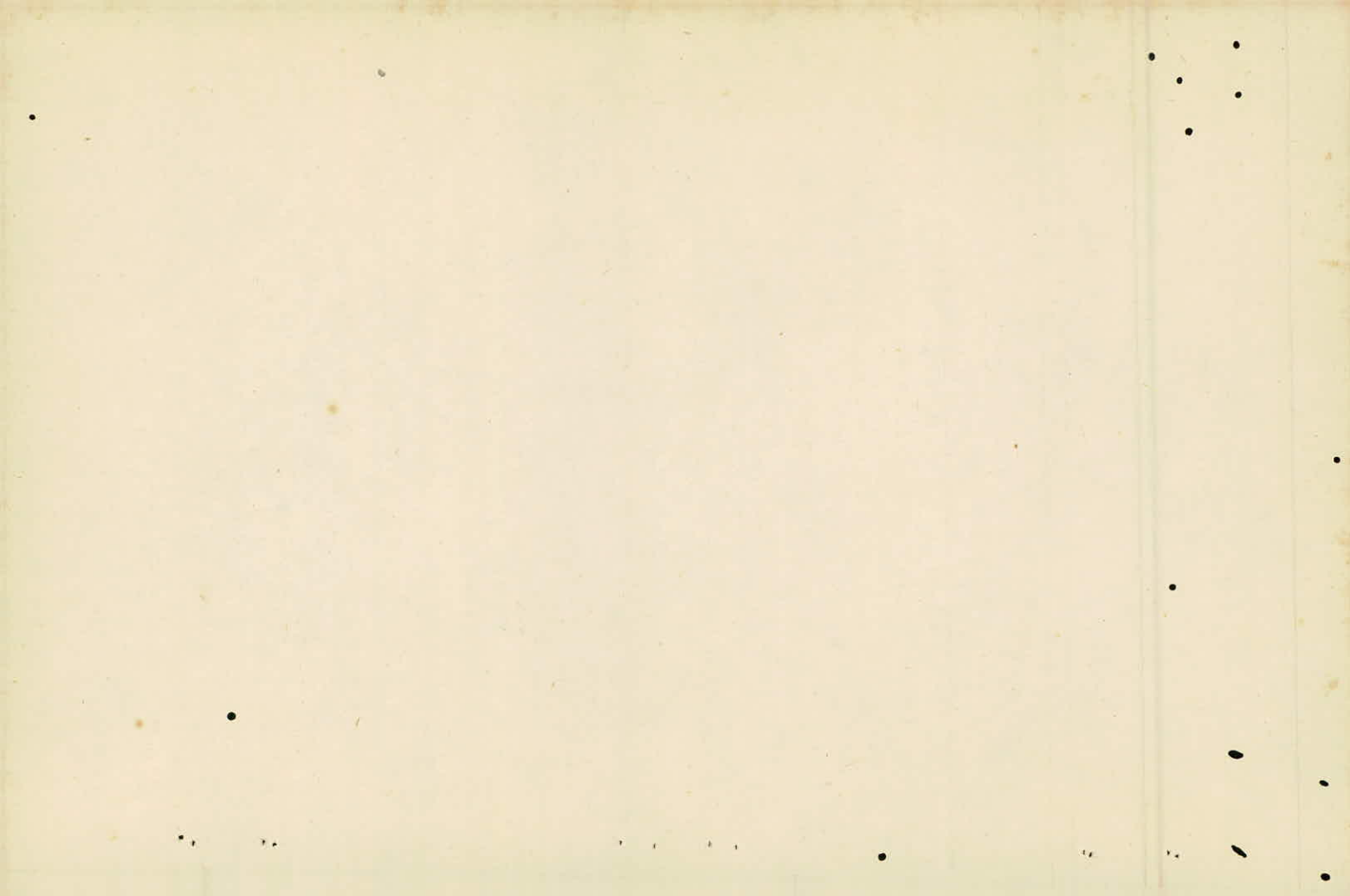
In the meantime, the Project Officer-cum-Deputy Director of Agriculture, Pilot project for soil and water management in Neyyar command area, appointed in March 1973, for the implementation of soil and water management programme, development of cropping patterns, management of group irrigation, drainage and water control facilities for the efficient use of irrigation in the ayacut area reported to the Director of Agriculture (in July 1974) that paddy cultivation in converted dry lands might not be economical in view of the high cost of development of dry lands (ranging from Rs. 1,120 to Rs. 5,810 per acre depending on the slope of the terrain) and heavy investment necessary to minimise percolation losses which are usually heavy in terraced paddy fields. According to him, conversion of dry lands in the ayacut into paddy lands was not a sound policy to be adopted from the point of view of water economy and the untapped irrigation potential should be utilised by raising a third crop in the wet lands, growing other subsidiary food crops like vegetables, tapioca, sweet potato, banana, etc., which would require less water compared to paddy in the dry lands already converted into paddy lands and for increasing yield of cash crops like coconut. It was noticed that though the Project was intended to increase paddy cultivation, neither chemical analysis to test the suitability of soil for paddy cultivation was undertaken nor was the relative cost of raising paddy crop in the converted dry lands gone into in detail when the project was investigated.

(d) *Raising of third crop*

The project envisaged raising of a third crop in 9,500 acres of the ayacut (over and above 29,000 acres). But water was not released in any year for raising third crop in wet lands. According to the technical officers of the Irrigation Department (October 1968) water available in the project was "just sufficient for the two crop cultivation" in 29,000 acres and the question of raising third crop could be considered after the ayacut was fully developed and proper crop survey conducted. The ayacut has not been developed fully nor the cropping pattern fixed (December 1974). With a view to improving the present low utilisation of available irrigation potential the Agriculture Department took up with the Irrigation Department (in July 1974) the question of raising third crop in the existing wet lands by reducing the canal closure period for annual maintenance from three months to one month. But the suggestion was not accepted as according to the Chief Engineer, Irrigation, one month was not sufficient for satisfactory maintenance of the channels.

(e) *Arrears of water cess*

Demands on account of water cess were seen raised by the Tahsildar (Betterment Levy) against land-holders from the dates of notification specifying the dates of provision of irrigation facilities issued under section 20 (2) of the



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Travancore-Cochin Irrigation Act, 1956 even though field bothies and channels were not constructed in the entire area by then. Rupees 2.78 lakhs (about 43 per cent of the total demand of Rs. 6.52 lakhs) were shown awaiting collection as on 1st March 1974 in the Demand, Collection and Balance register of the Tahsildar (Betterment Levy). According to Government (August 1974) bulk of the outstanding dues (amount not assessed by the Department) was liable to be remitted or written off as the dues related to areas assumed to have been benefited from the dates of notification, but not irrigated owing to non-construction of field bothies and channels.

### 39. Anti-sea erosion works

#### (1) *Introduction*

A distinctive feature of the sea coast of Kerala, extending 560 kms. in length, is a barrier strip of low-lying land sandwiched between the Arabian sea and a chain of backwaters with openings to the sea at various points. The arterial lines of communication such as National Highway, Railway lines and inland navigation system pass very close to the coast at certain points. About 320 kms. of this coast between Kovalam (Trivandrum District) in the south and Bekal (Cannanore District) in the north is subject to erosion, resulting in continuous recession of the shore line, loss of property and threat to the communication system.

#### (2) *History of coastal protection works*

(i) The earliest coastal protection works date back to 1890, when 18 groynes were constructed near Varkala. Till 1953, however, construction of the sea-wall on a limited scale and at isolated points only was taken up. The need for effective anti-sea erosion measures was felt in 1953, when the erosion caused serious damage, particularly near Cochin. Experimental works taken up till 1959, however, failed. Systematic protective works in the form of sea-wall interspersed with groynes at intervals were recommended by the Central Water and Power Research Station, Poona, and between 1959 and 1963 nearly 40 kms. of the worst affected reaches were protected by this method. But this system also did not prove to be effective, as the groynes were damaged and sea-walls sunk in several places. From 1963, such protective works were, therefore, discontinued.

(ii) At the instance of the Government of India, an American expert visited Kerala during October-November 1963 to study the problem. In his report (January 1964) the expert stressed the necessity for an overall plan for stabilising the State's shore line and the need for initiating a long range data collection programme. In the interim stage, he recommended discontinuance of groynes and construction of rubble sea-walls in critical areas utilising an appropriate design of structure height, slopes and armour stones of appropriate sizes. He had also observed that as conditions in Kerala coast were

significantly different at each problem area no standard design could be employed. Where economical borrow areas of sand could be located near critical erosion areas a programme to provide beach fill and nourishment should also be undertaken. For this purpose he suggested collection of field data for locating suitable inland sources of sand.

(ii) In 1964 the Department, however, evolved a design of sea-wall which was uniformly applied in most cases. From 1964 to 1969 sea-walls were constructed in different reaches for a length of about 35 kilometres according to this design. This system also did not work satisfactorily but was more effective than the groynes and sea-walls conforming to the earlier design.

(iv) Artificial nourishment for one mile reach at Purakkad was tried in 1964 as an experimental measure under the guidance of another American expert. However, with limited equipment available and labour problems in the locality, only 1,000 cubic yards could be replaced in a day against the estimated average daily erosion loss of 3,300 cubic yards. This experiment was thus only a partial success.

(v) A Beach Erosion Board constituted by the Government of India in 1966 approved (1968) another design for sea-walls with heavier armour stones (175 to 225 dm<sup>3</sup>), higher crest elevation (3.35 m.) and back fill. Between 1968-69 and 1973-74, 39 kms. of sea-wall were constructed according to this design. A committee constituted by the Chief Engineer (General and Projects) in 1971 for effecting economy in the cost of construction submitted (March 1972) a new design for sea-walls (estimated cost: Rs. 13 lakhs per km.) which is still (September 1974) awaiting clearance from the Beach Erosion Board. In July 1972, the Board while reviewing anti-sea erosion measures adopted, observed that the construction of walls had generally resulted in deepening of the beach in front of the walls and as such the ultimate solution would perhaps be a continuation of protective sea-walls and artificial nourishment to fill the beach in front of the wall. Accordingly, a programme for conducting investigations and studies on inland sources and characteristics of sand suggested by the American expert as early as 1964 was included in the coastal studies undertaken from August 1973.

### (3) *Research and Planning*

Based on the recommendations of the expert a scheme (cost: Rs. 39.05 lakhs) for long range data collection was formulated by the State Government in 1964 and was approved by the Planning Commission in 1965. However, the scheme was not implemented as the Department subsequently felt that the amount was inadequate for setting up a proper organisation with modern equipment, etc. A revised scheme for Rs. 48.62 lakhs was administratively sanctioned by the Government in October 1972 after approval by the Planning Commission. A research wing in the Irrigation Department, sanctioned in October 1972, started functioning from April 1973. In the meantime the Government in 1971, formulated a ten year programme for



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protecting 240 kms. of shore subject to severe sea erosion, at a cost of Rs. 40 crores. This programme was approved by the Government of India and an outlay of Rs. 20 crores for construction of 100 kms. of sea-wall has been included in the State's Fifth Five Year Plan.

(4) *Targets and achievements*

Eventhough no overall State-wide programme of anti-sea erosion works had been developed till 1971, provision for urgent protective works at certain critical areas had been included in the successive Five Year Plans. Plan-wise targets and achievements were as follows:—

	<i>Financial</i>		<i>Physical</i>	
	<i>Targets</i>	<i>Achievements</i>	<i>Targets</i>	<i>Achievements</i>
	<i>(rupees in lakhs)</i>		<i>(length of sea-wall in kms.)</i>	
First Plan (1951-56)	10.00	12.50	..	1.5
Second Plan (1956-61)	1,85.00	1,89.35	32	25.0
Third Plan (1961-66)	3,60.00	4,45.85	38	31.0 and 545 groynes
Annual Plans (1966-67 to 1968-69)	2,00.00	1,54.98	No target fixed	22.0
Fourth Plan (1969-74)	9,25.37 (Budget estimates)	10,16.98	40	34.2

Up to the end of Fourth Five Year Plan, Rs.18.20 crores have been spent for protection of 113.7 kms. of sea shore. Though the financial achievement has been generally satisfactory with reference to targets fixed, physical achievement has fallen short of the target.

(5) *Financial assistance from the Government of India*

To the end of 1973-74, a sum of Rs. 10,86.69 lakhs has been received as loan assistance from the Government of India for flood control and anti-sea erosion works. In respect of loans received to end of 1968-69, a subsidy equal to the amount of interest payable during the first five years, was paid by the Government of India. The subsidy received on this account amounted to Rs. 85.19 lakhs.

(6) *Performance of sea-walls*

No evaluation of the performance of the erosion works and damages sustained is being conducted by the Department. However, some field studies were conducted from time to time by the Kerala Engineering Research

Institute, Peechi to ascertain the reasons for the failure of sea-walls in some reaches constructed up to 1969. The observations of the Institute contained in their reports submitted from time to time revealed that failures were generally caused due to (i) construction of sea-walls close to the water line thus exposing them to direct wave action, (ii) inadequacy of the height of the sea-walls, (iii) inadequate filter system, and (iv) back flow of water from high ground behind the sea-wall.

According to a report submitted to Government by the Chief Engineer, damages to the sea-walls during 1973-74 have been assessed as Rs. 71 lakhs.

A review of the performance of the sea-walls was conducted by a member of the Beach Erosion Board in July 1971. He observed that the entire 80 kms. length of sea-wall (costing Rs. 8 crores) constructed up to 1968-69 had suffered extensive damages and required reconstruction. He attributed the following reasons for failure of sea-walls:—

- (i) inadequate weight of armour layer stones and toe;
- (ii) absence of adequate filter bed;
- (iii) low crest elevation of sea-walls;
- (iv) lack of drainage facilities for overtopped water; and
- (v) construction of sea-walls too close to the water line.

He was also of the view that the sea-walls constructed as per the 1968 design were more effective in checking erosion. The same opinion has also been expressed by the Chief Engineer in July 1974.

(7) Certain aspects of anti-sea erosion works were mentioned in paragraph 46 of Audit Report 1965 and paragraph 46 of Audit Report 1970. In the course of a further review by Audit during February-August 1974 the following points were noticed.

(8) *Execution of works*

(i) *Deviation from the approved design*

As per the design approved by the Beach Erosion Board in 1968, the inner core of the sea-wall was to be constructed with 20 to 45 dm<sup>3</sup> size stones, and armour stones were to be of the size 175 to 225 dm<sup>3</sup> as against 20 to 40 dm<sup>3</sup> stones and 110 to 170 dm<sup>3</sup> stones respectively in the design adopted prior to 1968. It was seen that in one work in Tellicherry Division (estimate: Rs. 16.20 lakhs) which was taken up in May 1971 after the new design was approved, stones of 20 to 40 dm<sup>3</sup> size were used for inner core and 110 to 170 dm<sup>3</sup> size for armour. The agreement with the contractor was found to have been finalised on the basis of an estimate sanctioned in 1966. Damages were caused to the work during June 1973 amounting to Rs. 8.66 lakhs.







According to the Research Institute, Peechi, an inadequate filter system is one of the causes for the failure of sea-walls. It was noticed that in respect of four works a filter bed was not provided during execution and in one work ordinary gravel was used instead of quarry run. The damages amounting to Rs. 21.40 lakhs were caused during June 1972 to October 1973 to these five works (estimated cost: Rs. 1,05.49 lakhs).

(ii) *Damages during construction*

Extensive damages and sinkage occurred during the course of construction of sea-walls in certain areas.

The rectification of damages was in all cases entrusted to the same contractor who was executing the work and payments made based on the quantity of stones supplied and dumped. As the Department did not record detailed measurements regarding the progress of each work during construction, it was not possible to assess correctly the extent of damages occurring during the course of construction. The estimates for damages caused to the sea-walls were prepared on the basis of visual observations during field inspections of sea-walls damaged. A review of some works in three divisions revealed that in respect of 4 works already completed (estimated cost: Rs. 34.82 lakhs and Probable Amount of Contract: Rs. 23.69 lakhs) a sum of Rs. 13.75 lakhs was estimated for repairs (till December 1973). The actual expenditure till December 1973, however, amounted to Rs. 33.45 lakhs. In respect of another 37 works in progress (estimated cost : Rs. 5,66.26 lakhs and Probable Amount of Contract: Rs. 4,57.58 lakhs) a sum of Rs. 88.94 lakhs was estimated for repairing damages till December 1973 (actual expenditure on the works till December 1973: Rs. 3,00.15 lakhs). Out of these, in respect of 16 works (estimate: Rs. 2,17.34 lakhs and Probable Amount of Contract: Rs. 1,58.38 lakhs) the damages assessed (Rs. 62.20 lakhs) were more than 30 per cent of the expenditure incurred (Rs. 1,27.59 lakhs) in each case. It would appear that the following factors contribute to the occurrence of extensive damages during construction.

(a) *Defective programming*

The monsoon rains in Kerala commence in April and continue till September. The working season for the execution of anti-sea erosion works is therefore very short (i.e. from October to March) as the sea is very rough during the monsoon period. The execution of works should therefore be started well ahead of the onset of the monsoon and phased in such a manner that the construction of each segment of the work is completed or reaches a safe stage during the working season. While emphasising this aspect, a member of the Beach Erosion Board observed in July 1971 that preliminary preparations such as the financial sanction, calling of tenders, selection of contractors, storing of materials near the construction site, etc., should be completed far ahead of time. A test-check by Audit revealed that in respect of nine works (one undertaken in 1968, five in 1971, two in 1972 and one in 1973) costing Rs. 51.11 lakhs the works were commenced

during June-July when the monsoon was at its peak. In one of these works, the agreed date of completion itself was fixed as June-July. In these cases, damages assessed at Rs. 17.13 lakhs by the Department occurred during construction.

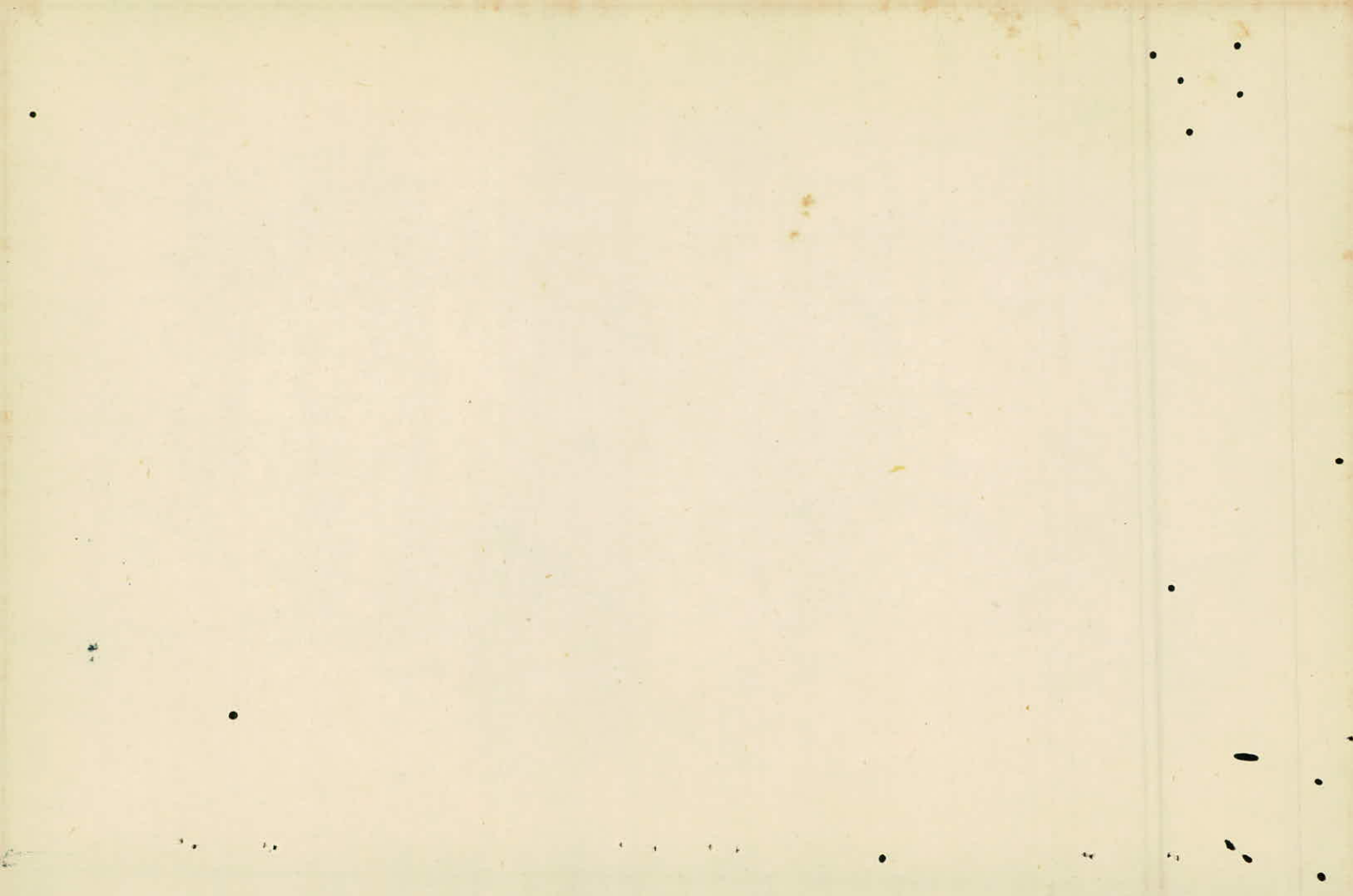
(b) *Partial execution of work:*

Considering the proximity of the work-spots to the sea and the special nature of anti-sea erosion works, it is necessary that the construction of sea-walls is taken up in full segments and each segment is constructed at a stretch in complete shape before proceeding further. While observing that this procedure had not been followed in respect of a number of works, the Chief Engineer in January 1974, issued directions to the departmental officers that protection works in reaches once taken up should be completed in all respects before the outbreak of monsoon. Instances were noticed where contractors were allowed to dump the core stones for long distances without even collecting armour stones with the result that the entire work remained incomplete for long periods. In five cases (estimate: Rs. 25.35 lakhs) which were started during January 1971 to December 1971 damages to the extent of Rs. 5.06 lakhs had occurred during construction between April 1971 and June 1973.

(iii) *Quality of rubble used:* The presence of certain minerals in large-sized rubble stones renders them unsuitable for use in anti-sea erosion works, as the rubble which is subjected to severe wave action and force is reduced to the size of pebbles in course of time. It was noticed that in the anti-sea erosion works undertaken in Thottappally during August 1971, the 4 cft. armour stones were rounded and diminished in size considerably. The Beach Erosion Board, which considered this aspect in July 1972, opined that durability and other mechanical tests should be conducted and that the selection of quarry should be made after consulting geologists. The Department stated (January 1975) that as rubble was being conveyed from different quarries, it was not possible for the geologists to inspect every quarry.

(9) *Maintenance of Sea-wall*

No systematic maintenance of protective works is at present carried out by the Department. Only repairs to large scale damages are arranged. Emphasising the necessity for regular maintenance of sea-walls, the member of the Beach Erosion Board in his report of July 1971 had stated that, if the revetment was not maintained properly and armour stones, toe protection and the filter beds were damaged, the revetment would become more vulnerable and cease to be an effective protection against the waves. He further stated that annual maintenance expenditure of at least 10 per cent of original cost of works was considered necessary.





It appears from the following that this aspect has not been given due importance:—

<i>Year</i>	<i>Capital expenditure as at the end of previous year</i>	<i>10 per cent of capital expenditure</i>	<i>Maintenance expenditure incurred</i>	<i>Percentage of actual expenditure to the capital expenditure</i>
<i>(in lakhs of rupees)</i>				
1969-70	8,02.68	80.27	2.04	0.25
1970-71	8,48.44	84.84	3.08	0.36
1971-72	9,01.51	90.15	18.36	2.04
1972-73	10,30.46	1,03.05	7.84	0.76
1973-74	13,75.16	1,37.52	12.04	0.87

#### (10) *Recording of Measurements*

As it was not considered feasible to record measurements of sea-wall constructed in the sea, the quantity of work done is generally determined on the basis of measurement of stones stacked by the contractor before dumping. The procedure does not, however, provide a check to ensure that stones stacked are actually dumped and are not measured again.

Although the Department had prescribed certain procedures to check against the possibility of malpractices, the Chief Engineer stated (February 1974) that no uniform procedure was being followed in the collection and dumping of stones and a number of complaints had been received that stacking and dumping were done simultaneously at the same spot and thus facilitated commission of malpractices.

On the basis of inspection of certain works between Thottappally and Purakkad in November 1973, the Chief Technical Examiner also observed that stacking and dumping of same size stones were being done at the same spot simultaneously in disregard of the procedure prescribed. On his suggestion, the Department prescribed (February 1974) a register to be maintained by the field officers giving complete details of collection and dumping of each category of stones at each location. During the review by Audit it was observed that even in respect of sea-walls which were constructed well within the coast, the formation of the sea-walls was not measured and recorded in the measurement book and the procedure of measurement of stones stacked only was being followed. In the case of armour stones, contractors are required to supply armour stones of varying sizes ranging from 175 dm<sup>3</sup> to 225 dm<sup>3</sup> provided the average size is 200 dm<sup>3</sup>. The Department has also not evolved a method of checking the size of the stones supplied to ensure that the average volume of the stones is 200 dm<sup>3</sup>.

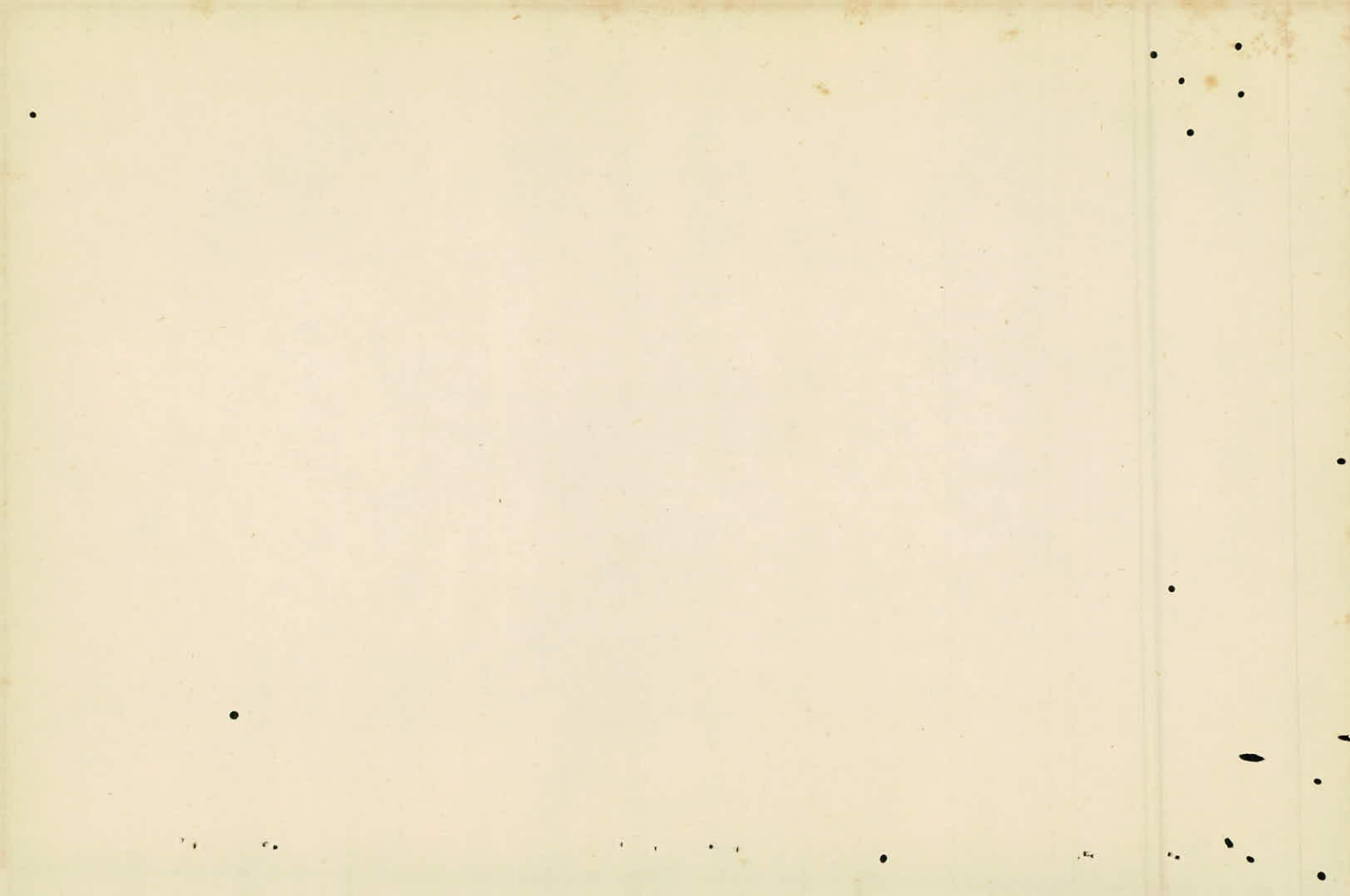
(11) *Irregularities in execution of works*

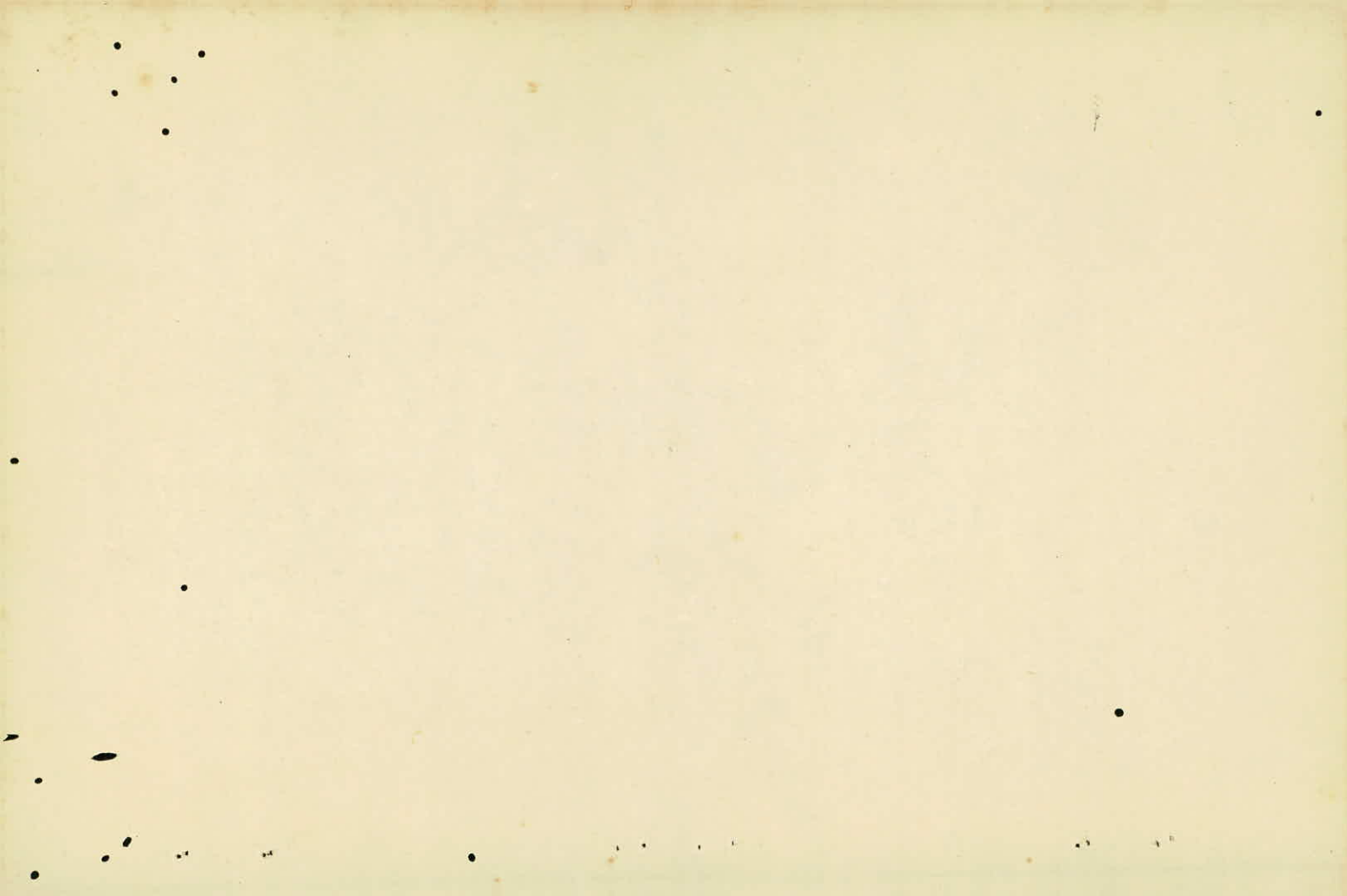
(i) *Nugatory expenditure* : A design for the construction of an automatic sinking shutter wall (a sea-wall with R. C. C. Pile and slab) was submitted by a non-technical person to the Chief Engineer (Irrigation) in April 1966, with a request to try it as an experimental measure for a small length. The feasibility of the scheme was examined by the Beach Erosion Board in July 1967 and September 1968 and they rejected it as not being technically feasible. In spite of this, the scheme was sanctioned by the State Government (August 1970) at an estimated cost of Rs. 82,500 on the ground that the anti-sea erosion works so far taken up were themselves purely experimental in nature and there would be no harm if the new design which was comparatively cheaper, was also tried for a small length of 50 metres. The work was entrusted to the sponsor of the idea in December 1970 without inviting tenders, at the schedule rate plus 5 per cent. The work was commenced by him in April 1971. During construction, it was noticed in July 1973 that the shutters constructed by him had tilted, cracked and been damaged instead of sinking. In July 1974 only remnants of the works were found on the spot. An expenditure of Rs. 83,500 was incurred on this scheme till December 1973. The balance due to the contractor on the basis of the work done still to be paid amounted to Rs. 27,000 and the final payment for the work has not so far (September 1974) been made to the contractor.

(ii) *Unintended benefit allowed to contractors*

(a) The work of construction of the sea-wall at Chaliyam beach (1,200 metres) including transport of materials from the quarry to the work site, estimated to cost Rs. 19.66 lakhs was awarded to the lowest tenderer in November 1972 for a probable amount of contract of Rs. 17.55 lakhs. The transport of materials involved crossing of the railway track at a point where there was no level crossing and hence a sum of Rs. 1.80 lakhs had been provided in the estimate for unloading and reloading charges at the crossing. Subsequent to the award of the work, a manned level crossing was constructed at the point by the Railway authorities and commissioned in January 1973. The work of construction of sea-wall was taken up by the contractor only after the crossing had been laid and the necessity for unloading and reloading at the level crossing as contemplated in the estimates for the work did not therefore actually arise. No attempt was, however, made by the Department to get the rates for the work reduced by the contractor. On the quantity conveyed upto January 1974 the contractor thus derived an unintended benefit of Rs. 81,518 representing the loading and unloading charges at the level crossing. The Department stated (March 1974) that no negotiation with the contractor was considered necessary as there was no condition in the agreement that the contractor would convey the materials by head load at the railway crossing.

(b) The construction of a sea-wall (1,500 m.) at Valiazheekal North was sanctioned by Government in July 1971 at an estimated cost of Rs. 29.9 lakhs. A fish farm is located on the lake side in the vicinity of the work site.







A provision of Rs. 5.10 lakhs was included in the estimate towards charges for conveyance of materials by headload over a distance of 700 m. alongside the fish farm. On the basis of tenders for the work invited in May 1971 the work was awarded to the lowest tenderer in July 1971 at a probable amount of contract of Rs. 29.63 lakhs. The work was started by the selected contractor in November 1971. According to the terms of the agreement, the work was to be completed by August 1973. In July 1972, on account of urgent nature of the work, the Department sought the permission of the Fisheries Department to allow the contractor to use country boats to carry granite boulders and other materials through the fish farm. The Fisheries Department declined the request (July 1972) on the ground that as the anti-sea erosion work might take several years for completion it would adversely affect the revenues of the Department as the farm could not be leased out during this period.

The Department then obtained the permission of the District Collector (July 1972) for conveyance of the materials through the fish farm stating that sea erosion had endangered the very existence of the fish farm itself and that the anti-sea erosion work should be completed expeditiously to protect the fish farm. The contractor was accordingly allowed to carry the material by his own boats through the fish farm.

The benefit derived by the contractor till December 1973 by the transport of the materials by boat instead of by headload amounted to Rs. 4.70 lakhs. The work has not yet been completed by the contractor, even though more than one year has elapsed since the agreed date of completion of work (August 1974).

The proceeds of the lease of the fish farm, which were Rs. 50,315 during 1972-73, dropped to Rs. 4,641 during 1973-74. Further loss is also anticipated during 1974-75, as according to the Director of Fisheries (July 1972), the fish farm cannot be leased out till the anti-sea erosion work is completed.

(iii) The work of reforming the sea-wall at Trikkunnappuzha for a length of 975 metres from Ch. 62.100 to 63.075 kilometres was awarded to a contractor in December 1972 for Rs. 3.88 lakhs. The contractor, however, refused to accept the work as the chainage was wrongly noted as 61 to 62 kilometres in the tender notification. This necessitated invitation of fresh tenders in July 1973 and allotment of work to another contractor in October 1973 for Rs. 4.15 lakhs, resulting in an estimated excess cost of Rs. 0.27 lakh. The work has not been completed so far (January 1975); an expenditure of Rs. 0.47 lakh has been incurred.

(iv) The work of construction of a sea-wall (1 mile in length) with 12 groyne north of Puthenpadom was sanctioned by Government in January 1964 at an estimated cost of Rs. 10.93 lakhs. Tenders for the work were invited in December 1963. In February 1964 it was decided by the Department to take up all future works according to the new design of the sea-wall evolved in 1964 which did not require construction of groyne.

However, as it was considered that the process of inviting fresh tenders according to new design would take time resulting in loss of a working season, the Department decided (March 1964) to award the work to the lowest tenderer for execution under the old design and the selection notice was accordingly issued in March 1964. The contractor executed the agreement in June 1964. The Department, then decided in March 1965 to execute the work as per the new design and the contractor agreed to carry out the work as per the modified design. The work was commenced in March 1965.

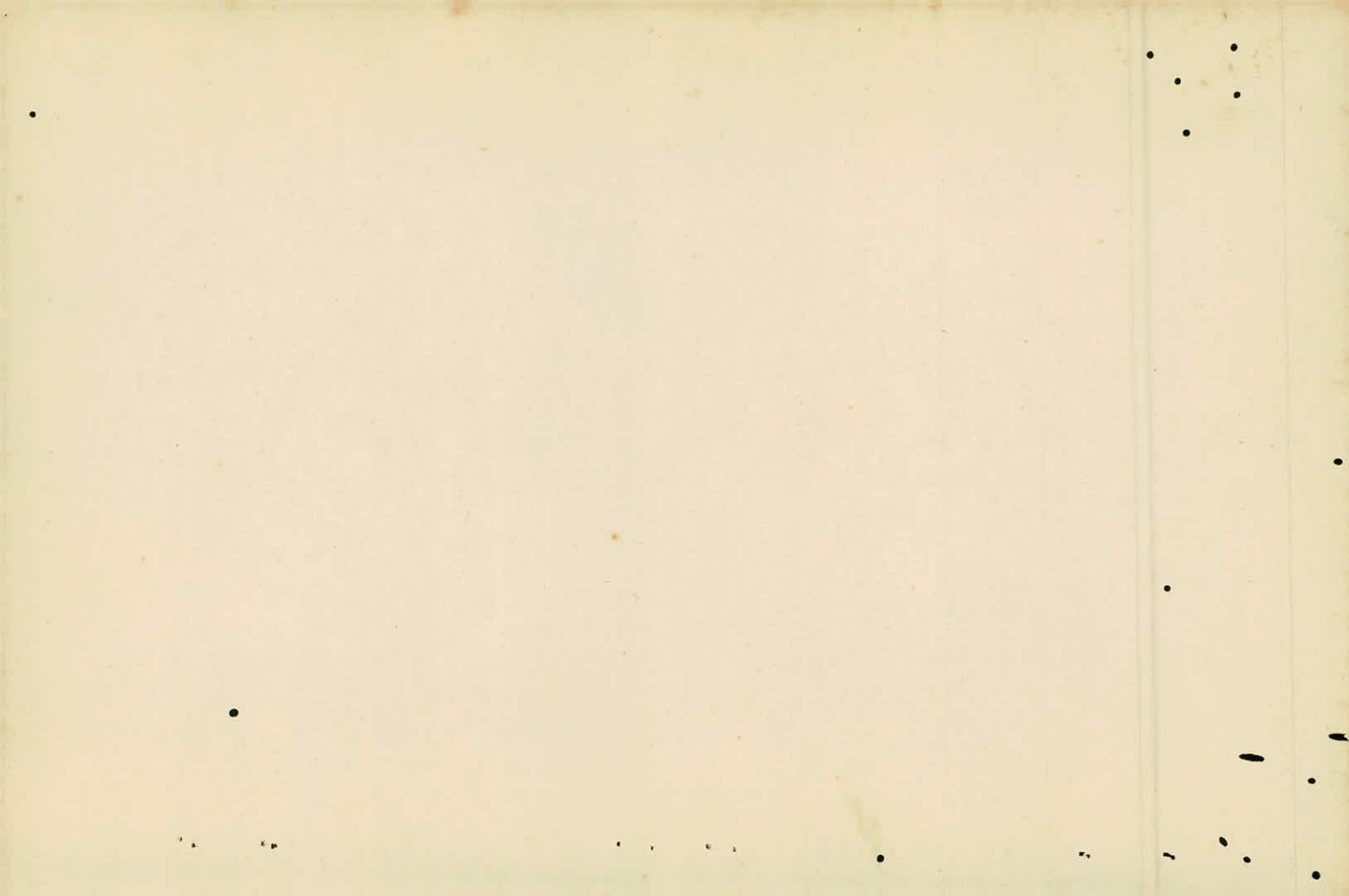
The new design for the work did not envisage use of stones of 3 to 5 cft. in size. But the contractor was allowed to supply 5,966 m<sup>3</sup> of 3 to 5 cft. stones which were proposed to be used in place of 4 to 6 cft. stones for the inner layer of the sea-wall. The quantity of stones as per agreement, the quantity required under the new design and the quantity supplied by the contractor were as follows:—

<i>Item</i>	<i>Rate</i>	<i>Quantity as per agreement</i>	<i>Quantity required under new design (in cubic metres)</i>	<i>Quantity supplied</i>
$\frac{3}{4}$ to $1\frac{1}{2}$ cft.	Rs. 15/cum.	29,606	23,100	7,845.
3 to 5 cft.	Rs. 30/cum.	6,056	..	5,966
4 to 6 cft.	Rs. 30/cum.	2,569	15,699	9,162.

In March 1967, the contractor demanded "reasonable excess" rate for 4 to 6 cft. stones for the quantity supplied in excess of the agreed quantity. Government rejected this claim in October 1967 on the ground that as per the agreement the contractor was bound to supply excess quantity at the rate specified in the agreement. The contractor stopped the work in October 1968 and the dispute was referred to arbitration in April 1970. The Arbitrator awarded an amount of Rs. 91,962 (an increase of Rs. 13 per m<sup>3</sup> for the excess supply of 7,074 m<sup>3</sup>) in December 1970. On appeal by the Department, the sub-court (March 1972) and High Court (June 1973) upheld the arbitrator's award and also allowed Rs. 7,709.50 towards interest and Rs. 111 as costs. The excess quantity (over the agreed quantity of 2,569 m<sup>3</sup> plus 10 per cent not normally considered eligible for separate rates) actually supplied by the contractor was 6,336 m<sup>3</sup> only, whereas the arbitrator took it as 7,074 m<sup>3</sup>. Of the total quantity of all categories of stones supplied, 10,260 m<sup>3</sup> costing Rs. 2.96 lakhs, remained unutilised (October 1974).

The Department stated in October 1974 that this excess quantity would be utilised in the construction of the remaining portion of the sea-wall.

• A revised estimate of Rs. 27.50 lakhs (151 per cent increase over the original estimate) has been sanctioned for this work in January 1973. The work has not been resumed so far (August 1974).



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#### 40. Kuttanad Development Scheme

1 To control the floods and ingress of salt water in the fertile paddy fields in the low lying areas in Kuttanad in Alleppey District, the Government formulated the 'Kuttanad Development Scheme' in 1951 as part of the First Five Year Plan.

2 The Scheme comprised:—

- (i) construction of a spillway 365.7 metres long at Thottappally, 15 miles south of Alleppey town, to drain out the flood waters to the Arabian Sea, instead of through the circuitous route *via* Cochin Harbour;
- (ii) construction of a road 14 miles long from Alleppey to Changana-cherry across Kuttanad; and
- (iii) construction of a salt water barrier at Thanneermukkom across the narrowest portion of the lake, about 28 miles south of Cochin Harbour, to relieve Kuttanad from the intrusion of salt water.

3 The sub-schemes (i) and (ii) were completed in 1954 and 1957 at a cost of Rs. 57.93 lakhs and Rs. 38.15 lakhs respectively. From a report prepared by the Public Works Department (Irrigation Branch) in 1963 it was seen that the spillway at Thottappally (sub-scheme (i)) commissioned in 1954 had not maintained the designed discharge of 64,000 cusecs of flood water on account of insufficient capacity of the channel leading to the spillway and consequential reduction in the flow in the spillway. Proposals for widening the leading channel from its present width of 72 metres to 365.7 metres (which is the bed width of the spillway) and increasing its length by 1 km. at an estimated cost of Rs. 2,69 lakhs are under consideration of the Department.

4 The third sub-scheme, viz. construction of the salt water barrier at Thanneermukkom, sanctioned by Government in February 1954, was estimated to cost Rs. 43.58 lakhs and scheduled to be completed in 1958. The scheme, however, could not be taken up for execution till February 1958, as the barrier as designed would, in the opinion of the Cochin Port authorities, lead to excessive silting of the harbour approaches. It was eventually decided (1957) to construct a regulator (estimated to cost Rs. 1,50 lakhs) according to the revised design approved by a committee of technical experts appointed by the Government of India.

5 The scheme for the construction of barrage, as approved, envisages, (i) construction of a regulator 4,208 feet long across the lake between Thanneermukkom (Alleppey District) and Vechoor (Kottayam District) to prevent ingress of salt water during high tides (to be undertaken in three stages, so that free flow of water to the Cochin Harbour is not affected), (ii) provision of a twin lock at the Thanneermukkom side and a single lock at the Vechoor side to allow navigation through the lake across the barrier, and (iii) construction of a 22 feet wide roadway across the lake to facilitate road transport.

6 The original estimate of the regulator sanctioned in 1957 was subsequently revised twice in August 1970 and July 1973 for Rs. 4,41.34 lakhs and Rs. 4,58.50 lakhs respectively. The revised estimate is yet (November 1974) to be cleared by the Central Water and Power Commission and sanctioned by the Government. Increase in the cost of labour and materials and the revision of design were attributed by the Department as reasons for the revisions of the estimate. Upto the end of 1973-74, Rs. 2,97.38 lakhs had been spent on the work.

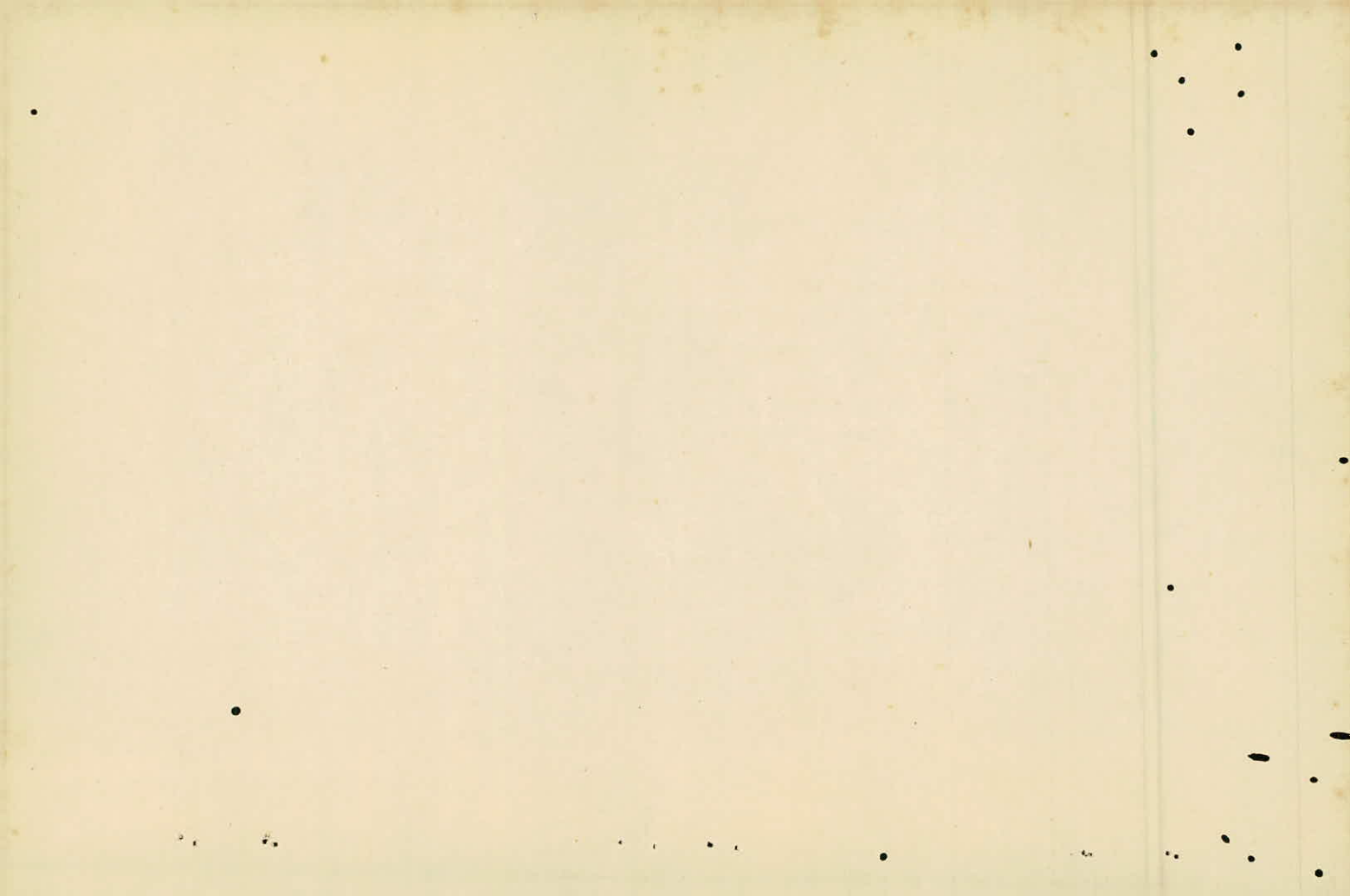
7 The following table shows the physical progress of the work:—

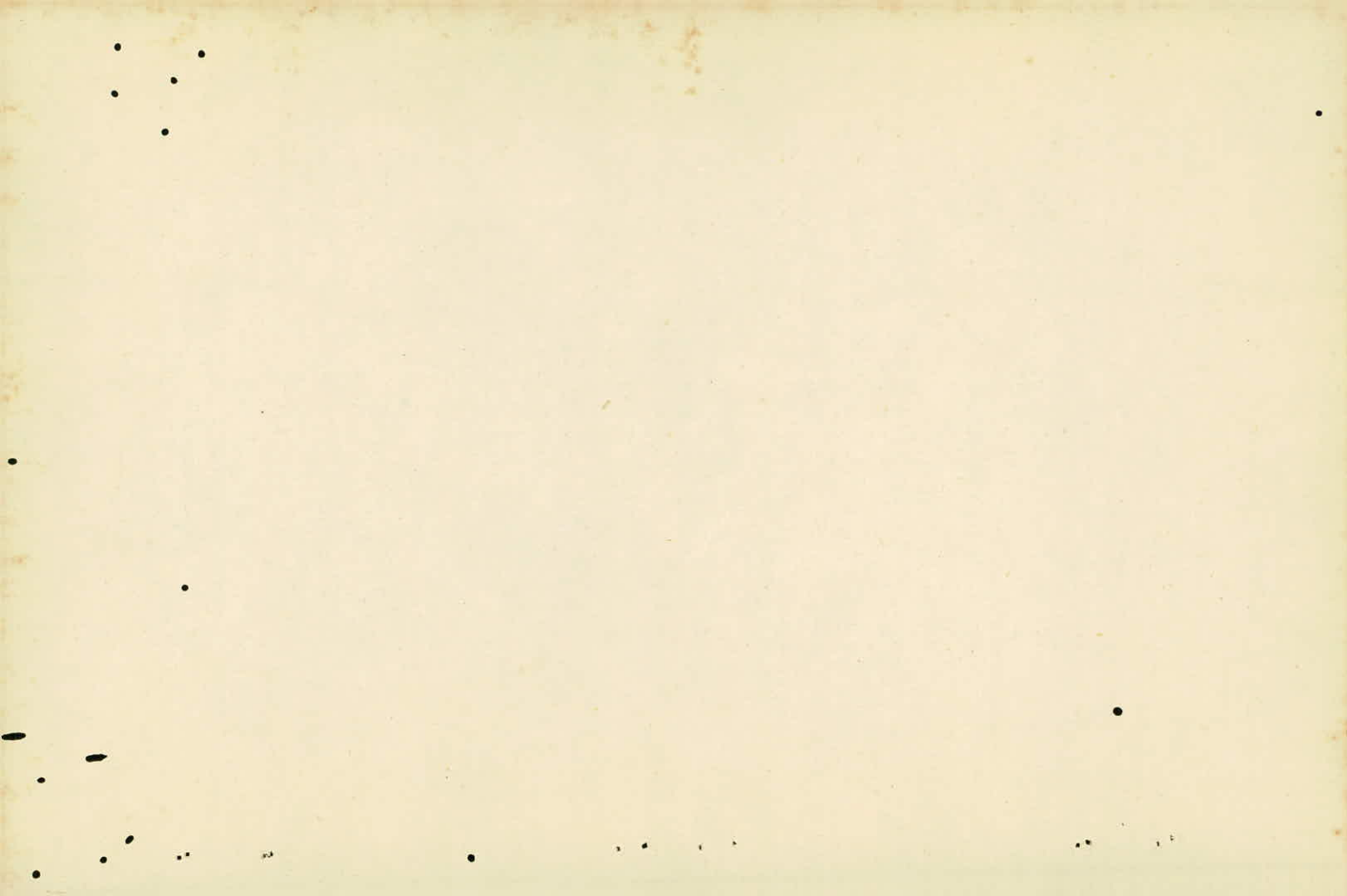
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|-------|--|---|
| (i)   | First one-third portion-Regulator and twin lock on the Thanneermukkom side   | Started in 1958 and completed in 1966.  |
| (ii)  | Second stage one-third portion-Regulator and single lock on the Vechoor side | Started in 1963. Still in progress (November 1974).   |
| (iii) | Third stage (Regulator) middle portion                                       | Work on the coffer dam (1,496 feet) started in January 1974; 328 feet completed by December 1974. |

8 The Department stated (July 1974) that the second stage regulator would be completed by the end of December 1974 and the scheme as a whole during 1978.

9 Based on representations received from the ryots for protecting the standing crops in the Kuttanad area which were threatened by the ingress of salinity due to failure of the North-East Monsoon, Government, in January 1975, decided to complete the construction of the coffer dam (Third stage Regulator) on an emergent basis, within twenty days from 21st January 1975. As the Department, with the facilities available was in a position to complete the work only by April 1975, Government sanctioned the construction of 984 feet of the coffer dam (remaining 184 feet was expected to be completed by the Department in twenty days time) through the nominee of a Committee representing the ryots constituted with the District Collector, Alleppey as Convener, at an estimated cost of Rs. 5.92 lakhs. Standing crops in about 85,000 acres in Kuttanad (expected to produce about 42,500 tonnes of rice valued at Rs. 4.25 lakhs at levy price) were expected to be saved by this arrangement, in addition to the possibility of raising another crop immediately after the harvest. According to a report of the District Agricultural Officer, Alleppey sent to the Director of Agriculture on 13th January 1975, standing crops in about 13,655 acres in Kuttanad had already been affected by the ingress of salinity and the loss was estimated to be 4,208 tonnes (value: Rs. 42 lakhs at levy price).

10 Some of the points noticed in the execution of this work were mentioned in paragraph 20 of the Audit Report 1966, Appendix III of the Audit Report 1969 and paragraph 45 of the Report of the Comptroller and Auditor General.







of India for the year 1970-71. The Central Public Accounts Committee 1966-67 which examined the Audit Report 1966 had wanted in its 67th Report that a detailed enquiry into the causes for the enormous increase in the estimated cost should be held. Government stated (December 1974) that action on the recommendation of the Public Accounts Committee was yet to be finalised for want of certain information from the Chief Engineer. Points which have since come to notice during a further review by Audit are mentioned below:—

(1) The foundation for the barrage (Regulator) was to rest on piles driven in the water bed. In the first stage, the foundation area was dewatered, after construction of a coffer dam, and cast-*in-situ*-piles were driven in the dry bed. For the second stage, however, on the advice of the Central Water and Power Research Station, Poona, it was decided to use pre-cast piles for the foundation with a view to save two years of construction time by driving the piles in water without waiting for the coffer dam to be constructed. Accordingly, tenders for the work of moulding and driving of piles for the foundation of the second stage regulator were invited in November 1962 and the work entrusted to a contractor in January 1963 (Probable amount of contract: Rs. 11.08 lakhs).

As per the special conditions and schedule to the tender notification, contractors were to quote rates for driving piles making use of their own equipment or departmental equipment on hire (to be given if available). The rates quoted by the selected contractor were based on supply of pile driving equipment by the Department. The piles (originally estimated at 474 numbers—61,938 cft., subsequently increased on further investigation in 1964 to 681 numbers—96,711 cft.) were to be driven in water to minus 14 feet and the work was to be completed by end of May 1963. The Universal Pile Driving Plant obtained from Cochin Port was made available to the contractor for the period from September 1963 to June 1964. The contractor should normally have driven the piles upto bed level at one stretch. Instead of doing this, he drove all the piles at first only upto water level on the plea that driving piles below water level could be done more expeditiously with a Delmag Pile Driver. This pile driver was subsequently made available in February 1964; but the contractor drove, by June 1964, only 67 out of 681 piles, to bed level and, thereafter, abandoned the work on grounds of delays and difficulties in procuring the departmental pile driver and also the substantial increase in the number of piles to be driven. The contract was terminated in February 1966 at the risk and cost of the contractor. In view of the difficulties in making available suitable pile drivers, the Department decided in July 1964 to continue the pile driving work in dry bed after completing the coffer dam. Accordingly, the work on the coffer dam was taken up only in November 1965 and completed in November 1968. In the meantime, tenders were called for in September 1966 and October 1966 for execution of the balance pile driving work, but there was no response. The balance works were, therefore, regrouped as three separate works in May 1970. One work (repairs to damaged piles) was done departmentally and

the other two (driving of piles in bays 1 to 9 and 10 to 33) were awarded to two different contractors and got completed by October 1970 and January 1971 respectively. The actual cost of the balance works amounted to Rs. 2.93 lakhs including Rs. 19,020 spent on repairs to piles, resulting in extra expenditure of Rs. 1.27 lakhs. According to the Department, if the original contractor had driven the piles upto bed level at one stretch, the difficulties in driving the piles below water level would not have arisen.

The Department's expectation of saving two years of construction time, by completing the pile foundation work without the coffer dam, did not also materialise. The extra expenditure of Rs. 1.27 lakhs caused to Government could not be made good from the contractor as the Arbitrator, before whom the question came up for consideration (April 1972) absolved the contractor from such liability (January 1973) for the following reasons:—

(i) the Department had failed to discharge its contractual obligation of supply of the pile driving plants in that the two pile driving plants provided were, as reported by the Executive Engineer himself in November 1968, 'unsuitable for driving of heavy piles under water'; and

(ii) the Department having decided in July 1964 to continue the pile driving work only after putting up a coffer dam and dewatering, insistence on the contractor in November 1965 to continue the work without the construction of the coffer dam was enforcement of a void agreement to do an act impossible in itself (Section 56 of the Indian Contract Act).

On an execution petition filed by the contractor, the Court decreed (June 1974) in terms of the award of the Arbitrator. Government stated (December 1974) that the question of preferring an appeal against the decision of the Court was under consideration in consultation with the Government pleader.

(2) According to the revised estimate (1970) for the work, the coffer dam for the second stage completed in November 1968 was to be maintained for four years. As the work on the second stage of the barrage remains incomplete, mainly because of the delay in the pile driving work, the coffer dam was to be maintained till December 1974 by which time the work on the second stage is expected to be completed. The expenditure on the maintenance of the coffer dam beyond the period of 4 years, viz. from November 1972 to March 1974 was Rs. 35,881.

(3) It was pointed out in Audit Report 1966 that no action had been taken by the Department to assess and realise the cess recoverable from the beneficiaries, though the spillway at Thottappally was completed at a cost of Rs. 57.93 lakhs in 1954. Government had ordered in December 1957 the assessment and collection of cess from 1957-58 in respect of areas, manifestly benefited by the spillway. On the ground that the areas benefited by the spillway could not be demarcated, Government in July 1969, cancelled its 1957 order for collection of cess and decided to collect cess only



$$\begin{array}{r} 22 \\ \hline 809-900 \\ 1021 \\ 133 \\ \hline 2989 \end{array}$$

$$\begin{array}{r} 34 \\ \hline 95.16 \\ \hline 129.16 \end{array}$$

$$\begin{array}{r} 22 \\ \hline 8590 \\ 10700 \\ 4594 \\ \hline 6664 \end{array}$$

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after the completion of the Thanneermukkom Regulator. The delay in the completion of the barrage has resulted in loss of revenue by way of cess estimated at Rs. 7.26 lakhs per annum.

#### 41. Scheme for providing employment opportunities to unemployed engineers

With a view to creating additional employment opportunities for the engineers, the Government of India sanctioned in November 1969 a scheme of extending financial assistance to the State Governments for intensifying investigation of irrigation, power and flood control projects. The assistance under the scheme during 1969-70 to 1971-72 was in the form of non-plan loans (carrying interest at 5 per cent per annum and repayable in 15 annual equal instalments) and during 1972-73 and 1973-74 in the form of grants under plan schemes. The conditions laid down by the Government of India for the utilisation of the assistance by the State Governments included, *inter alia*, the following:—

- (i) only such schemes were to be selected for investigation which had a good chance of being taken up in the Fourth or Fifth Five Year Plans;
- (ii) specific projects for investigation were to be selected in consultation with the Central Water and Power Commission which would also be responsible for supervising the implementation of the programme;
- (iii) the additional engineers employed under the scheme would eventually be absorbed by the States for construction of the projects investigated;
- (iv) the additional assistance was to be released on the basis of actual expenditure incurred from 1972-73; fifty per cent of approved outlay was to be released at the time of sanction and the balance after verifying the actual expenditure incurred subject to final adjustment on the basis of the audited expenditure.

The scheme was continued till the end of 1973-74.

The details of the assistance sanctioned by the Government of India, the amounts actually received and the expenditure incurred from year to year were as indicated below:—

Year	Assistance sanctioned		Assistance received		Expenditure
	Loan	Grant	Loan	Grant	
	(in lakhs of rupees)				
1969-70	12.00	..	..	..	..
1970-71	10.00	..	10.00	..	9.36
1971-72	12.00	..	12.00	..	10.21
1972-73	..	60.00	..	50.54	14.07
1973-74	..	35.16	..	35.16	7.33
Total	34.00	95.16	22.00	85.70	40.97

Though the scheme proposed by the Government of India provided for assistance for the investigation of power projects also, the proposals for taking up such investigations were for the first time sent to the Central Water and Power Commission by the State Government only in September 1972.

The State Government advised the Government of India in September 1972 that the anticipated outlay on implementing the scheme during 1972-73 and 1973-74 would be Rs. 60 lakhs (investigation of irrigation projects: Rs. 16 lakhs; flood control: Rs. 4 lakhs; power projects: Rs. 40 lakhs) and Rs. 60 lakhs (irrigation projects: Rs. 20 lakhs; power projects: Rs. 40 lakhs) respectively. The sanctions accorded by the Government of India did not, however, indicate the assistance granted for the investigation of the irrigation and power projects separately. No portion of the grant received by the State Government for the investigation of the power projects has been released to the State Electricity Board so far (October 1974).

A review of the scheme conducted by Audit during August-September 1974 revealed the following:

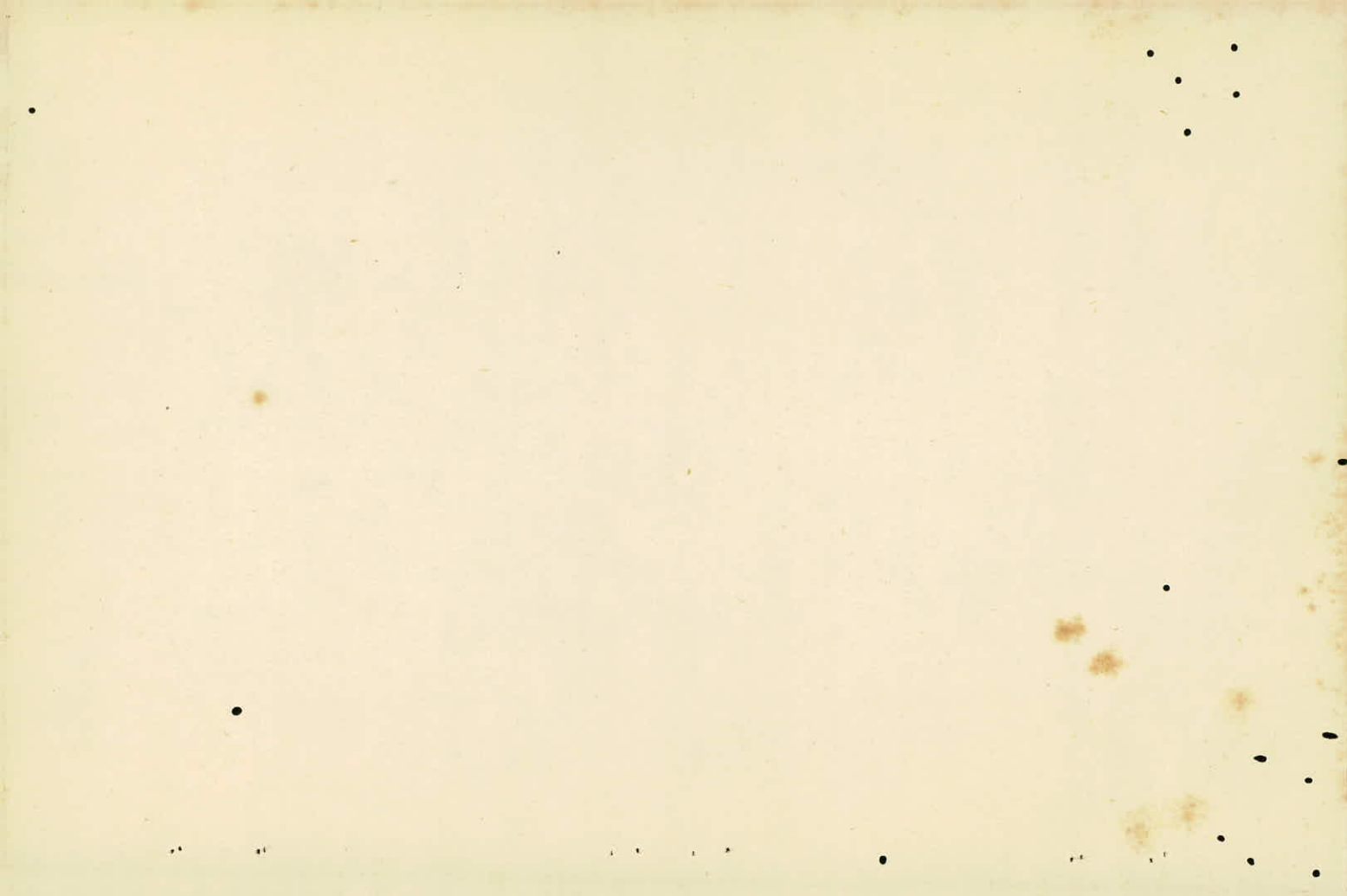
(a) *Public Works (Irrigation Wing)*

(i) The sanction for implementing the scheme was accorded by the State Government in February 1970. One new Division with four Sub-Divisions was sanctioned at Alwaye and six new Sub-Divisions were sanctioned for the three existing Divisions at Trichur, Palghat and Cannanore. These were to investigate, the major irrigation projects. Each Sub-Division was to employ sixteen Engineering Graduate trainees (on a consolidated allowance of Rs. 250 per mensem per trainee) and ten Engineering Diploma holders (on a consolidated allowance of Rs. 150 per mensem per trainee). The Government also sanctioned the purchase of drills and other equipments required for investigation purposes at a cost of Rs. 5 lakhs. The Division and the Sub-Divisions started functioning from May 1970.

(ii) The full complement of 160 Graduate Engineers and 100 Engineering Diploma holders were in position only during 1970-71. In subsequent years the number varied between 129 and 156 in the case of Graduate Engineers and between 75 and 95 in the case of Diploma holders. Information regarding the number of persons finally absorbed in the State cadres (as envisaged in the scheme formulated by the Government of India) and dates from which they were so absorbed called for (September 1974) from the Chief Engineer is awaited (March 1975).

(iii) Though investigation of twelve irrigation projects was taken up, under the scheme, project reports were reported to have been prepared and forwarded to the Central Water and Power Commission only in eight cases (two in 1970-71, four in 1971-72, one in 1972-73 and one in 1974-75). Information as to whether any of these projects has been cleared by the Commission, called for from the Department in September 1974 has not been furnished so far (March 1975). None of the projects was included in the State's Fourth Five Year Plan.

Discussed on 24/1/58





*(b) Power Projects*

The proposals sent by the Kerala State Electricity Board to the State Government and forwarded by the latter to the Government of India in September 1972 contemplated taking up investigation of two new power projects during 1972-73 and another three in 1973-74. The Board assessed the number of technical personnel required for investigation of these projects as Chief Engineer (one), Superintending Engineer (one), Executive Engineers (four) and Assistant Engineers and below (one hundred). Investigation already taken up in respect of eight other projects and preparation of project reports of six of these was also expected to be completed during these years.

The Board reported that Rs. 77.26 lakhs had been spent by it on investigation of power projects during the years 1972-73 (Rs. 35.21 lakhs) and 1973-74 (Rs. 42.05 lakhs). Of this Rs. 0.41 lakh related to two new schemes earmarked for investigation during 1972-73 and the balance to schemes the investigation of which was in progress prior to 1972-73.

These investigations were undertaken by the existing engineers of the investigation wing of the Board and no special recruitment of unemployed engineers was undertaken by the Board for this purpose. The sanctioned strength of the investigation branch during these years was as below:—

	Chief Engineer	Superin- tending Engineer	Executive Engineer	Assistant Engineer	Junior Engineer	First Grade overseers	Total
March 1972	..	1	3	12	38	49	103
March 1973	..	1	3	12	43	58	117
March 1974	1*	1	3	11	38	54	108

The objective of creating additional employment opportunities for engineers was thus not achieved in the field of investigation of power projects.

**42. Aqueduct across Kurudamannil Kadavu**

The Kurudamannil aqueduct is an important cross drainage work coming under the Pamba Irrigation Project (some points relating to the Project were mentioned in paragraph 30 of the Report for the year 1972-73). According to the revised estimate (February 1972) of the Project, the aqueduct is estimated to cost Rs. 39.40 lakhs. The main items of work involved in construction of the aqueduct are: (i) well foundation (Rs. 8.70 lakhs), (ii) piers and abutments (Rs. 6.60 lakhs), (iii) barrels and transitions (Rs. 22 lakhs) and (iv) bearings (Rs. 2.10 lakhs). Some further points noticed relating to the work are mentioned below:

*Construction of barrels and transitions*

This work (original estimate: Rs 20.35 lakhs) was tendered in July 1968. In a schedule attached to the tender notice indicating the hire rate of departmental machinery and tools and plant, the rate of hire charges of R. S. Girders

\*The post was created on 4th March 1974.

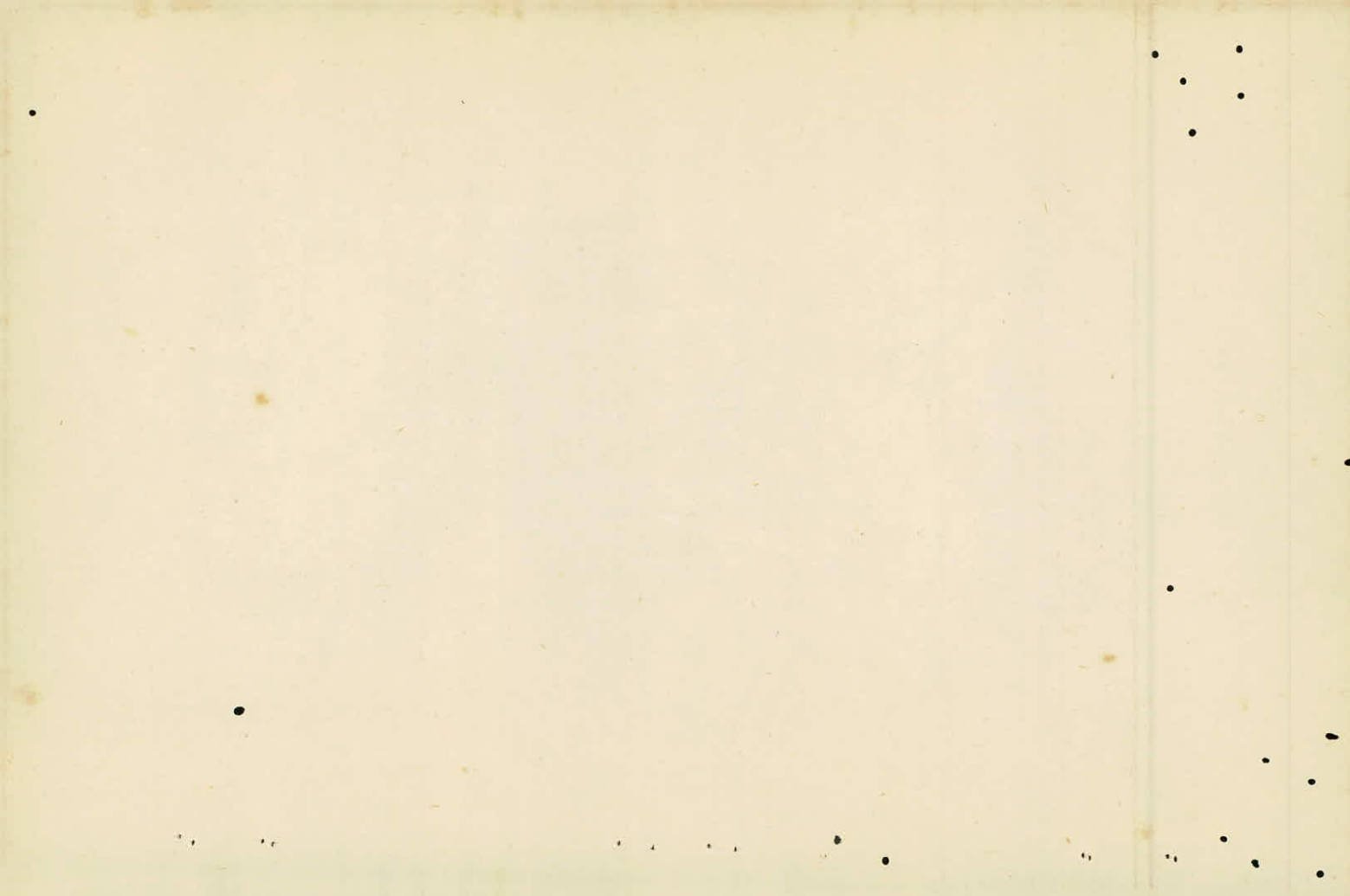
was specified as Re. 0.80 per tonne per day of eight working hours and Re. 0.10 per hour for overtime work. It was also indicated in the schedule that the monthly rate would be based on 20 working days.

Three tenders were received. The lowest offer was for Rs. 17.31 lakhs and the second lowest for Rs. 18.75 lakhs. In the tender, the lowest tenderer had added a footnote to the effect that his rates were on the assumption that recovery of hire charges for R.S. Girders would be at Rs. 16 per tonne per month. In terms of the tender notice, the tenders were to be valid upto 30th November 1968. To a request made by the Superintending Engineer on 19th November 1968, the tenderers agreed to extend the validity period upto 31st December 1968, the lowest conditionally demanding enhanced rates (without specifying the quantum) for R.C.C. works involving the use of R.S. Girders and the second lowest unconditionally.

While the tenders were still under consideration by the Superintending Engineer, the second lowest tenderer sent a petition to Government stating that the lowest tender, being conditional, should be treated as invalid. Thereupon, Government stayed further proceedings in the matter of processing of the tenders and called for (September 1968) a report from the Superintending Engineer. In the meantime, the lowest tenderer also represented to Government explaining that his footnote was only clarificatory in nature. The Superintending Engineer in his report to the Government (October 1968) recommended the acceptance of the lowest tender, stating that the footnote added to the tender by the lowest tenderer only sought to clarify some ambiguity in the tender and did not amount to an alteration of the conditions of tender so as to warrant its rejection. Recommending the acceptance of the lowest tender, the Chief Engineer also reported (November 1968) to Government that—

- (i) in accordance with conditions stipulated in the tender form such clarification could be sought by tenderers and did not vitiate the tender;
- (ii) the Department was under no obligation to supply tools and plants on hire basis as their supply was left entirely to the discretion of the Department;
- (iii) it was not usual nor necessary to compare such conditions for purposes of tabulation of tenders.

The Government did not, however, accept this view and directed the Superintending Engineer to indicate the full financial implications of the footnote added in his tender by the lowest tenderer. In his reply (December 1968) the Superintending Engineer pointed out that the stipulation contained in the footnote, being clarificatory in nature, did not have any financial implication as the hire charges of girders did not materially affect the rates for concrete and even after excluding the hire charges computed at Rs. 16 per



discuss on 23.12.73

tonne per month the cost difference between the lowest and the second lowest tenders would be Rs. 1,43,488. In the meantime, the lowest tenderer withdrew (December 1968) the condition attached to his original tender and requested an enhancement (without specifying the quantum of increase) for R.C.C. work involving the use of R.S. Girders. The Government directed (December 1968) the Chief Engineer to arrange for negotiation with the first and the second lowest tenderers. Accordingly, the Superintending Engineer, after fixing the rate of hire charges for girders as Rs. 72 (at 10 paise for 720 hours in a month) per tonne per month in order to avoid ambiguity in this respect, conducted negotiations with the two tenderers. During negotiations the lowest tenderer raised his offer to Rs. 18.74 lakhs and the second lowest reduced his offer to Rs. 18.72 lakhs. The work was thereafter awarded (February 1969) for Rs. 18.72 lakhs to the tenderer who was originally the second lowest. The work was completed in December 1970 at a cost of Rs. 18.33 lakhs. The failure of the Department to accept the lowest tender on the basis of the original tender resulted in an extra expenditure of Rs. 1.31 lakhs.

In this connection, it is observed that—

- (i) Government intervention in the matter even when the tenders were under consideration, by the Superintending Engineer, who was competent to accept the tender, was unusual;
- (ii) the amount of hire charges of girders had no material bearing on the issue as proved by the fact that the amount finally recovered was only Rs. 8,717 even at the enhanced rate of Rs. 72 per month; and
- (iii) in the original tender notice, there was ambiguity in the provision regarding recovery of hire charges and as the clarification given by the lowest tenderer did not amount to alteration of the conditions of tender or to imposition of new conditions, the tender could have been finalised without further negotiations.

#### 43. Defective estimate

The construction of a sea-wall for a length of 8,000 feet (2,438.4 metres) at Mattool (Irrigation Division, Tellicherry) together with a new road from Palacode to the South of Mattool to facilitate conveyance of rubble for constructing the sea-wall was sanctioned by Government in April 1966 at an estimated cost of Rs. 19.65 lakhs. The road portion of the work (estimated cost: Rs. 2.57 lakhs) put to tender in February 1970 was entrusted by the Superintending Engineer in March 1970 to a contractor whose tender (Rs. 1.61 lakhs) was the lowest of six tenders received when computed with reference to the estimated quantities. The work was started in July 1970. During the execution of the work it was observed that the formation soil was soft sand. When lorries loaded with red earth required for forming the sub grade of the road were driven along the road, they sank in the sand to depths

varying from 15 centimetres to 25 centimetres, indicating that the 10 centimetres thick sub grade of hard red earth provided for in the estimate was inadequate for heavy traffic. A proposal (November 1970) made by the Executive Engineer to increase the thickness of the sub grade of hard red earth from 10 centimetres to 30 centimetres was approved by the Superintending Engineer in December 1970. As a result of this change, the quantity of earth work excavation in hard red earth increased by 222 per cent. In certain reaches of the road, laterite pitching envisaged in the contract was executed by another Division through another agency (1585 cubic metres for Rs. 0.18 lakh), thereby reducing quantities to be executed by the Irrigation Division. When the work was completed in March 1972 at a cost of Rs. 2.16 lakhs, it was found that the quantities executed under four out of eight items included in the work varied widely from those estimated. The extent of variation relating to those items is indicated below:—

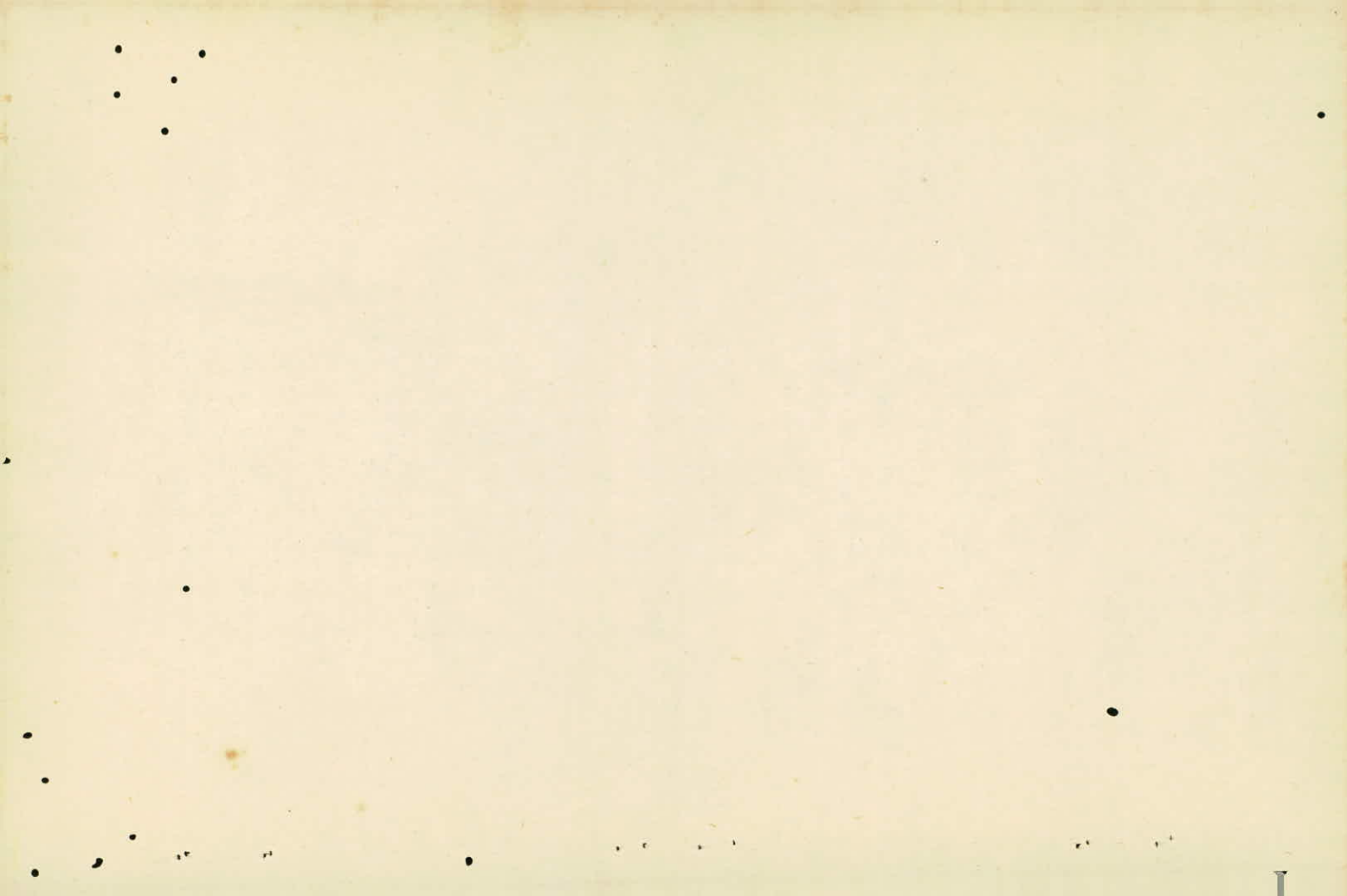
<i>Item of work</i>	<i>Quantity estimated</i>	<i>Quantity executed</i>	<i>Rate per cubic metre</i>		
			<i>Estimate</i>	<i>Lowest tender</i>	<i>Fourth lowest tender</i>
	<i>(in cubic metres)</i>		<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
1. Earth work excavation in ordinary soil	52,525	16,284	0.91	0.50	0.40
2. Earth work excavation in hard red earth	4,360	14,055	12.03	10.00	6.00
3. Providing gravel backing for revetment	1,110	139	13.66	10.00	12.00
4. Laterite rough stone dry packing for revetment	3,315	424	16.13	5.00	16.00

Had the Department prepared the estimate realistically the work would have been awarded to the tenderer who was originally considered the fourth lowest as he would have become the lowest tenderer and expenditure on the work would have been less by Rs. 0.52 lakh.

#### 44. Mopla Bay Fishing Harbour Project

Mention was made in paragraph 52(a) of the Report of the Comptroller and Auditor General of India for the year 1970-71 about the commencement in February 1963 of the work of constructing a 305 metre breakwater in Mopla Bay under a fishing harbour project and the stoppage of the work in May 1969 to study the silting problem in the bay after forming the breakwater for a length of 243.84 metres. The work has not yet been resumed (January 1975). The Public Accounts Committee has in paragraph 1.26 of its Nineteenth Report (March 1974) urged Government to resume the work and complete it soon.

Discussion  
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On a further review of the works under the harbour project, the following points were noticed—

(i) No project report was prepared before taking up the project for execution. Proposals for the various works relating to the project were sent by the Department piece-meal and consequently each component was sanctioned by Government separately. At the instance of the Government of India, a project report was prepared by the Chief Engineer, Irrigation, in April 1974 which was forwarded by the State Government to the Government of India in May 1974 and is awaiting approval of the latter (December 1974). According to the project report, the estimated cost of the project is Rs. 88 lakhs (works completed: Rs. 18.32 lakhs; works taken up but not completed: Rs. 51.60 lakhs; works not yet started: Rs. 17.87 lakhs). Expenditure incurred on the project to the end of December 1974 was Rs. 50.42 lakhs. The Indo-Norwegian Project which provided technical assistance to the project was wound up on 1st April 1973.

(ii) *Quay berth*

For providing landing and berthing facilities for fishing crafts construction of a quay berth (estimated cost: Rs. 5.95 lakhs) was sanctioned by Government in March 1969. The work was commenced in January 1969. Despite the suspension of the breakwater work in May 1969, the work on the quay berth was continued by the Department with the expectation that the former work could be resumed and completed soon. The quay berth was completed in July 1971 at a cost of Rs. 4.61 lakhs. On account of formation of sand banks in the bay due to rapid silting, the quay has been rendered inaccessible to fishing crafts and as a result, remains unutilised (December 1974).

(iii) *Dredging and prevention of silting*

In order to deepen the bay to facilitate the entry of fishing vessels and enable them to utilise the quay berth, dredging of sand is necessary. Dredging operations which were commenced in the bay in December 1970 were stopped in May 1971 when the dredger had to be sent for repairs. The work was resumed in December 1971; it was stopped again in February 1972 when the only dredger available went out of commission. Dredging has not been resumed so far (October 1974). Rupees 0.55 lakh were spent on dredging till February 1972.

A survey conducted by the Junior Engineer in December 1971 revealed that the quantity of sand to be dredged was about 3.60 lakh cubic metres. In view of the fact that silting is continuing, no detailed estimates of the extent of silting has yet been prepared. However, in the project report now awaiting approval, a lump sum provision of Rs. 5 lakhs has been made for dredging. As and when the dredger becomes available, dredging is proposed to be resumed after conducting a further survey and preparation of a detailed estimate.

(iv) *Construction of groynes and other protective works*

As the construction of the breakwater progressed, sea erosion of the coast was noticed endangering the hinterland near the breakwater side of the bay. This necessitated protective works. Accordingly, construction of two groynes (20 metres and 50 metres in length) estimated to cost Rs. 5.10 lakhs was taken up in February 1971. The 20 metre groyne was completed in October 1972. In April 1972 when the rubble core of the 50 metre groyne was completed for a length of 45 metres, part of the groyne was washed away by the waves. Only 14 metres of the groyne are left intact now (September 1974). In order to protect the land in between the two groynes, a granite revetment had also been constructed during 1973-74. Total expenditure on the protective works to end of September 1974 was Rs. 3.54 lakhs.

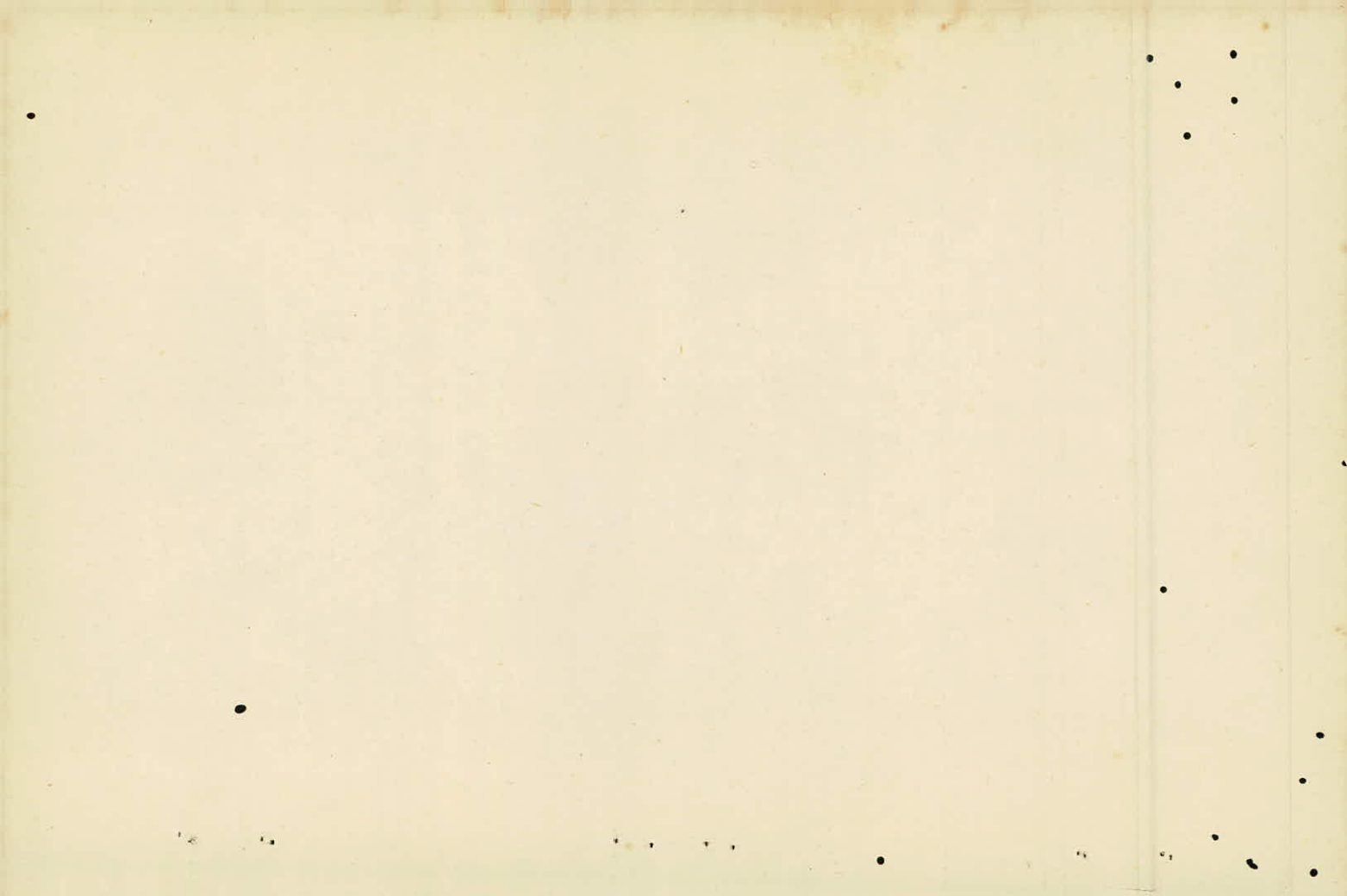
(v) *Slipway*

In order to facilitate launching of fishing boats into the sea from the boat building yard and also for hauling up smaller boats to the boat building yard for repairs, construction of a slipway was sanctioned by Government in March 1969 at an estimated cost of Rs. 1.1 lakhs. The work entrusted to a contractor in December 1970 for Rs. 0.70 lakh was scheduled to be completed in July 1971. According to the agreement, major items of work to be done were formation of a rubble profile (54 metres in length) over fascine mattress laid to a thickness of 30 centimetres, fixing of rails over reinforced cement concrete sleepers and provision of an electrically operated winch to operate the cradle and the carriage. The work commenced in January 1971 was stopped by the contractor in October 1971, after forming the rubble profile for the entire length. Government stated in May 1974 that failure of the contractor to complete the work within the stipulated period was due to heavy monsoon and rough sea and that stoppage of work during the course of construction was due to non-availability of dredger. On account of rapid silting, sand deposits have accumulated over the profile formed and the sand (quantity estimated to have accumulated till October 1973: 1,250 cubic metres) is to be removed before the work is resumed. The work has not been resumed so far (January 1975). Rupees 0.63 lakh spent on the work upto December 1971 remain unfruitful.

(vi) *Shore establishments*

Soon after the commencement of the work on the breakwater, the Department started construction of shore establishments. A boat building yard-cum-workshop constructed (February 1967) at a cost of Rs. 2.97 lakhs was managed departmentally till September 1969 when it was handed over to the Kerala Fisheries Corporation Limited formed in April 1966. Similarly, an ice-cum-freezing plant (cost: Rs. 4.22 lakhs) established (October 1968) was transferred to the Corporation in January 1970.

An auction hall constructed in March 1972 (cost: Rs. 0.44 lakh) was not put to use till it was handed over to the Corporation in January 1974 for being used as a pre-processing centre.



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As the work on the breakwater has not been completed so far, the shore establishments have not started yielding the benefits expected of them.

(vii) *Increase in establishment expenditure*

Details of works expenditure and establishment expenditure incurred by the Indo-Norwegian Project sub-division from 1969-70 onwards are given below:—

	<i>Works expenditure</i>	<i>Establishment expenditure</i>	<i>Percentage of establishment expenditure to works expenditure</i>
	<i>(in lakhs of rupees)</i>		
1969-70	3.08	0.38	12
1970-71	2.92	0.45	15
1971-72	2.39	0.56	23
1972-73	1.15	0.56	49
1973-74	2.76	0.57	21

#### 45. Regulator at Illickal

As part of flood control works in the Karuvannur basin, Government in September 1961 sanctioned the construction of a regulator at Illickal (Trichur District), across Karuvannur river, at an estimated cost of Rs. 9.7 lakhs. The object of the scheme is to obviate the need for temporary earthen bunds which were being put up annually at a cost of Rs. 3,000 approximately in order to (a) protect the area from flood and (b) irrigate 675 acres of paddy fields in the adjoining area. Technical sanction to the work was issued by the Chief Engineer in November 1961 for Rs. 10.24 lakhs (civil works consisting of a regulator of 15 spans, each of 15 feet, with a navigation lock of 20 feet, watchman's quarters, etc.: Rs. 8.74 lakhs; mechanical works including fabrication and erection of shutters, lockgates and hoisting equipment: Rs. 1.50 lakhs).

Civil works commenced in March 1962 were completed in April 1966, spending Rs. 8.18 lakhs. In paragraph 44 of Audit Report 1970, mention was made of the delay and certain items of extra expenditure noticed in the execution of the work. The remaining works (mainly erection of shutters, supply and erection of hoisting equipment, etc.) have not been completed so far (January 1975).

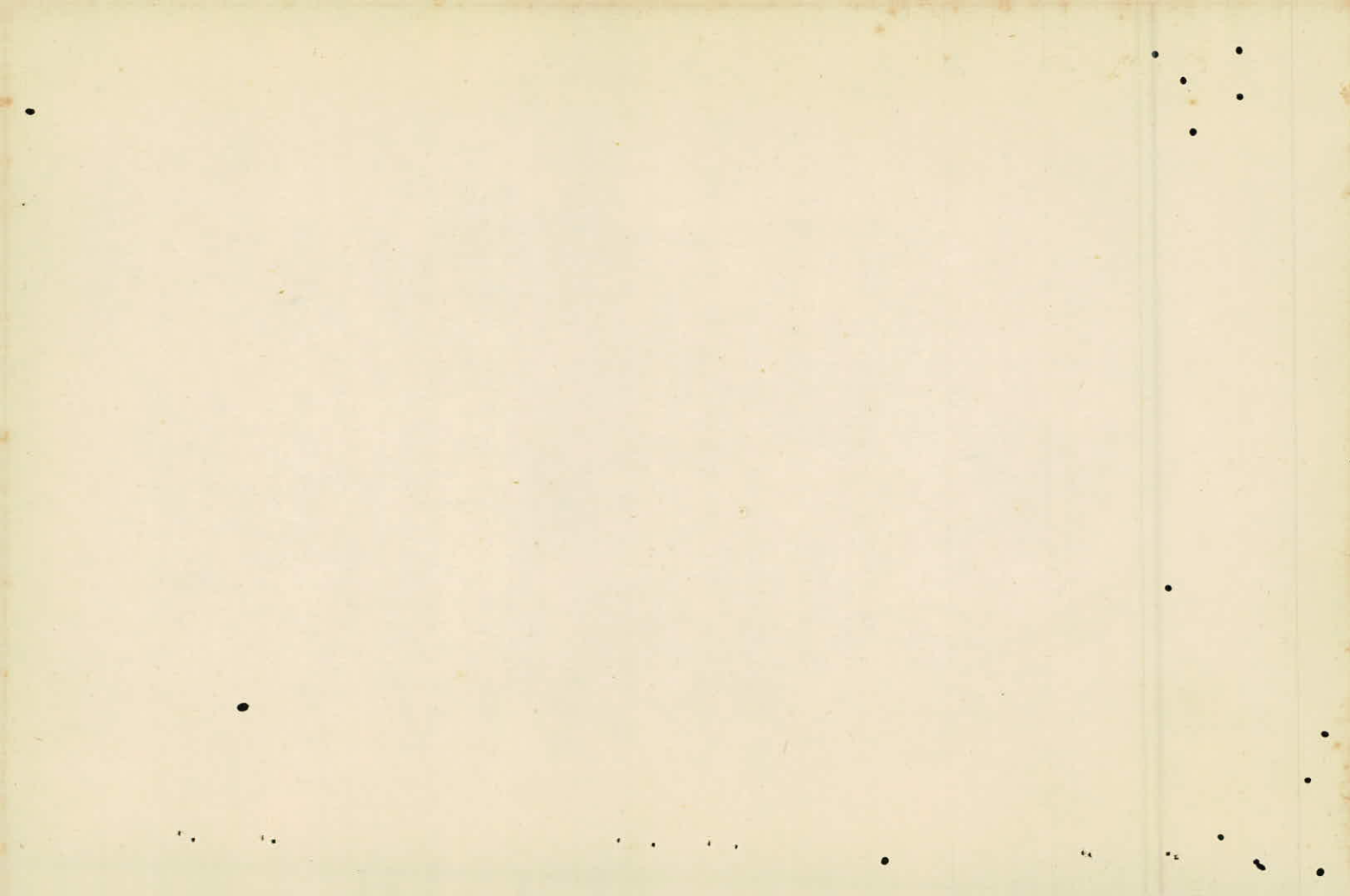
Supply of 15 shutters (cost: Rs. 5.78 lakhs) for the regulator, order for which was placed with Public Works Department Engineering Workshop in November 1962 (date of supply not stipulated) was completed only in August 1974. The reasons ascribed (September 1974) by the workshop for the delay were (i) delay in finalisation of design by the Chief Engineer and (ii) delay in obtaining steel sections and other materials. The shutters have not been erected pending the supply and erection of hoisting equipment.

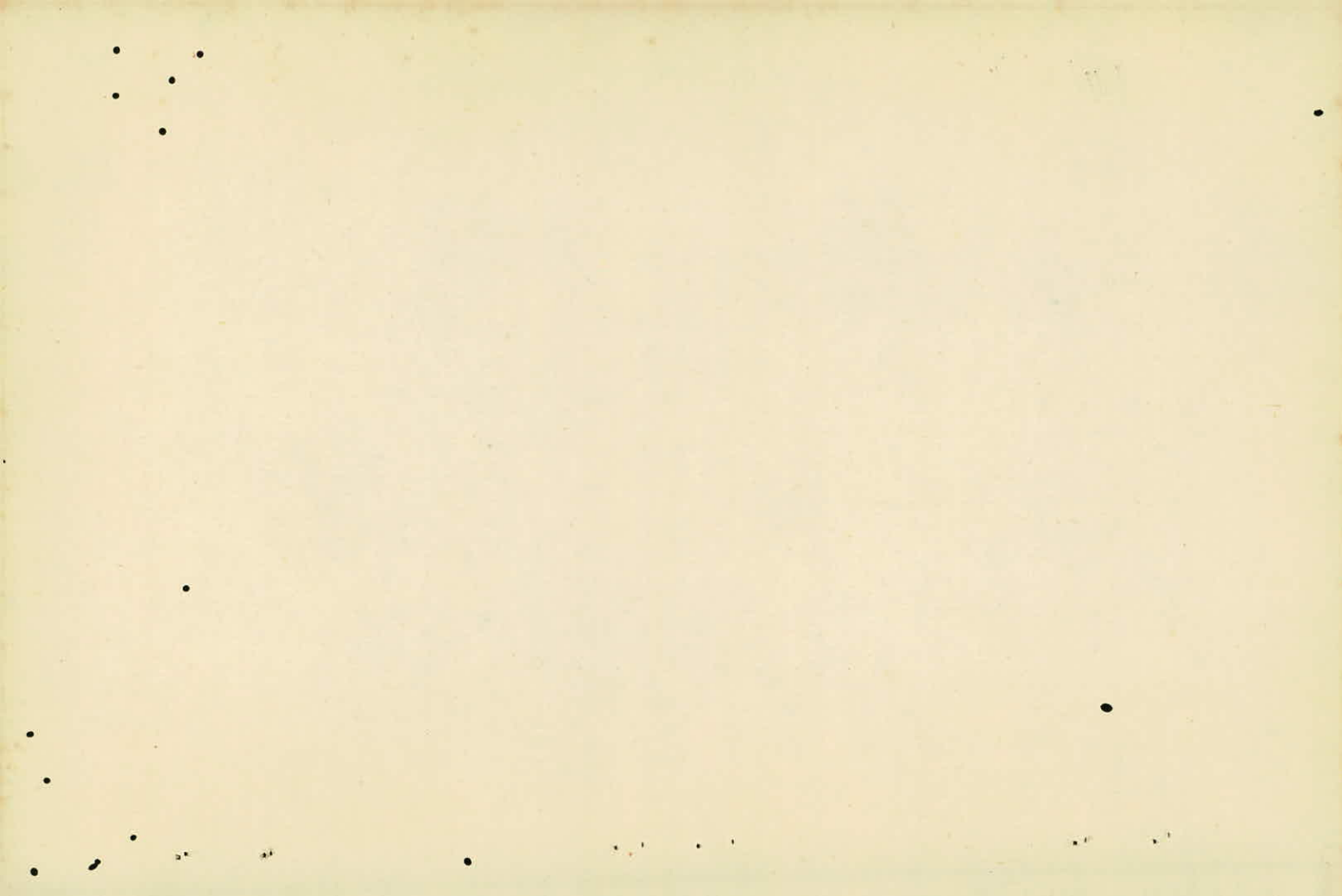
Tenders for supply of hoisting equipment received in August 1971 were considered by a stores purchase committee of the Department in August 1973 and it was decided to award the work to the lowest tenderer for Rs. 4.91 lakhs. After the supply order was placed in August 1973, the lowest tenderer demanded (November 1973) enhanced rates. Thereupon the Department negotiated with the second lowest tenderer who agreed to execute the work at the rates originally quoted by the lowest tenderer and entrusted the work to that firm in February 1974. Though the firm executed the necessary agreement in October 1974, it has not commenced the work so far (December 1974).

A revised estimate for Rs. 26.80 lakhs (civil works: Rs. 12.63 lakhs; mechanical works: Rs. 13.38 lakhs; contingencies: Rs. 0.79 lakh) proposed by the Executive Engineer in February 1975 is awaiting sanction of Government (March 1975). The increase in cost (over 160 per cent) has been attributed mainly to increase in cost of labour and materials and additional works (cost: Rs. 1.19 lakhs) necessitated due to defective estimate of width of the river and depth of the river bed. Owing to delay in completion of the mechanical works, Rs. 1.30 lakhs had also to be spent between 1967-68 and 1973-74 on putting up temporary bunds and preventive maintenance of the shutters supplied. The total amount spent on the work so far comes to Rs. 9.02 lakhs (February 1975).

#### 46. Road near Narakkal fish farm

As part of a scheme to provide community amenities to fishermen, Government sanctioned in December 1965 the construction of a road from Narakkal hospital junction to the sea-shore near Narakkal fish farm (Ernakulam District) at an estimated cost of Rs. 2 lakhs. The estimate was revised to Rs. 3.22 lakhs in September 1966 on the basis of the actual quantities of work to be done. The work comprised (i) formation of a road 1,300 metres long, (ii) construction of one bridge of 7.5 m. span and two bridges of 5 m. span, and (iii) provision of protective works to the road. The work entrusted to a contractor (lowest tenderer) in February 1967 for Rs. 2.41 lakhs was to be completed in 10 months. Although the work was commenced in March 1967, the Department did not acquire the entire land required for the work nor did it finalise the design of the bridges. The contractor proceeded with the work to the extent land was made available and by December 1970 formed the road for a length of 820 metres. Between 20th June and 14th December 1967, piles for the foundation of two bridges of span 7.5 m. and 5 m. were also cast and driven, besides casting piles for the other 5 m. span bridge. On test-loading (July 1968) the piles driven, it was found that they were not safe enough to take the designed load. As no further progress was possible without finalising the design of the bridge foundation and acquisition of additional land, the contract was terminated in March 1971. The amount spent on the work till then was Rs. 1.56 lakhs. The Executive Engineer reported to the Superintending Engineer in August 1971 "this work was started in 1968 and







three unfinished bridges are standing on this road as monuments to the working of the Public Works Department. It is highly necessary that urgent steps are taken to complete this work". The work on the road suspended in December 1970 has not been resumed so far (February 1975). According to a revised estimate prepared by the Department in May 1973 and awaiting sanction of Government, the cost of the work is likely to go up to Rs. 5.51 lakhs.

#### 47. Approach road to pier at Badagara

Mention was made in paragraph 67 of the Report for the year 1969-70 of a R.C. pier at Badagara, work on which was discontinued in December 1965 after incurring expenditure of Rs. 4.03 lakhs. The work has not been resumed yet (January 1975). In view of the changes in the pattern of traffic and trade during the last fifteen years, the Director of Bureau of Economics and Statistics was directed in December 1971 to conduct a traffic survey to study whether a pier was at all necessary at Badagara. The result of the survey is still awaited (November 1974). The Public Accounts Committee 1972-73 which considered the case had in its tenth Report (paragraph 4.25) urged Government to expedite a decision regarding the continuance or otherwise of the work on the pier. But a final decision in this regard has not yet been taken (January 1975).

In June 1965, when the work on the pier was still in progress, Government sanctioned formation of a 680 metres long road connecting the proposed pier to the nearest main road, at an estimated cost of Rs. 1.51 lakhs. Part of the road work (earth work and metalling excluding cross drainage works) was entrusted to a co-operative society in March 1967 for Rs. 0.58 lakh (9.6 per cent below estimate). The work was to be completed by December 1967. The land required for forming the road for a length of 350 metres only was made available to the society in April 1967. The balance portion of the land (except for 24 cents) was made available in January 1968 on account of delay in land acquisition. After completing work on 350 metres of the road on the land which was initially made available in April 1967, the society expressed (May 1969) its inability to execute the remaining work at its quoted rate in view of the rise in cost of materials and labour. Accordingly, the society's demand for higher rates based on the then prevailing schedule of rates (1967 schedule) less 9.6 per cent (its original tender deduction) was accepted by Government in May 1971 and the remaining work (estimated cost : Rs. 0.55 lakh at the then prevailing schedule of rate) was entrusted to the society for Rs. 0.49 lakh. Work was resumed in August 1971. But as a small portion of land (24 cents) required for the work still remained to be acquired, the work could not be completed and at the society's request the contract was terminated by the Executive Engineer in December 1972. The extra amount paid to the society for the portion of work executed by it between August 1971 and December 1972 by way of enhanced rate was Rs. 0.22 lakh. The remaining 24 cents were acquired in October 1973. The remaining work estimated to

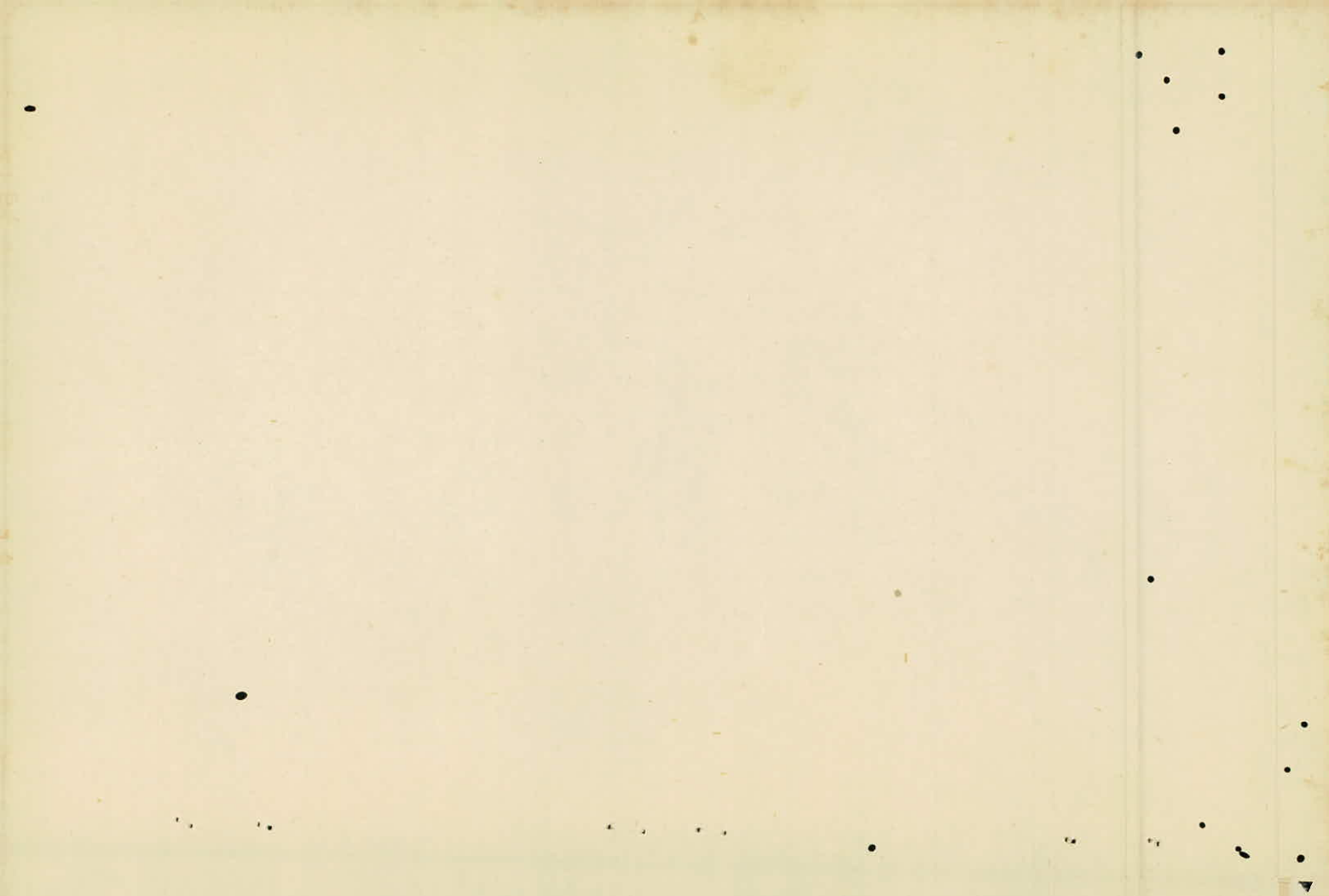
cost Rs. 0.20 lakh has, however, not yet been arranged (November 1974). Rupees 2.22 lakhs (including Rs. 1.52 lakhs on land acquisition) have been spent on the road so far (December 1974). According to a revised estimate prepared in October 1972 and awaiting sanction, the cost of the work may go up to Rs. 2.74 lakhs.

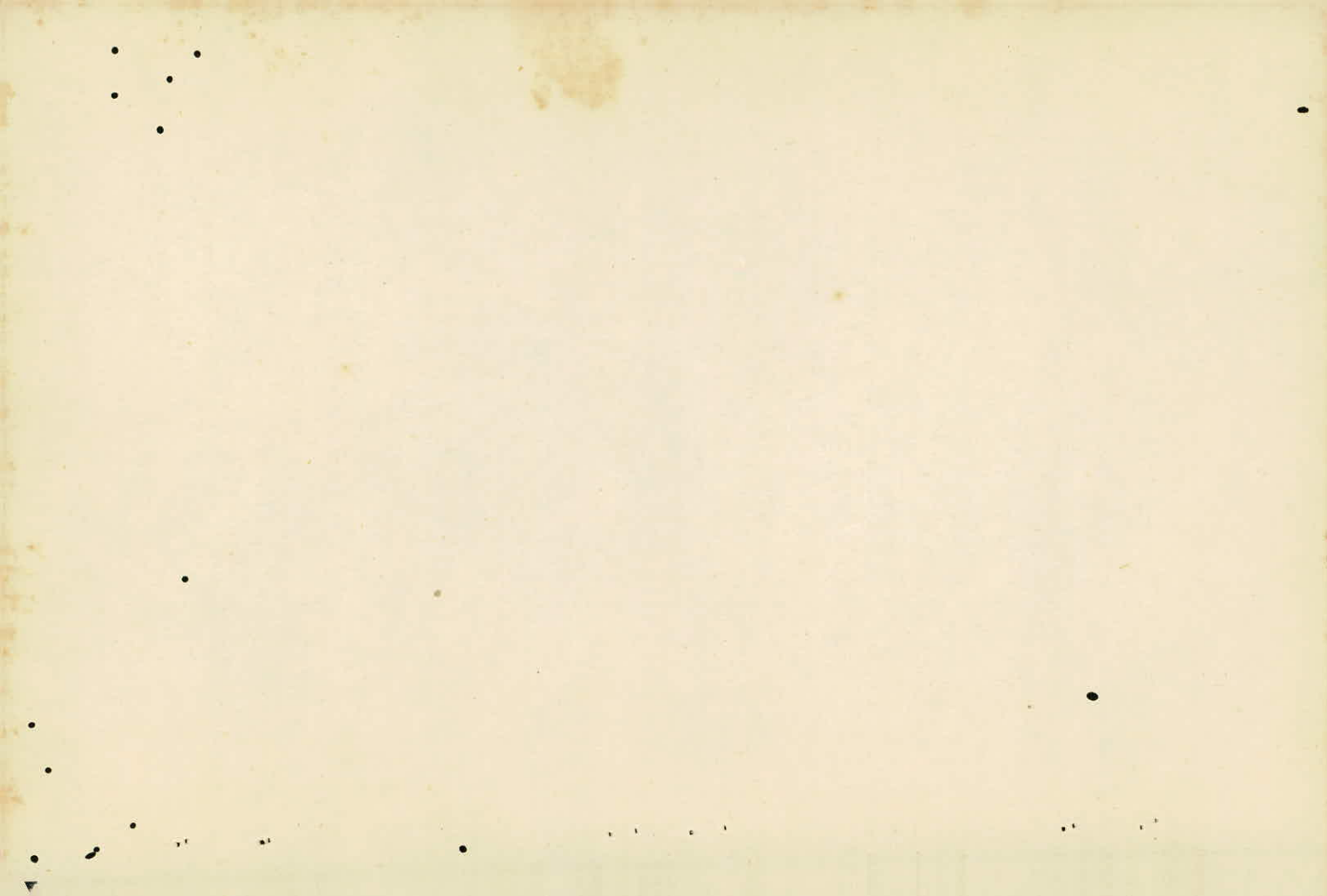
Clarifying the circumstances in which the work on the approach road was continued when no decision had been taken for resumption of work on the pier itself which was stopped in December 1965, Government stated (January 1975) that the proposal to drop the work on the pier came up for consideration only in December 1971 but a final decision in the matter had not been taken so far.

#### **48. Construction of buildings for the Ayurveda College, Trippunithura**

Construction of buildings to house the College, ladies' hostel, pharmacy, etc. of the Ayurveda College, Trippunithura was sanctioned (December 1967 and March 1968) by Government at an estimated cost of Rs. 14 lakhs.

Before the work was technically sanctioned, tenders for part of the work estimated to cost Rs. 7.48 lakhs were invited by the Superintending Engineer in July 1968 with a view to avoiding delay in execution. The tender was based on an estimate prepared by the Department on the basis of an architectural plan drawn by the Chief Town Planner. The estimate provided for 30 centimetre thick brick walls and 30 square centimetre reinforced cement concrete columns. No design or sketch drawings were given to the tenderers although according to the rules, a complete set of drawings are to be given to the tenderers. Nine tenders were received. After negotiation the work was awarded by the Superintending Engineer to the lowest tenderer in September 1968 (probable amount of contract: Rs. 7.01 lakhs) at 6.59 per cent below the estimate with stipulation that it would be completed within 24 months from the date of handing over of site. The contractor executed necessary agreement on 23rd September 1968. On 13th November 1968, with a view to reducing the cost of the work, the Superintending Engineer suggested a revised design with walls of lesser thickness (22.86 Sq. cm.) and smaller R.C.C. columns (22.86 Sq. cm.) and consequential changes in foundation. A saving of Rs. 43,200 was anticipated by adopting the revised design. The contractor, however, refused to carry out the work according to the changed design on the ground that there were substantial changes in the nature of the structure and foundation from those originally envisaged and that execution of work as per the revised design would cause him heavy loss. At a conference convened by Government on 10th February 1969, a compromise was reached with the contractor to the effect that the work would be carried out as per changed design but with foundation work as proposed in the original tender. But on 12th February 1969 the contractor represented to Government that he should be given a 10 per cent increase over the agreed rates or permission to withdraw





from the contract. In July 1969, i.e., after a lapse of five months, Government decided that "as a special case" the original design itself might be adopted even if it involved excessive foundation and thicker walls than necessary. However, the technical sanction for the work was accorded by the Superintending Engineer only in June 1971. The work was completed in February 1973. Expenditure on the work would have been less by Rs. 0.43 lakh, had the cheaper design prepared by the Superintending Engineer in November 1968 been finalised before inviting tenders.

The contractor demanded (May 1972) compensation for the increased cost of materials and labour due to the delay by the Department in handing over site, in finalising the design and issue of departmental materials. The claim was referred (March 1973) to arbitration. According to the Arbitrator's award (June 1973) which was confirmed by Sub-Court, Ernakulam, in October 1973, Rs. 66,741 were paid to the contractor in October 1973—Rs. 65,250 towards compensation for increase in cost of materials and labour and the balance towards interest.

The college is functioning in the new building from April 1973. The construction of pharmacy block, hostel and canteen, etc., has not been taken up for want of revised administrative sanction (January 1975).

#### 49. General review of Works Expenditure

Mention was made in paragraph 37 of the Report for 1970-71 about:—

- (a) expenditure incurred without sanctioned estimates,
- (b) expenditure incurred in excess of the estimates, and
- (c) works provided in the budget but not executed.

The following points were noticed during review of the works expenditure incurred by the Public Works, Public Health Engineering and Forest Departments during 1973-74.

##### A. *Expenditure incurred in excess of sanctioned estimate*

The rules require that if the expenditure on a work is likely to exceed the sanctioned estimate, a revised estimate should be prepared and got sanctioned by the competent authority. The submission of revised estimate is not to be kept pending till the work is completed or reaches an advanced stage of completion. The divisional officers are competent to regularise excess over estimates upto certain limits (10 per cent in Public Works and Public Health Engineering Departments and 5 per cent in Forest Department); excesses beyond this limit are to be sanctioned by higher authorities. Details of unregularised excesses over sanctioned estimates which have come to the notice of Audit are given below:—

102/9118/MC.

The expenditure exceeded the estimate by 5 per cent or more in the case of 364 works and the total of the excesses requiring regularisation at the end of March 1974 amounted to Rs. 2,48.80 lakhs. The department-wise details are given below:—

Department	Number of works	Amount (in lakhs. of rupees)
Buildings and Roads	84	33.83
Irrigation	180	1,07.06
Public Health	37	67.77
National Highways	23	38.02
Forest	40	2.12
Total	364	2,48.80

Among these works, the following seven works have exceeded the estimates by over 100 per cent:—

Sl. no.	Work	Stage of work	Sanctioned estimate	Actual expenditure to the end of March 1974 (in lakhs of rupees)	Excess	Percentage of excess
1.	B+R Construction of a bridge at Koovattichal in Neeleswar Parappa Road (Buildings and Roads Division, Cannanore)	Completed in December 1973	1.20	2.58	1.38	115
2.	guri. Improvements to Puli-yampatta thodu (and constructing a regulator in Mala Amsom, Ottappalam Taluk) (Minor Irrigation Division, Palghat)	In progress	2.08	4.66	2.58	124
3.	guri. Land acquisition for Right bank canal from 10/0 to 12/0 km. (Kuttiadi Irrigation Division, Badagara)	Completed	3.21	6.76	3.55	110
4.	guri. Constructing a Salt Water exclusion anicut across Kawai River at Thalachal (Minor Irrigation Division, Cannanore)	do.	3.15	6.75	3.60	114
5.	Rural water supply scheme to Ranny Aythala (Public Health Division, Quilon)	In progress	0.94	2.06	1.12	119
6.	N.H. Construction of deviation near Koratty National Highway 47-Land acquisition (National Highway Division, Trichur)	Completed	2.06	10.42	8.36	406
7.	guri. Forming main canal from 6024.36 to 7383.36 metres (Pazhassi Irrigation Division)	In progress	5.56	15.99	10.43	188







*B. Works provided in the budget but not executed*

A total provision of Rs. 1,17.54 lakhs made for 405 works (costing more than two lakhs each) in the budget for 1973-74 was surrendered either in full or in part as the works were not executed for various reasons. The main reasons attributed for the non-execution were delay in getting administrative/technical sanction, non-finalisation of designs, non-completion of land acquisition and in some cases retendering. Department-wise break-up of the unutilised provision is given below:—

Department/Branch	Number of works the provision for which was surrendered			Number of works for which the provision was surrendered in full	Provision surrendered (in lakhs of rupees)	Reasons
	New works	Continuing works	Total			
Buildings and Roads	155	49	204	173	80.02	Want of administrative/technical sanction (130 works), delay in land acquisition (22 works), non-finalisation of design (13 works), belated issue of sanction (2 works), retender (4 works), other reasons/reasons not received (33 works).
Irrigation	170	29	199	180	33.02	Want of administrative/technical sanction (90 works), delay in land acquisition (7 works), non-finalisation of design (1 work), re-tender (1 work), economy measure due to financial constraints (53 works), other reasons/reasons not received (47 works).
Public Health Engineering	1	..	1	..	2.00	Want of administrative sanction.
Forest	1	..	1	..	2.50	Want of administrative sanction.
	327	78	405	353	1,17.54	

405 works mentioned above included 210 works (Buildings and Roads: 96; Irrigation: 114) for which only token provision had been made in the budget.

C. *Arbitration cases*

Details furnished by thirty-one divisions in the Public Works and Public Health Engineering Departments indicated the following position in regard to disputes with contractors, referred for arbitration:—

No. of cases pending on 1st April 1973	22
No. of cases referred during 1973-74	62
Total	84
No. of cases decided during 1973-74	45
No. of cases decided against Government during 1973-74	39
No. of cases where the Department preferred appeal	15
No. of cases pending on 31st March 1974	39

Information gathered in respect of 35 out of the 39 cases decided during 1973-74 against the Department showed that the amount awarded to the contractors in excess of the agreed rates was about Rs. 16.88 lakhs. This does not include the amount involved in seven cases/items where percentage excesses over agreed rates were awarded by the arbitrator as the additional amount on this account could not be quantified either because the works concerned had not been completed or the works executed had not been fully paid for. An analysis of the cases showed that the grounds on which the additional amounts were granted were:—

- (i) delay in making land available for commencing construction;
- (ii) delay in supply of departmental materials, etc.;
- (iii) delay on account of change in alignment;
- (iv) changes in design/delay in finalisation of design;
- (v) large scale variation between agreed and executed quantities;
- (vi) departmental delay in arranging power supply; and
- (vii) variation between the recovery rate for departmental materials supplied to contractors shown in the tender and that shown in the agreement, etc.

Brief particulars about a few cases decided against Government are given below:—

- (a) The work of 'driving third and fourth tunnels (Kallar and Kochar tunnels)' in Pamba Irrigation Project was awarded to a contractor on 8th October 1970. In order to start the work, power supply was to be given. Although the contractor while submitting the tender (August 1970) had stipulated that electric supply should be made available at each face within a month from the date of award of contract, he had withdrawn this condition





on 4th September 1970, following a clarification given by the Superintending Engineer to the effect that power would be supplied for the work as in the case of other tunnels. Power connection was given at the inlet face on 8th June 1971. The agreement was executed by the contractor on 11th June 1971. At the exit face, power connection was given only on 2nd November 1971. Driving was completed in April 1972. The contractor contended that owing to delay in giving power supply, he had to keep his machines and staff idle for about nine months and that labour charges had gone up in the meantime. On the contractor's claim being referred to arbitration, the Arbitrator awarded (August 1973) that the Department should pay the contractor Rs. 35,000 as compensation for keeping his machines and staff idle till the commencement of the work and Rs. 16,500 towards loss incurred by him due to higher labour charges.

(b) The work of driving second tunnel in Pamba Irrigation Project was awarded to a contractor in May 1966. Even though power was available at the inlet face at the time of execution of agreement, power connection at the exit face was given only in December 1966. In terms of the agreement, the Department was to supply electric detonators. Alleging that there were interruptions of work due to non-supply of electric detonators, the contractor claimed compensation for periods during which staff, labour, machines, etc., remained idle.

The dispute was referred to arbitration. In his award, the Arbitrator directed (February 1974) the Department to pay the contractor a compensation of Rs. 1.16 lakhs because of idle staff, machines, labour, etc.

(c) In the estimate prepared by the Department (Irrigation Division, Quilon) for protecting the side of Pamba river from Mayali to Athimoodu by constructing groynes, the rubble required for the work was proposed to be extracted from a nearby quarry at Malakkara. The contract for the work was awarded to a contractor in March 1971. The Department did not issue any direction to the contractor about the source from which rubble was to be quarried. Contending that the rubble required for the work was extracted from far off places and that conveyance of rubble involved lifting operation, the contractor claimed extra rates. The Department was of the view that the rate in the contract was for the supply of first class granite rubble at work site and that it was not concerned with the source from which the contractor extracted it. When the dispute was referred to arbitration (August 1973), the Arbitrator awarded (November 1973) Rs. 0.25 lakh to the contractor towards additional expenditure incurred by him due to change in quarry and for the 'lift' involved in transporting the rubble.

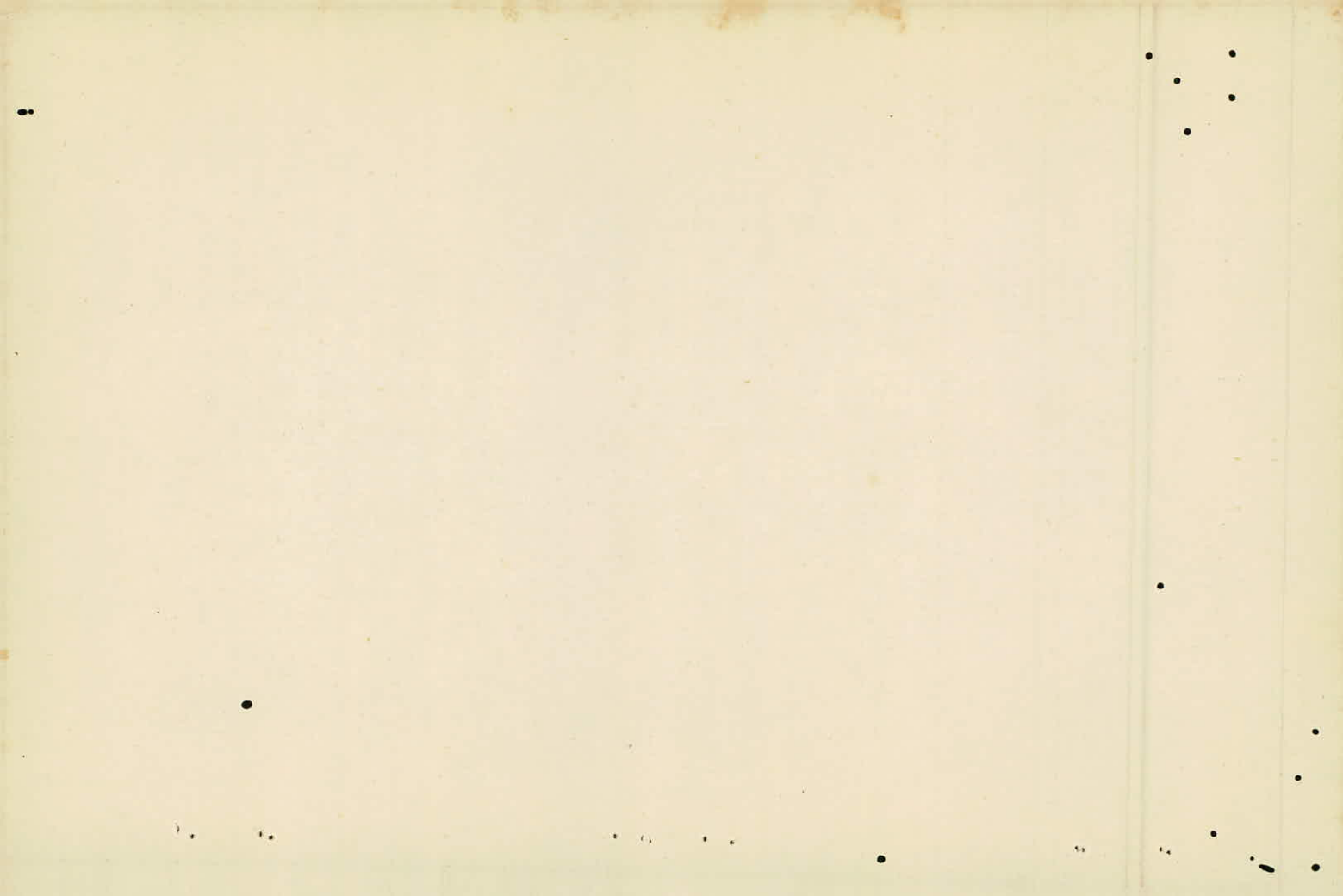
*D. Comparison of establishment expenditure with works expenditure:*

The following table compares the expenditure on establishment (including expenditure on direction and Superintendence Offices) and the works expenditure in the Public Works and Public Health Engineering Departments for the last three years:—

	<i>Number of Divisions</i>	<i>Establishment expenditure</i>	<i>Works expenditure</i>	<i>Percentage of establishment expenditure on works expenditure</i>
		<i>(in lakhs of rupees)</i>		
(a) Buildings and Roads:				
(i) National Highways:				
1971-72	6	22.86	1,46.94	16
1972-73	9	59.09	4,08.32	14
1973-74	10	88.24	2,98.64	30
(ii) Others:				
1971-72	20	2,81.93	16,69.90	17
1972-73	22	3,49.99	16,67.10	21
1973-74	28	4,12.65	17,47.05	24
(b) Irrigation and Projects:				
1971-72	45	2,27.39	8,70.41	26
1972-73	48	2,10.28	9,31.27	23
1973-74	56	2,05.41	9,73.80	21
(c) Public Health Engineering:				
1971-72	20	1,06.00	7,82.67	14
1972-73	21	1,01.62	7,90.86	13
1973-74	24	1,34.03	8,91.93	15

The Divisions where the expenditure on staff was 30 per cent of works outlay or more during 1973-74 are given below:—

<i>Name of Division</i>	<i>Establishment expenditure</i>	<i>Works Expenditure</i>	<i>Percentage of establishment expenditure on works expenditure</i>
	<i>(in lakhs of rupees)</i>		
National Highway Division, Quilon	12.00	30.88	39
Additional Buildings Division, Trivandrum	9.35	28.66	33
Minor Irrigation Division, Kozhikode	4.39	8.43	52
Minor Irrigation Division, Quilon	12.20	32.28	38
Minor Irrigation Division, Palghat	7.61	22.83	33
Vizhinjam Fishing Harbour Project Division No. I, Vizhinjam	2.53	3.02	84
Vizhinjam Fishing Harbour Project Division No. II, Vizhinjam	4.72	10.20	46
Public Health Division, Trivandrum	23.90	78.64	30







## CHAPTER V

### • STORES AND STOCK ACCOUNTS

50.A. A synopsis of the Stores and Stock accounts of the principal Departments (other than those relating to commercial and quasi-commercial Departments, undertakings, etc.) for 1973-74 is given below:—

<i>Department</i>	<i>Stores</i>	<i>Opening balance on 1st April 1973</i>	<i>Receipts</i>	<i>Issues</i>	<i>Closing balance on 31st March 1974</i>
<i>(in lakhs of rupees)</i>					
<b>HEALTH DEPARTMENT</b>					
Indigenous Medicines (including Ayurveda Colleges at Trippunithura and Trivandrum)	Dietary articles, medicines, fuel, linen, uniforms, etc.	9.49*	39.63	37.03	12.09
<b>HOME DEPARTMENT</b>					
Police	Uniforms, fire-arms, ammunitions, etc.	64.87	1,23.45	1,29.20	59.12
Jails					
Maintenance Section	Dietary articles, garden produce, clothing and bedding, medicines, surgical instruments, etc.	1.18	23.17	20.49	3.86
Manufactory Section	Raw materials, finished goods, tools and plant, etc.	5.74	12.33	12.93	5.14
<b>LOCAL ADMINISTRATION AND SOCIAL WELFARE DEPARTMENT</b>					
Public Health Engineering Stores	Pipes and other sanitary fittings, building materials, etc.	(—)1,28.12†	7,03.82	6,67.42	(—)91.72

\* The difference between the closing balance for the previous year and the opening balance for this year is due to the inclusion of the stock relating to Ayurveda Colleges at Trippunithura and Trivandrum under the Department of Indigenous Medicines and due to inclusion of certain items like linen, beds and uniforms, hospital appliances, etc., which were not included in the stock accounts for 1972-73.

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

(i) Minus balances occurred in the stock accounts of Public Health Division, Kottayam, Water Supply Project Division No. I, Trivandrum and Public Health Central Stores Division, Cochin. The earliest year to which the minus balance pertained was 1970-71 in the case of the first two Divisions and 1971-72 in the case of the third Division. The minus balance was due to non-adjustment/delay in adjustment of debit advices for supplies already received.

(ii) Twelve Divisions were operating on stock. Physical verification of stock had not been conducted during 1973-74 in three Divisions (Public Health Construction Division No. IV, Alwaye, Public Health Division, Palghat and Public Health Central Stores Division, Cochin). In two of those Divisions, verification was last done during 1971-72.

(iii) Arrears in closing half-yearly registers of stock were noticed in four Divisions (Public Health Division, Kottayam from October 1970, Water Supply Project Division No. I, Trivandrum from April 1972 and Public Health Central Stores Division, Cochin and Public Health Division, Cannanore from October 1972).

(iv) In four Divisions (Public Health Construction Division No. IV, Alwaye and Public Health Divisions, Alleppey, Calicut and Cannanore) the stock held (Rs. 50 lakhs) on the 31st March 1974 exceeded the reserve limit (Rs. 17 lakhs); the excess ranged from Rs. 3.17 lakhs to Rs. 15.05 lakhs.

(v) The rules require that the stores at the end of each financial year should be valued with reference to market rates and the profits/losses adjusted. In five Divisions (Public Health Divisions, Alleppey, Kottayam, Calicut and Cannanore and Water Supply Project Division No. I, Trivandrum) this was not done during 1973-74.

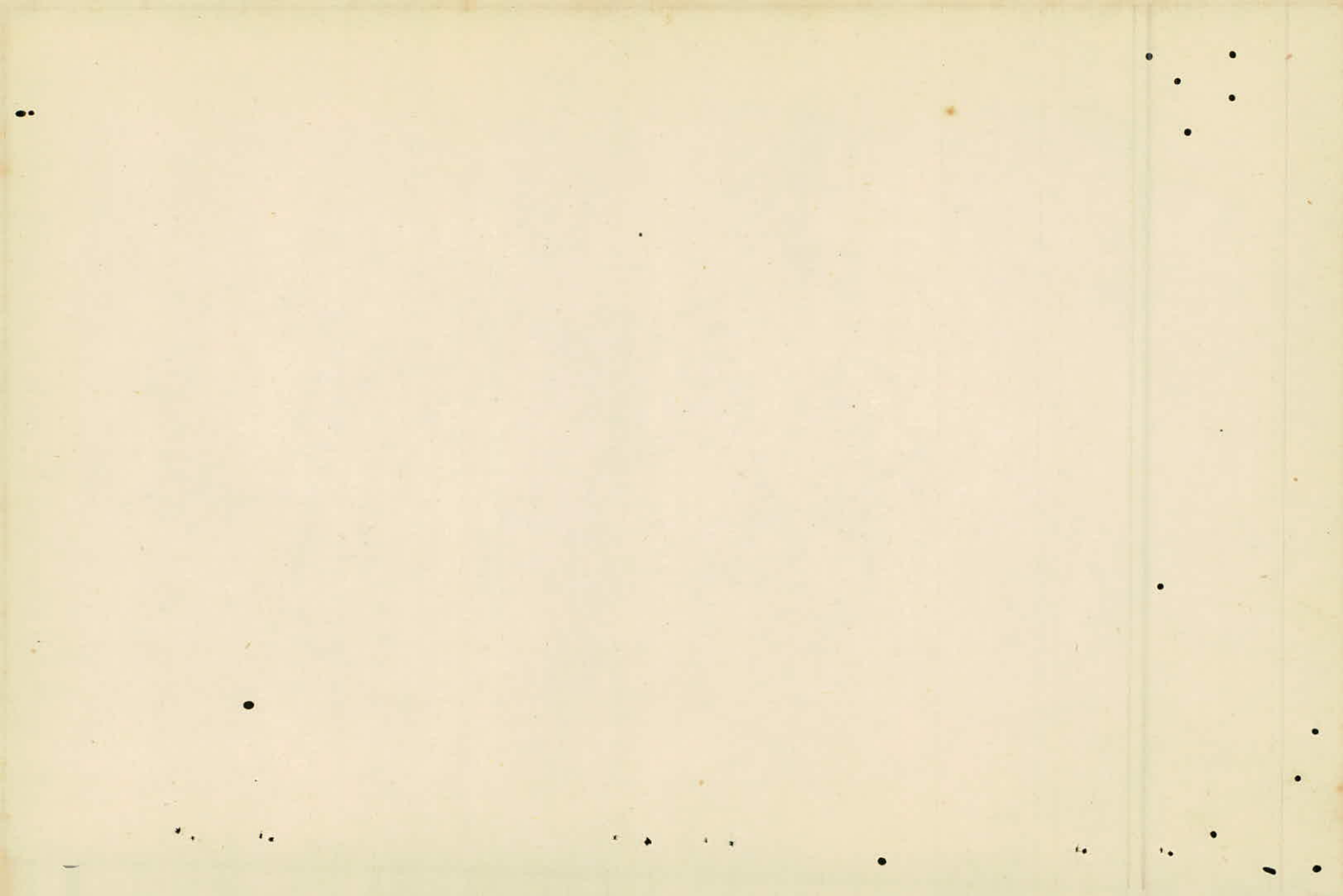
(vi) In two Divisions (Public Health Divisions, Calicut and Trichur) value of materials which remained as non-moving for over five years was Rs. 1.48 lakhs (March 1974).

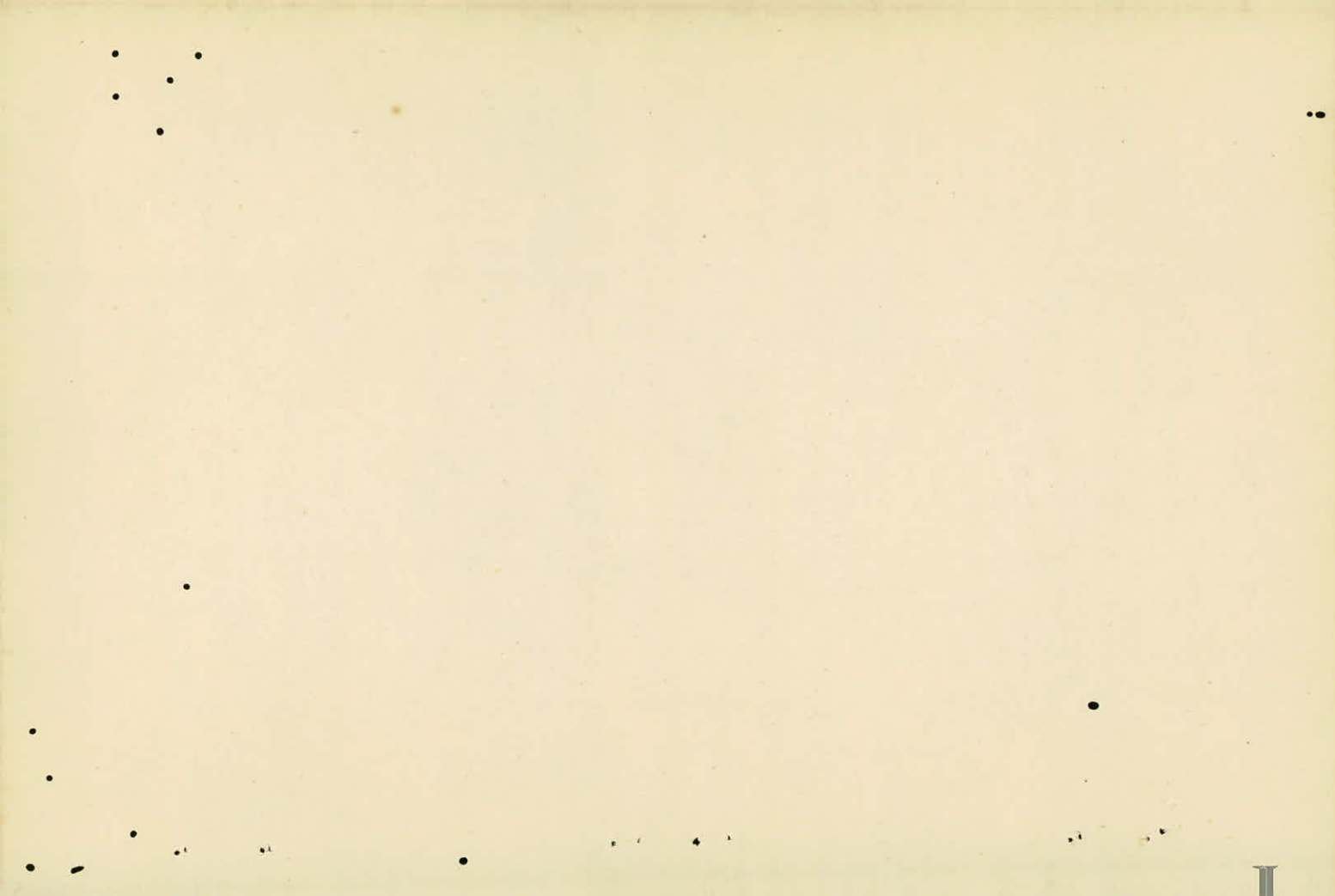
<i>Department</i>	<i>Stores</i>	<i>Opening balance on 1st April 1973</i>	<i>Receipts</i>	<i>Issues</i>	<i>Closing balance on 31st March 1974</i>
<i>(in lakhs of rupees)</i>					

**PUBLIC WORKS  
DEPARTMENT**

(Buildings and Roads and District Stores)	Building materials	(—)2,33.57*	1,72.17	72.28	(—)1,33.68
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\* The balances do not include the opening balances relating to the Divisions in the areas transferred from the former Madras State on reorganisation of States due to non-finalisation of their allocation between the successor States.





(i) Minus balances were noticed in four Divisions (Buildings and Roads Divisions, Ernakulam and Cannanore, West Coast Roads Division, Tellicherry and District Stores, Alwaye). The earliest year to which the minus balance related was 1969-70 in the case of Buildings and Roads Division, Cannanore, 1970-71 in the case of West Coast Roads Division, Tellicherry and 1972-73 in the case of the other two Divisions. This was mainly due to (a) non-adjustment of the cost of supplies and (b) credit exceeding debits due to fixation of issue rates at higher rates than the purchase price in previous years.

(ii) Arrears in closing the half-yearly registers of stock persisted in five Divisions (Buildings and Roads Divisions, Calicut, Palghat and Kottayam and Buildings Divisions, Trivandrum and Trichur). Arrears in Buildings Division, Trivandrum were for more than five years; in the other four Divisions it was for more than two years.

(iii) Twenty-one Divisions were operating on stock. Annual physical verification of stock was not conducted during 1973-74 in seven Divisions (Buildings and Roads Divisions, Ernakulam, Calicut, Palghat, Trichur and Kottayam and District Stores, Cannanore and Trichur). In two Divisions (Buildings and Roads Divisions, Ernakulam and Trichur) physical verification was last conducted in 1971-72.

(iv) In Buildings and Roads Division, Kottayam, the stock held on the 31st March 1974 exceeded the sanctioned reserve limit (Rs. 3.5 lakhs) by Rs. 6.12 lakhs; the Executive Engineer attributed the excess to non-issue of materials to works for want of funds. In Buildings and Roads Division, Calicut while the value account showed an excess of Rs. 2.77 lakhs over the reserve limit (Rs. 3 lakhs), there was no ground balance at the end of 1973-74.

(v) In seven out of twenty-one 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.

(vi) In two Divisions (Medical College Division, Kottayam and West Coast Roads Division, Tellicherry) the value of materials which remained as non-moving for over five years was over Rs. 0.96 lakh.

<i>Department</i>	<i>Stores</i>	<i>Opening balance on 1st April 1973</i>	<i>Receipts</i>	<i>Issues</i>	<i>Closing balance on 31st March 1974</i>
<i>(in lakhs of rupees)</i>					

WATER AND POWER  
DEPARTMENT

Irrigation and Projects	Building materials	(—) 7.12*	1,67.05	1,46.12	13.81
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\* The balances do not include the opening balances relating to the Division in the areas transferred from the former Madras State on reorganisation of States due to non-finalisation of their allocation between the successor States.

(i) The preparation of the half-yearly registers of stock was in arrears in two Divisions (Chitturpuzha Project Division, Chittur from April 1971 and Irrigation Division, Trichur from October 1971).

(ii) Sixteen Divisions were operating on stock. Annual physical verification of stock was not conducted during 1973-74 in three Divisions (Irrigation Divisions, Malampuzha and Trichur and Minor Irrigation Division, Cannanore).

(iii) In six Divisions (Kanhirapuzha Irrigation Project, Kanhirapuzha, Kuttiadi Irrigation Division No. 2, Badagara, Pazhassi Project Division, Mattanur, Pamba Irrigation Project Divisions, Chengannur and Pathanamthitta and Periyar Valley Irrigation Division, Perumbavoor) the stock held on the 31st March 1974 exceeded the sanctioned reserve limit (Rs. 25.5 lakhs) by Rs. 24.33 lakhs. In two Divisions the excess was more than Rs. 6 lakhs.

(iv) In three Divisions (Irrigation Division, Malampuzha, Kallada Irrigation Division No. I, Thenmala and Kuttiadi Irrigation Project Division No. I, Perambra) the stock accounts showed minus balances mainly due to non-adjustment of the cost of supplies.

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

(vi) In two Divisions (Irrigation Division, Malampuzha and Chitturpuzha Project Division, Chittur) the value of stores (electrical fittings, spare parts of machines, etc.) which remained as non-moving for more than five years was Rs. 1.69 lakhs; in another Division (Irrigation Division, Trichur) the balance included clodded cement worth Rs. 0.09 lakh.

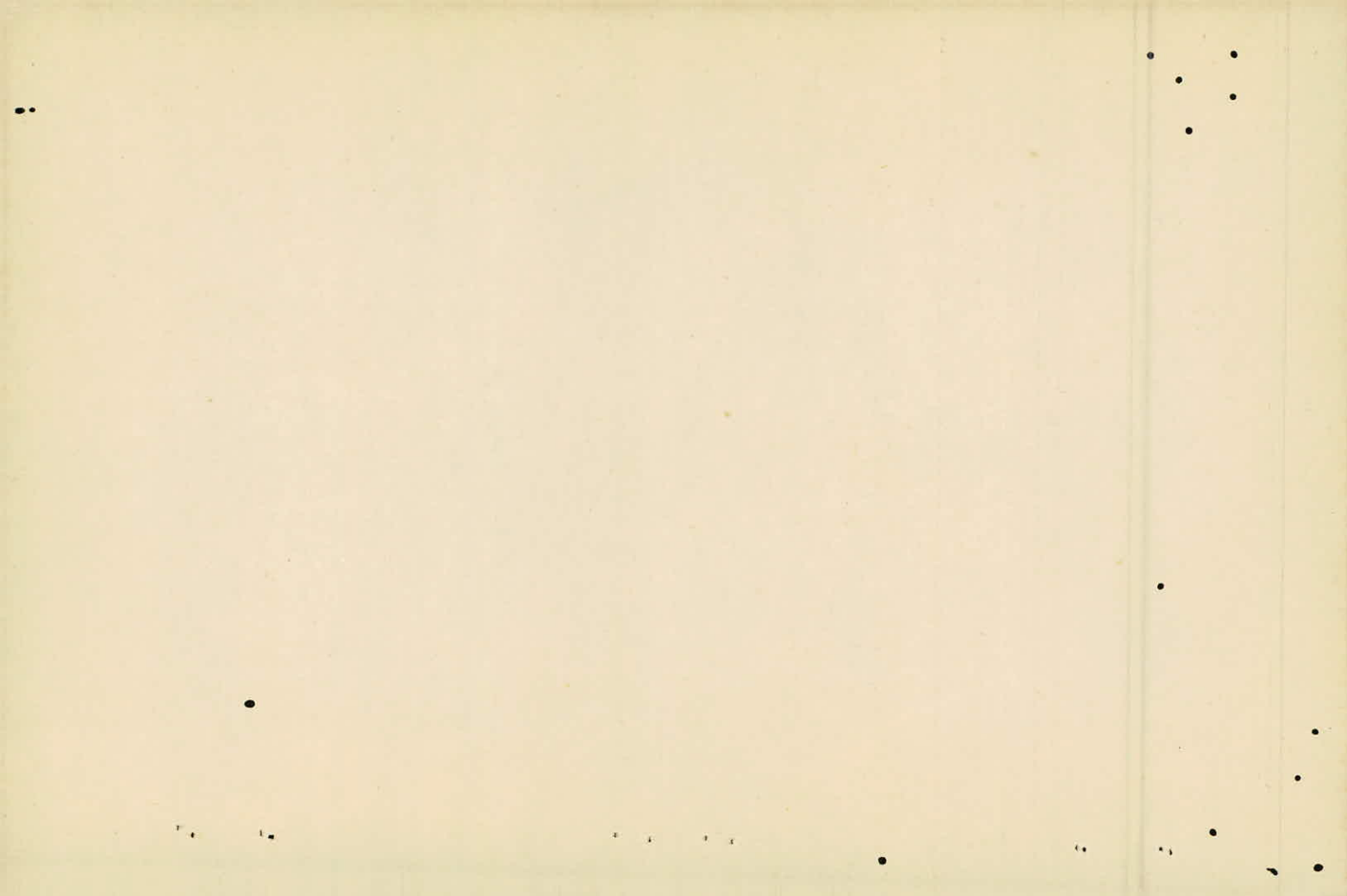
<i>Department</i>	<i>Stores</i>	<i>Opening balance on 1st April 1973</i>	<i>Receipts</i>	<i>Issues</i>	<i>Closing balance on 31st March 1974</i>
<i>(in lakhs of rupees)</i>					

#### TAXES DEPARTMENT

Central Stamp Depot, Trivandrum	Stamps	8,37.10	5,46.09	6,11.14	7,72.05
---------------------------------	--------	---------	---------	---------	---------

(i) Closing balance does not include value of stamps, judicial paper, etc., held in treasuries. Eight out of 11 treasuries have not furnished stock accounts (November 1974).

(ii) The issues include Rs. 0.07 lakh representing value of uncurrent stamps written off.







(iii) A consignment of non-postal stamps worth Rs. 3.20 lakhs sent in December 1972 from the Central Stamp Stores, Nasik was not received by the Central Stamp Depot, Trivandrum and the case was reported to be under police investigation (November 1974).

Department	Stores	Opening balance on 1st April 1973	Receipts	Issues	Closing balance on 31st March 1974
(in kilogrammes)					
Board of Revenue (Excise), Trivandrum	Opium Ganja	127.81 86.36	60.53 ..	63.64 24.59	124.70 61.77

Issues under Ganja include 24.38 kilogrammes destroyed under orders of the Board of Revenue.

B. Audit of the stock accounts for 1973-74 pertaining to Government Medical Stores, Trivandrum and District Medical Stores and those relating to the Departments of Agriculture, Forest and Animal Husbandry received in December 1974/January 1975 is not yet over (January 1975). The position in regard to other Departments is indicated below:—

Department	Remarks
<b>HEALTH</b>	
Transport Wing of the Department of Health Services	The stock account for 1973-74 received in November 1974 from the Director of Health Services was incomplete and incorrect. Revised stock account is awaited (January 1975).
Homoeopathy	The stock account for 1973-74 received in December 1974 from the Director of Homoeopathy could not be certified as there were no initial records of stock receipts and issues in the Directorate. Revised stock account is awaited (January 1975).
<b>AGRICULTURE</b>	
Department of Dairy Development	Stock account for 1973-74 received from the Director in October 1974 was found defective. Revised stock account is awaited (January 1975).
<b>INDUSTRIES</b>	
Industries	Stock account for 1973-74 awaited from the Director of Industries and Commerce (December 1974).

## DEVELOPMENT

## Fisheries

The stock account for 1973-74 received in December 1974 from the Director of Fisheries could not be certified as the accounts of certain subordinate offices had not been incorporated. Revised stock account is awaited (January 1975).

## Ports

Stock account for 1973-74 awaited from the State Port Officer (December 1974).

## HIGHER EDUCATION

## Stationery Stores, Trivandrum, Ernakulam, Shoranur and Kozhikode

The stock account for 1973-74 received in August 1974 from the Controller of Stationery could not be certified as certain items of stores held in Ernakulam Stationery Office were undervalued by Rs. 0.23 lakh. Revised account is awaited (December 1974).

Government Presses  
(Government Central Press, Trivandrum, Government Presses, Ernakulam, Shoranur and Central Prison Press, Trivandrum)

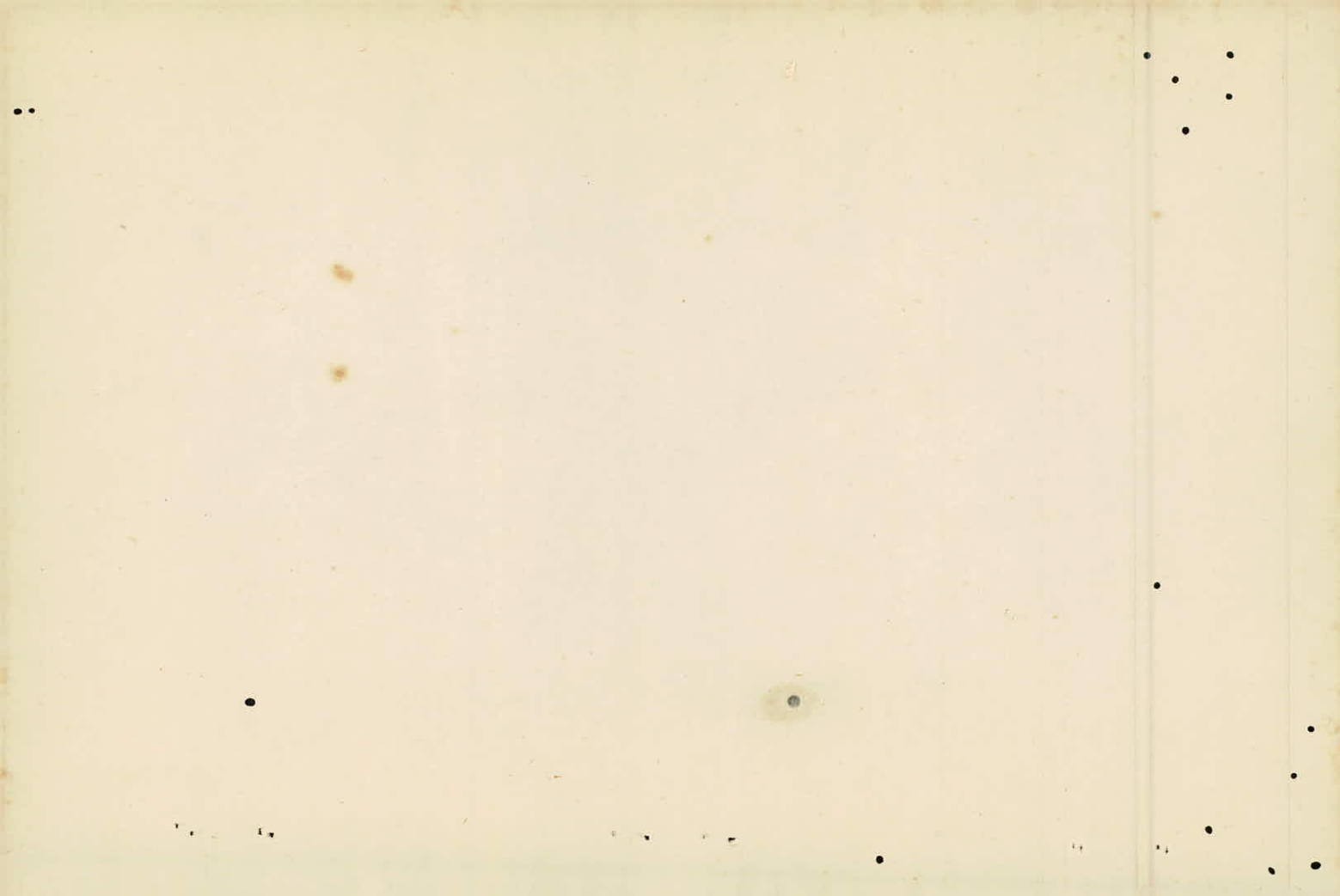
Discrepancies in receipts, sales and closing stock noticed during the audit of stock account for 1973-74 received from the Director of Printing and Stationery (Printing) in August 1974 were not reconciled by the Department. Revised account is awaited (December 1974).

*C. Stock accounts in Public Works Divisions:*

The rules governing maintenance of stock accounts in Public Works Divisions were revised by Government in 1972. The revised rules envisage (i) introduction of a priced vocabulary of Stores with permanent identifying numbers, (ii) maintenance of "Goods Received Sheets" for recording the detailed count or measurement of goods received and bin cards for keeping a record of receipts, issues and running balance of each article at places where the goods are actually received and stored, (iii) maintenance of a Priced Stores Ledger in Divisional Offices for recording day to day transactions and (iv) discontinuance of the system of maintaining half-yearly registers. None of the Public Works Divisions in the State has switched over to the new system of accounts so far (January 1975).

**Agriculture Department****51. Purchase of stores**

Mention was made in paragraph 23 of the Report (Civil) for the year 1972-73 about certain features in the working of 'Livestock and Poultry Feed Compounding Factory' at Malampuzha. Some instances in which the



27.8.72 to } nearly a  
22.9.72 } month

23.9.72 to } nearly a  
29.11.72 } month to  
for ~~sample~~ sample

8.11.72 to } Another  
19.12.72 } 20 days

19-12-72 to } more  
2.2.73 } 1 week

13-3-73 = } more  
more and 16.9.73-  
more  
more

Factory has made purchases without observing the Store Purchase Rules are mentioned below:—

(i) The raw materials required for the factory are usually purchased in bulk on the basis of formal contracts after inviting tenders. On 15th July 1972, the Director of Animal Husbandry issued a tender enquiry for the supply of various feed ingredients such as tapioca chips, deoiled ground-nut cake, coconut oil cake, etc., for one year from 1st October 1972. Tenders were to be opened on 18th August 1972. The period of validity of the tenders was not specified in the tender notice even though this was required according to financial rules of Government. The tenders received (opened on 18th August 1972) were examined by the Technical Advisory Committee of the Department on 27th August 1972. The Committee's recommendations were forwarded to Government by the Director on 22nd September 1972. The proposals were considered by the Departmental Purchase Committee on 29th November 1972 and orders fixing the contracts for deoiled ground-nut cake, coconut oil cake and tapioca chips were issued by Government on 19th December 1972. The purchases were effected as follows:—

(a) *Deoiled groundnut cake:*

The quantity to be supplied was specified in the tender enquiry as 5,000 tonnes. While the tenders were still under consideration, the Assistant Project Officer on 11th October 1972 placed an order for the supply of 200 tonnes with the lowest tenderer whose rate was Rs. 690 per tonne. But the firm declined to effect the supply on the ground that the acceptance of its offer had not been received. However, without waiting for the Government's decision regarding the acceptance of tender, the Assistant Project Officer placed an order for the supply of 248 tonnes (November 1972) with the next lowest tenderer (rate: Rs. 747 per tonne) but the firm did not respond. Government in December 1972 rejected the lowest tender on the ground that the firm had not furnished the earnest money in full and accorded sanction to accept the second lowest tender (rate: Rs. 747 per tonne). Intimation of acceptance of the offer was sent to the firm on 2nd February 1973 (The firm had not indicated the validity period in its tender). Since there was no response from the firm, a limited tender for the supply of 400 tonnes (the estimated requirement for three months) was invited in February 1973. Tenders were opened on 13th March 1973 and were valid till 12th June 1973. The lowest rate quoted was Rs. 1,615 per tonne. But as tenders were not processed within the validity period, the Departmental Purchase Committee which met on 30th July 1973 recommended that the Director be authorised to make local purchase. Meanwhile the Department made local purchase of 950.88 tonnes between October 1972 and September 1973 at rates ranging from Rs. 1,000 to Rs. 1,975 per tonne (total value of purchase: Rs. 13.30 lakhs). The tender conditions stipulated that in the event of tenderers backing out after acceptance of the offer, the additional expenditure on account of alternate purchase would be recovered from the defaulter. Accordingly, the Department in August 1974 forfeited Rs. 52,500 due to the firm (towards earnest money deposit and other pending bills) available with the Department and advised it to remit Rs. 5.67 lakhs towards the balance of the loss sustained by Government due to the alternate purchase. Further developments are awaited (January 1975).

(b) *Coconut oil cake:*

The quantity to be supplied was specified in the tender as 150 tonnes. In September 1972 the Director of Animal Husbandry recommended the acceptance of the lowest tender (rate: Rs. 850 per tonne). However, on the basis of a later report made by him (November 1972) that there was a decline in the market rate, Government directed (December 1972) the Director to retender the item. Retender (March 1973) failed to fetch favourable offers (lowest rate on retender was Rs. 1,375 per tonne). Government, however, decided (August 1973) not to consider the offers received on retender as tenders for supplies for 1973-74 (received in July 1973) were already under consideration. Pending finalisation of the contract for 1973-74, Government authorised (September 1973) the Assistant Project Officer to make local purchases. Meanwhile between October 1972 and September 1973, the Factory made local purchase of 230.79 tonnes at rates varying from Rs. 845 to Rs. 1,525 per tonne (total value of purchase: Rs. 2.93 lakhs). Had the original tender been accepted and supplies arranged accordingly, the expenditure would have been less by Rs. 0.97 lakh.

(c) *Dried tapioca chips:*

The quantity to be supplied as specified in the tender notice was 2,000 tonnes. The contract for the supply of tapioca chips was awarded in December 1972 to the lowest tenderer (rate: Rs. 492.40 per tonne) but the contractor neither executed a formal agreement nor remitted the security deposit. The Assistant Project Officer stated (June 1973) that despite his repeated requests, the contractor did not execute the agreement on the plea that he did not find means to furnish the security deposit (which was to precede execution of agreement) and that supply at the tendered rate was causing him loss. The contractor supplied 504.48 tonnes upto the end of March 1973 and stopped supplies thereafter. The requirement of the factory for the balance period of the contract was met by local purchase at higher rates. 616 tonnes (cost: Rs. 4.62 lakhs) were thus purchased between April 1973 and September 1973. Compared to the rates of the contractor, the local purchase resulted in an additional expenditure of Rs. 1.58 lakhs. It was stipulated in the tender that (i) communication of acceptance of tender constituted a concluded contract and (ii) if the contractor after having made partial supplies, failed to fulfil the contract in full, the materials not supplied would be purchased at the risk and cost of the defaulter. Despite this provision, the loss to Government has not yet been recovered from the contractor (December 1974). The Department stated (January 1975) that Rs. 0.55 lakh due to the contractor (by way of earnest money deposit and other pending bills) were available with Government and that action was being taken to recover the loss from the defaulter.

(ii) In response to a tender enquiry (June 1973) for the supply of tapioca chips for one year from October 1973 (estimated quantity: 3,800 tonnes), two tenders were received in July 1973. In terms of the tender notice, the tenderers were to keep their offers valid upto 23rd January 1974. In December 1973 when order for supplies for one year from 1st December 1973 was placed with the lower tenderer (rate: Rs. 633 per tonne) he backed out.







This necessitated local purchase at higher rates ranging from Rs. 728 to Rs. 1,015 per tonne. Compared to the rates of the lower tenderer, the additional expenditure on local purchase of 465.8 tonnes (cost: Rs. 4.17 lakhs) during the period from December 1973 to November 1974 was Rs. 1.22 lakhs. The tender condition provided that if the successful tenderer backed out after acceptance of his offer, the contract would be arranged elsewhere at the defaulter's risk and cost. The Assistant Project Officer stated (January 1975) that action was in progress to recover the loss from the defaulter.

### **Health Department**

#### **52. Use of machines, equipment, stores, etc.**

Six sterilisers and seven water-stills (total cost: Rs. 1.12 lakhs) to be used for sterilising linen and surgical equipment and for preparing distilled water, purchased in November 1971 were distributed between March 1972 and August 1973 to eleven hospitals in the State. Out of these, four sterilisers and three water-stills (cost: Rs. 67,719) were brought into use, after delays ranging from 3 to 28 months, in five hospitals. The remaining two sterilisers and four water-stills (cost: Rs. 44,423) allotted to six hospitals have not been brought into use till the end of November 1974 for want of electric power and/or water supply. It was disclosed that one steriliser and three water-stills had been allotted to four of these hospitals without any specific requisition for them from the medical officers in charge of those hospitals.

### **Agriculture Department**

#### **53. Use of machines**

(i) Three ice plants of half ton capacity (cost: Rs. 15,720 each) required for bulk processing and storage of dressed chicken were purchased in March 1966 and installed in an Intensive Poultry Development Block and in two poultry farms under the Animal Husbandry Department between September 1966 and December 1966. One of the plants was transferred in February 1972 to the Agricultural University along with transfer of control of the farm to which it had been supplied. The other two ice plants worked only for very short periods and remained out of commission from February 1967 and June 1969 respectively. In a report sent to Government in March 1972, the Director of Animal Husbandry stated that the plants supplied by the firm were of very poor quality. In reply to an enquiry by Audit the Department stated (June 1974) that these plants would not be useful even if they were repaired. The loss to Government on this account was assessed by Department (June 1974) as Rs. 0.46 lakh representing 75 per cent cost and installation and other charges paid to the firm against which only a security deposit of Rs. 0.02 lakh was available with the Government.

(ii) Three walk-in-coolers needed for preservation of eggs purchased by the Animal Husbandry Department in May 1965, August 1967 and August 1968 (cost: Rs. 11,750 each) and supplied to a duck farm and two poultry farms remained unutilised from December 1967, August 1967 and September 1968 as they were found to be defective, unserviceable and beyond repairs. In two of these cases, proposals were sent in May 1973 and June

1973 to Government for their disposal in public auction and orders of Government thereon are awaited (October 1974). In the third case, the Director of Animal Husbandry stated (September 1971) that the matter was under correspondence with the firm. No decision has so far (October 1974) been taken regarding its disposal.

(iii) One generator (estimated cost: Rs. 9,500) supplied by UNICEF under the applied nutrition programme and another Kirloskar generator purchased at a cost of Rs. 9,855 and installed in June 1965 and March 1966 respectively in two poultry farms remained out of commission from May 1971 and September 1969 for want of spares. The Department stated (May 1974) that procurement of spare parts had to be arranged by the Government in one case and sanction for the estimate of repairs was awaited in the other.

### Public Health Engineering Department

#### 54. Two mobile cranes

Two 'Coles' model, diesel electric mobile cranes were purchased in March-April 1971 by the Chief Engineer, Public Health Engineering Department, for the expeditious execution of water supply schemes in the urban areas of the State. One of the cranes (cost: Rs. 3.43 lakhs) was allotted to Public Health Division, Calicut, where it was assembled in May 1971. It took more than one year (June 1972) to get the crane registered with the Motor Vehicles Department. Between May 1971 and March 1973 it was operated just for one day (11th June 1972) in the Division. The Superintending Engineer, Calicut, stated (December 1972) that the crane was expected to be utilised for laying large size pipes in the Calicut Water Supply Scheme and the crane could be utilised advantageously when the laying of bigger size pipes was taken up. This expectation did not materialise due to non-receipt of larger diameter pipes ordered for and the crane was sold in March 1973 to Harbour Engineering Wing, Calicut for Rs. 3.57 lakhs. This would indicate that the crane was purchased without proper assessment of requirements.

The other crane (cost: Rs. 3.43 lakhs) was allotted to Public Health Construction Division, Cochin, in March 1971 and Rs. 9,591 were spent on its maintenance till the end of November 1974. During the same period, it was used departmentally for six days, hired out to contractors for twenty-seven days (hire charges realised : Rs. 13,572) and lent to other Divisions for eighty-three days (hire charges realisable: Rs. 36,935). The crane was used for thirty-five days in 1971-72, seventy days in 1972-73, four days in 1973-74 and seven days in 1974-75 (up to November 1974). In reply to an audit enquiry, the Executive Engineer, Public Health Construction Division, Cochin, attributed (September 1973) the under-utilisation of this crane to lack of demand from private hirers (at the hourly rates of hire charges fixed by Government in April 1973) and to the suspension of departmental works (where the crane could be used) during the rainy season. It was further stated (May 1974) by the Executive Engineer that the crane was not of much use to the Division and that action was afoot to dispose of the crane; further developments are awaited (January 1975).





## CHAPTER VI

### GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

#### SECTION I

#### GENERAL

55. This chapter deals with the results of audit of—
- (i) Departmentally managed Government commercial undertakings; and
  - (ii) Investments and guarantees by the State Government.

#### SECTION II

#### GOVERNMENT DEPARTMENTAL COMMERCIAL UNDERTAKINGS

56. On 31st March 1974, there were five departmental commercial undertakings in the State. *Pro forma* accounts for the year 1973-74 have been received only from two of these undertakings so far (January 1975); a synoptic statement showing the summarised financial results of these undertakings is given in the Annexure (pages 168-169).

*Pro forma* accounts of the remaining three undertakings are awaited (January 1975) for various periods from 1967-68 to 1973-74 as detailed below:—

<i>Name of undertaking</i>	<i>Years for which accounts are due</i>
Bleaching and Calendering Plant, Pappanamcode*	1967-68 to 1973-74
Text Books Office, Trivandrum	1973-74
Public Works Department Engineering Workshops, Chackai	1973-74

#### 57. Public Works Department Engineering Workshops, Chackai

The Workshop (established more than seventy years ago) was a division under the Public Works Department up to March 1969 when it was declared as a commercial undertaking. Commercial system of accounts was introduced in the Workshop with effect from 1st April 1971.

\*This undertaking has since been transferred to Kerala State Textile Corporation Limited with effect from 1st May 1974.

The Workshop comprises seven shops, viz. (i) foundry shop, (ii) machine shop, (iii) fabrication shop, (iv) carpentry shop, (v) sawmill shop, (vi) painting shop and (vii) body building and auto shop. The main items of work attended to are (i) manufacture of wooden and steel furniture, bodies for buses and vans, and engineering goods, such as boxes, iron safes, iron boxes, roller wheels, manhole covers, cast iron pipes, etc., (ii) fabrication of trusses, gates, etc., and (iii) repairing and testing of departmental automobiles, machines, etc.

The working of the Workshop was reviewed in paragraph 130 of the Report for the year 1969-70. The Committee on Public Accounts (1971-72) in its ninth report observed (March 1972) that even though the working of the Workshop had been far from satisfactory, no sincere efforts had been made by the Department to study the problems facing the Workshop and to improve matters.

As a result of test check conducted in September 1974, the following points were noticed:—

(i) *Working results:*

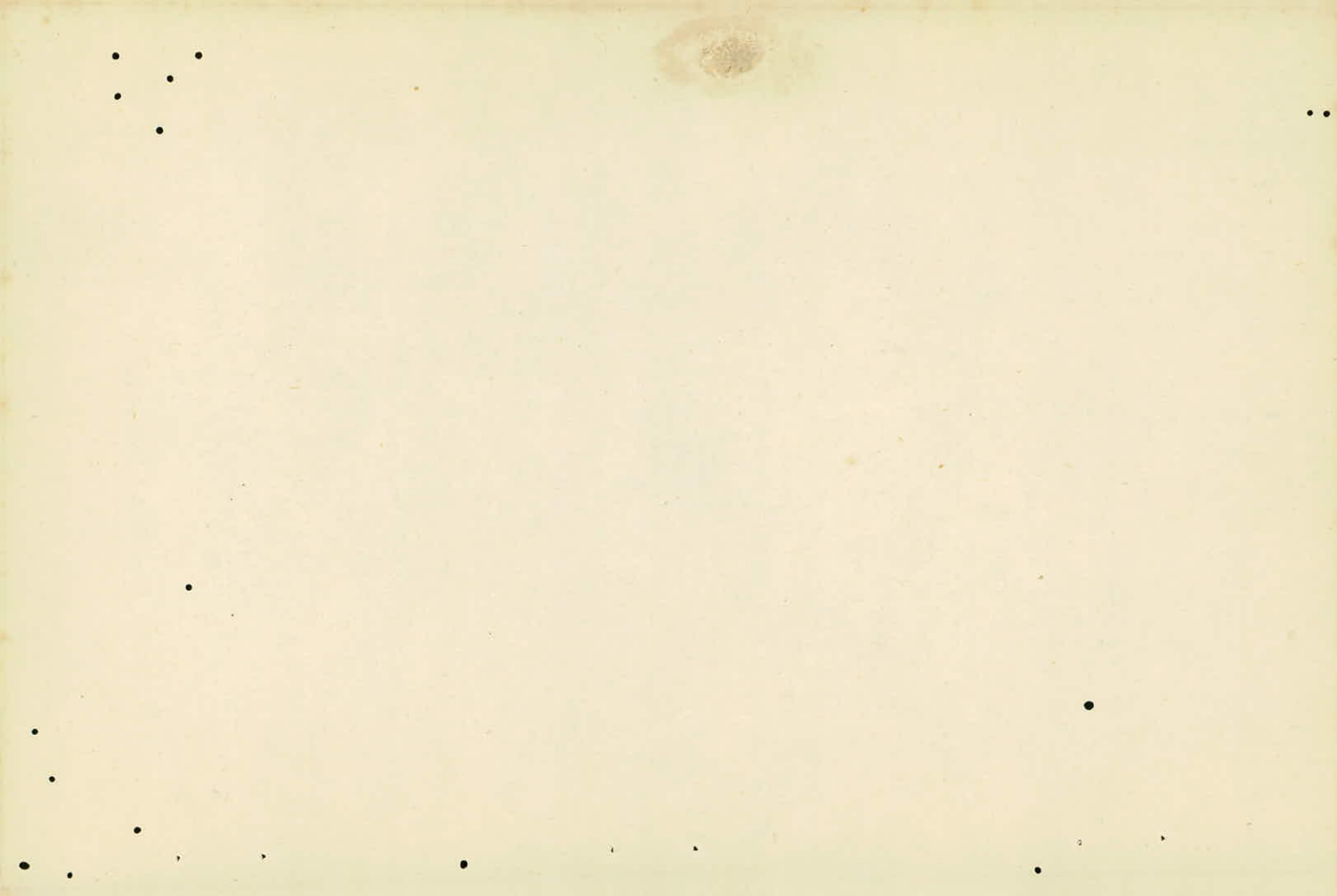
The Workshop suffered losses during all the years except in 1971-72. The accumulated losses at the end of 1972-73 were Rs. 62.13 lakhs.

The working results of the Workshop for the three years ended 1972-73 are shown below:—

	1970-71	1971-72	1972-73
	<i>(In lakhs of Rupees)</i>		
(a) Value of production			
Sales including jobs done for internal use	11.92	16.48	23.23
Closing stock of finished goods and works-in-progress	4.64	3.27	2.44
Opening stock of finished goods and works-in-progress	4.70	4.64	3.27
Value of production	11.86	15.11	22.40
Cost of production	19.66	23.57	24.90
(b) Cost trends			
Sales of products including jobs done for internal use	11.92	16.48	23.23
Add loss/deduct profit	6.19	1.48	0.69
Cost of sales	18.11	15.00	23.92
Percentage of cost of sales to sales	152	91	103

The uneconomic working of the Workshop was attributed by the Management (December 1974) mainly to poor outturn of labour.







(ii) *Delay in preparation of pro forma accounts:*

There was considerable delay in finalising the annual *pro forma* accounts as indicated below:—

<i>Year</i>	<i>Date of finalisation and presentation of pro forma accounts to Audit</i>	<i>Time taken (in months) after the close of the financial year</i>
1968-69	4th October 1971	30
1969-70	28th December 1971	21
1970-71	14th September 1972	17
1971-72	21st May 1973	13
1972-73	5th August 1974	16

*Pro forma* accounts for 1973-74 are yet to be finalised (January 1975).

(iii) *Pricing policy:*

Prices of articles manufactured are fixed on the basis of cost of production, without any profit margin in the case of supply to Government Departments, and at cost of production plus 10 per cent margin in the case of supply to private parties. In determining the cost of production, overheads in respect of different shops are added at rates varying from 50 per cent to 400 per cent of direct labour costs. However, no reconciliation of overheads absorbed with that incurred as per financial accounts is done.

(iv) *Order position:*

The activities of the Workshop mainly relate to job orders from Government Departments. Action for sales promotion, with a view to widening its customer base is yet to be taken.

Orders valued at Rs. 12.87 lakhs (including Rs. 0.87 lakh for wooden furniture) were rejected by the Workshop during 1969-70 and 1970-71 on the ground that they were for non-standard items. The orders rejected in subsequent years have not been evaluated. The Management stated (November 1974) that work orders for non-standard items were not usually undertaken due to practical difficulties in reorienting the established set-up and that no separate records were being kept in respect of such orders rejected.

(v) *Machine utilisation:*

(a) Log sheets were not maintained and hence the extent of utilisation of the machines could not be ascertained.

(b) Three heavy machines (blasting cabinet, power press and case hardening furnace) purchased in 1953 for Rs. 0.23 lakh have not been put to

use so far (December 1974). Attempts to transfer these to other Departments were not successful. The Management stated (December 1974) that the labour unions of the Workshop opposed their transfer on the plea that it would affect the expansion of the institution.

(vi) *Manpower utilisation:*

The Kerala State Productivity Council was appointed in May 1970 to conduct a work study of the Workshop for fixing work-load of the employees. The study was conducted between August 1970 and October 1971 at a cost of Rs. 66,600. The report furnished by the Council in November 1971 is still under consideration of Government (March 1975).

Based on the performance of workers employed in different sections during 1969-70, the effective utilisation of manpower was assessed by the Council as 34.3 per cent. According to the study, the Workshop was expected to break-even at 62 per cent labour utilisation with sales to the extent of Rs. 23.6 lakhs (1969-70 basis) and marginal profit was expected when utilisation of labour was 80 per cent and above.

Based on the effective utilisation of labour, as assessed by the Council, the under-utilisation of manpower resulted in payment of idle wages to the tune of Rs. 3.16 lakhs per annum.

(vii) *Consumption of energy:*

In terms of the tariff structure prescribed by the Kerala State Electricity Board, minimum charges amounting to Rs. 28,243 per annum have to be paid by the Workshop for the connected load of the power meter, which entitled the Workshop for consumption of 1.76 lakh units of energy annually without additional charges. Against this, the consumption was 0.47 lakh units, 0.65 lakh units and 0.20 lakh units during 1971-72, 1972-73 and 1973-74 respectively. The utilisation was 27 per cent during 1971-72, 37 per cent during 1972-73 and 11 per cent during 1973-74. The extra expenditure on account of lower consumption of energy than the minimum permissible, worked out to about Rs. 0.64 lakh.

(viii) *Inventory control:*

(a) The table below indicates the position of inventory at the close of the three years up to 1972-73:—

	1970-71	1971-72	1972-73
	<i>(In lakhs of Rupees)</i>		
General stores	7.11	7.66	7.92
Timber	1.98	0.41	0.31
Works-in-progress	3.83	2.18	1.86
Finished goods	0.81	1.09	0.65





The stock of general stores and timber was equivalent to 25 months' requirements in 1970-71, 16 months' in 1971-72 and 14 months' in 1972-73. Maximum and minimum levels of inventory have not been fixed so far (January 1975).

(b) Shortages of general stores valued at Rs. 90,468 and of tools and plant valued at Rs. 10,355, noticed during physical verification of stores conducted in 1960-61, have not been regularised so far (January 1975). The value of these shortages continues to be included in the balances of general stores and tools and plant exhibited on the asset side of the balance sheet. The tools keeper responsible for the loss of tools and plant valued at Rs. 10,355 and four other items (cost of which has not been determined) had retired from service in February 1964.

Physical verification was last conducted between October 1973 and June 1974. The Management stated (December 1974) that as the reconciliation of quantity accounts with value accounts was yet to be completed, the excess or deficiency could not be finalised.

Non-moving stores as on 30th September 1974 included more than 1,000 items valued at Rs. 1.22 lakhs.

(ix) *Book debts:*

At the end of March 1971, the amount pending recovery from other Departments, autonomous bodies, Government Companies, etc., towards supplies made and services rendered was Rs. 37.42 lakhs. Out of this, the amount collected during 1971-72, 1972-73 and 1973-74 was Rs. 5.08 lakhs, Rs. 0.39 lakh and Rs. 0.23 lakh respectively leaving a balance of Rs. 31.72 lakhs at the end of March 1974. This amount (which continues to be shown as outstanding under Miscellaneous Public Works Advance) included Rs. 14.55 lakhs due from Government Departments relating to periods prior to 1959-60. As the possibility of recovering this amount was considered by the Management as remote for want of issue notes, invoices and difficulty in tracing out the connected records due to lapse of time, a proposal to write off this amount was submitted by the Management in May 1971 and this is still under consideration of Government (January 1975).

The book debts at the end of 1971-72, 1972-73 and 1973-74 (which mainly represented the balances pending recovery in respect of supplies made and services rendered from 1st April 1971) were Rs. 10.51 lakhs, Rs. 13.77 lakhs and Rs. 8.11 lakhs respectively. These included Rs. 1.31 lakhs relating to dead-stock of timber (not physically available since 1967) for which liability remains (January 1975) to be fixed.

(x) *Boat basin:*

A boat basin constructed at a cost of Rs. 2.25 lakhs in 1952 with a view to enabling the Workshop to transport goods by boat, was transferred to the Irrigation Division, Trivandrum, in January 1966 as it was found to be of no

use to the Workshop. Owing to closure of the entries to the basin from the canal and construction of a pipe culvert at the inlet by the Public Works Department, the basin could not be used by the Irrigation Division and so it was transferred back to the Workshop in October 1968. The Management stated (September 1974) that as the boat basin was not in use, proposals were afoot to surrender it.

(xi) *Ex gratia* payment:

Since 1951-52, the Workshop has been paying an annual bonus to its workers at 7 per cent of their earnings. As the bonus was neither related to profit nor to production, Government informed the Public Accounts Committee 1960-61 that it was to be treated as an *ex gratia* payment. The Public Accounts Committee 1960-61, in its Third Report (March 1961) stressed the desirability of laying down general principles to govern payment of bonus. Consequent on the promulgation of the "Payment of Bonus Ordinance" in 1965 and subsequent enactments on the subject, Government considered it unnecessary to frame any separate general rules in this regard. However, 7 per cent of the wages for each year continued to be paid as *ex gratia*. After the Payment of Bonus Act, 1965 was amended in 1972 to raise the minimum bonus to 8½ per cent, the rate payable as *ex gratia* was also enhanced to 8½ per cent from 1972-73 onwards. The amount paid as *ex gratia* to the workers as well as other non-gazetted staff during the last three years up to 1973-74 was as follows:—

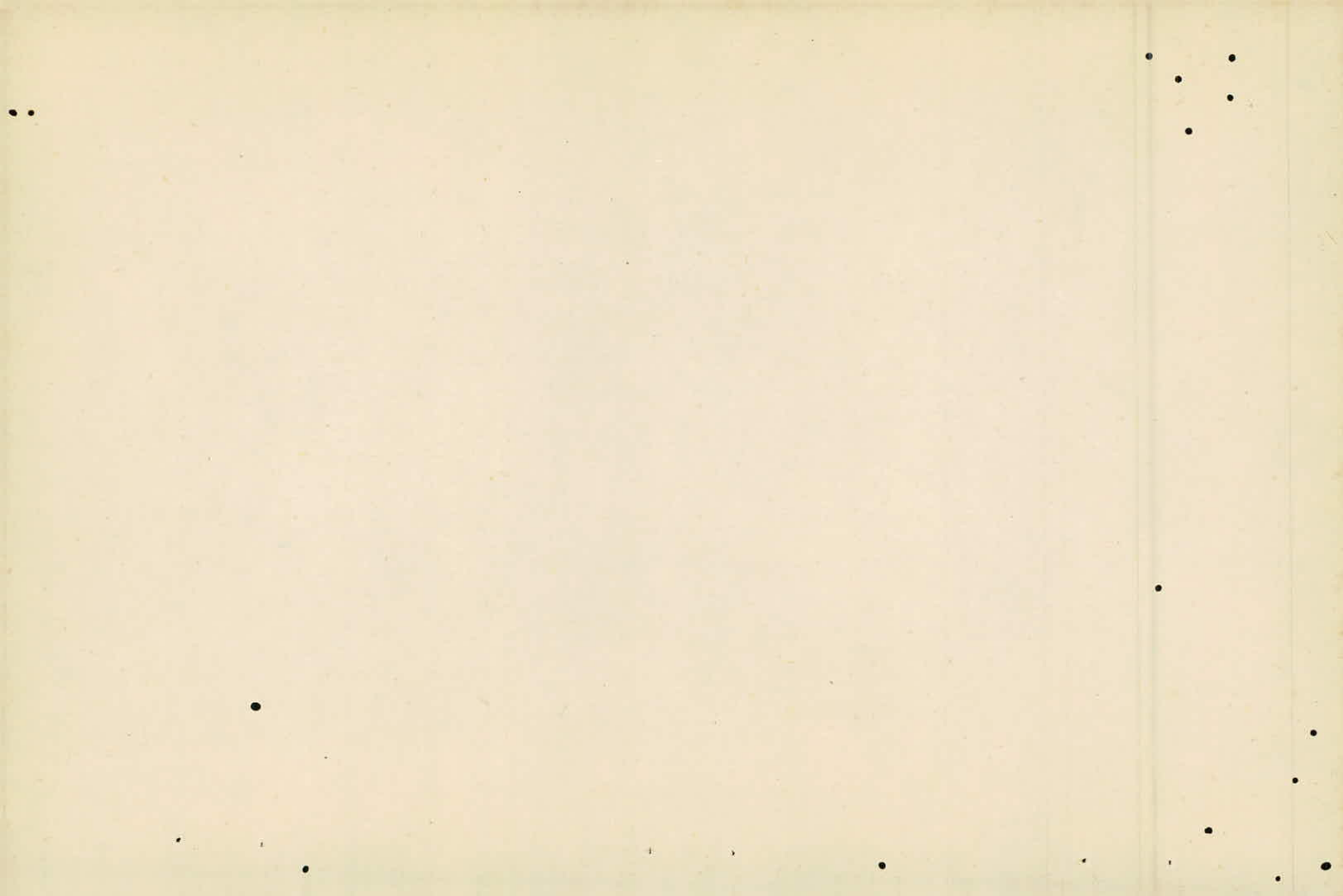
Year	Amount paid as <i>ex gratia</i>		
	To workers	To other non-gazetted staff	Total
	(In lakhs of Rupees)		
1971-72	0.49	0.14	0.63
1972-73	0.60	0.17	0.77
1973-74	0.70	0.19	0.89

### SECTION III

#### INVESTMENTS AND GUARANTEES BY THE STATE GOVERNMENT

##### 58. Investments of Government

The following table shows Government investments in Statutory Corporations, Government Companies, other Joint Stock Companies, Co-operative Societies, banks and other concerns as on 31st March 1974 and returns therefrom received during 1973-74.







<i>Sector of investment</i>	<i>Investments</i>		<i>Dividend/interest received</i>		<i>Percentage of return on total investment</i>
	<i>Number of concerns</i>	<i>Amount (In lakhs of Rupees)</i>	<i>Number of concerns</i>	<i>Amount (In lakhs of Rupees)</i>	
(a) Investments in shares					
Statutory Corporations	3	11,89.86	1	2.11	0.18
Government Companies	41 (A)	33,35.62 (B)	6	13.38	0.40
Other Joint Stock Companies	42	2,78.07	21	15.06	5.42
Co-operative Societies and Banks	(X)	12,83.31	(X)	16.01	1.25
(b) Investments in bonds and debentures					
Statutory Corporation	1	31.87	1	1.50	4.70
Other Statutory Bodies	1	1.96	1	0.08	4.08
Co-operative Bank	1	0.08	1	(C)	3.75
Total		61,20.77		48.14	0.78

(A) This includes three State Government Companies newly formed during the year and five Central Government Companies.

(B) This includes investment (Rs. 2,73.79 lakhs) in the five Central Government Companies.

(X) Details not available with the Department.

(C) Rupees 300 only.

The following concerns, in which Rs. 35.18 lakhs have been invested, are under liquidation (March 1975).

<i>Name of concern</i>	<i>Amount invested (In lakhs of Rupees)</i>
Kerala Water Transport Corporation Limited	18.61
West Coast Fisheries (Travancore) Limited	0.50
Travancore Enamel Industries Limited	0.20
Indian Bank Limited (Under Members' Voluntary Liquidation)	12.92
The Cochin Malleables (Private) Limited	1.70
Central Banking Corporation of Travancore Limited	1.25
Total	35.18

Out of 42 Joint Stock Companies in which Government had made investments, dividends amounting to Rs. 15.06 lakhs were received from 21 Companies (investment: Rs. 1,65.16 lakhs). No dividend was received during the year in respect of the remaining 21 Companies in which Government had invested Rs. 1,12.91 lakhs.

Details of investments of Government are given in statement 14 of the Finance Accounts 1973-74.

### 59. Guarantees given by the State Government

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

	<i>Maximum amount guaranteed</i>	<i>Sums guaranteed outstanding on 31st March 1974</i>
	<i>(In lakhs of Rupees)</i>	
Statutory Corporations	67,62.50	59,47.03
Government Companies	12,76.65	9,16.32
Co-operative Societies and Banks	52,73.12	23,51.34
Total	1,33,12.27	92,14.69

• In terms of section 6(i) of the State Financial Corporations Act, 1951, payment of annual dividend at the minimum rate of 3.50 per cent on the share capital of the Kerala Financial Corporation has been guaranteed





by the State Government. The total subvention paid by the State Government on account of dividend during 1953-54 to 1968-69 amounted to Rs. 17.45 lakhs, out of which Rs. 0.20 lakh were repaid by the Corporation in April 1974; no amount has been paid by Government since 1968-69.

Further details of the guarantees are given in statement 6 of the Finance Accounts 1973-74.

## 60. Wholesale Consumer Co-operatives

With a view to ensuring equitable distribution of consumer goods at fair prices, Government of India sponsored in November 1962, a scheme for the organisation of consumer co-operatives. The scheme was transferred to the State Sector in 1968-69.

Under the scheme, the State Government organised ten wholesale stores in the State—nine during 1962-63 and 1963-64 and one during 1970-71. These stores opened a number of branches for widening the distribution network. A Federation of consumer co-operatives was also set up in 1965 with the objects of (i) co-ordinating the activities of wholesale consumer stores, (ii) arranging bulk purchase of consumer goods required by them and (iii) dissemination of price and market intelligence. The consumer co-operative network in the State at the end of June 1973 consisted of ten wholesale stores (one in each district except Idukki), 211 branches, 11 department stores (two in Cannanore district and one each in all other districts, except Idukki), 29 multi-room shops and the State Consumers' Federation. The total assistance paid to the stores by the Government upto June 1973 was Rs. 1,43.19 lakhs (share capital: Rs. 56.18 lakhs; long term loans: Rs. 56.90 lakhs; other loans: Rs. 24.22 lakhs and subsidy: Rs. 5.89 lakhs).

The State Government had also given guarantees to various banks in connection with long term loans and cash credit accommodation given by the banks to the wholesale stores and the Federation. As on 31st March 1974 the maximum amount so guaranteed was Rs. 7,89.82 lakhs and the balance of sums guaranteed outstanding on that date was Rs. 94.71 lakhs.

Government investment in the share capital of the wholesale stores and the Federation (Rs. 56.18 lakhs) worked out to 76.18 per cent of their total paid-up capital (Rs. 73.75 lakhs). The outstanding amount of loans from Government at the end of June 1973 was Rs. 66.94 lakhs, of which Rs. 56.90 lakhs represented long term interest-free loans.

Some points noticed in the working of the co-operatives organised under the scheme were mentioned in paragraph 118 of Audit Report 1969, paragraph 133 (ix) of the Report for 1969-70 and paragraph 153 of the Report for 1970-71. Expressing concern over the loss sustained by these societies, despite the huge financial assistance given to them by Government, the Public Accounts Committee, 1972-73 had in its Twelfth Report (September 1972) urged Government to take effective steps to put the working of the societies on sound footing.

On a further review by Audit of the working results of the stores and the Federation as revealed in their published annual accounts, the following points were noticed:—

(i) *Default in repayment of loans:*

The Co-operatives are in default in repayment of Government loans and the amount overdue as on 30th June 1973 was Rs. 3.16 lakhs. The entire share capital contribution was to be retired within a period of 15 years from the date of payment in 10 equal annual instalments, the first instalment commencing from sixth anniversary of the grant of the contribution. The amount overdue in respect of retirement of share capital contribution on 30th June 1973 was Rs. 5.07 lakhs.

(ii) *Cash credit accommodation:*

To enable the stores to make bulk purchases from producing/manufacturing centres or terminal markets, cash credit facilities have been provided to the stores and the Federation by the District Co-operative Banks. The amount outstanding on 30th June 1973 under cash credit accommodation from banks was Rs. 1,82.29 lakhs. As a measure of rehabilitation and revitalisation of these stores, the State Government sanctioned, in December 1971, interest-free long-term loans aggregating Rs. 56.90 lakhs (repayable in annual instalments spread over a period of five to ten years) to the Federation and seven district wholesale stores (except Kottayam, Malappuram and Calicut) so as to reduce the outstandings in the cash credit from banks to a level that could be supported by the prescribed stock margin of 10 per cent.

The interest-free loans were sanctioned by Government on the condition that the stores should (i) re-vitalise the uneconomic branches within one year, (ii) bring down the cost of management to three per cent before availing of the loan and (iii) generally adhere to the norms fixed by the Government of India with regard to overheads. The loans were released to the stores in April and August 1972. While releasing (August 1972) the loans to the Trivandrum store which had not satisfied by then the condition regarding reduction in the cost of management, Government directed it to bring down the cost of establishment to 3 per cent by the end of the co-operative year then running, i.e. 1972-73. The condition has, however, not been fulfilled by the store and the percentage of cost of establishment during 1972-73 and 1973-74 was 4.4 and 3.74 respectively.

In respect of the Kottayam store, the balance of Rs. 25.02 lakhs outstanding in cash credit accounts was reduced to Rs. 6.66 lakhs in July 1973 by converting Rs. 18.36 lakhs as a long-term loan to the store by the District Co-operative Bank, Kottayam. Government, in July 1973 agreed to stand guarantee for this loan as also for the remaining cash credit accommodation of Rs. 6.66 lakhs and also agreed to subsidise interest at 6 per cent on the loan for the first five years subject to the condition that (i) the store should adhere to the norms fixed by Government of India with regard to







overheads and (ii) the cash credit should be on hypothecation of goods with coverage of stock with 10 per cent margin. On similar terms, Government had agreed in November 1973, to stand guarantee to the Malabar Central Co-operative Bank on behalf of the Calicut store for converting Rs. 15 lakhs in the cash credit account as a long-term loan and for a further cash credit accommodation of Rs. 19.80 lakhs to be granted by the Bank.

Even thereafter, the required stock coverage could not be maintained by seven stores during 1972-73, and four stores and the Federation during 1973-74. The table below indicates the deficit in stock coverage in respect of these stores as at the end of June 1973/June 1974, as the case may be.

Store	Position at the end of June 1973				Position at the end of June 1974*			
	Cash credit outstanding	Stock coverage required	Actual stock	Deficit (—) Surplus (+)	Cash credit outstanding	Stock coverage required	Actual stock	Deficit (—) Surplus (+)
	(In lakhs of Rupees)							
Trivandrum	12.58	13.84	8.07	(—)5.77	14.76	16.24	11.00	(—)5.24
Quilon	12.48	13.73	7.30	(—)6.43	12.40	13.64	12.85	(—)0.79
Kottayam	20.67	22.74	8.92	(—)13.82	6.05	6.66	12.40	(+)5.74
Alleppey	5.33	5.86	4.83	(—)1.03	5.58	6.14	8.82	(+)2.68
Trichur	16.91	18.60	15.91	(—)2.69	17.88	19.67	19.26	(—)0.41
Palghat	10.80	11.88	10.56	(—)1.32	12.80	14.08	10.26	(—)3.82
Calicut	26.82	29.50	21.73	(—)7.77	19.47	21.42	31.78	(+)10.36
Federation	15.09	16.60	22.06	(+)5.46	28.87	31.76	20.72	(—)11.04

The failure of certain stores to maintain the prescribed stock coverage shows that their working capital has been depleted by credit sales, losses, shortage in stock, etc.

(iii) Working results:

The following table indicates the overall performance of the wholesale stores during the years 1969-70 to 1973-74:—

Year	Number of stores	Number worked in profit	Number worked in loss	Accumulated loss to the end of the year (In lakhs of Rupees)
1969-70	9	..	9	79.13
1970-71	9	..	9	1,05.53
1971-72	10	1	9	1,34.03
1972-73	10	2	8	1,51.59
1973-74	10	6	4	1,49.67

\*Figures are based on tentative accounts subject to audit.

The working results of the ten wholesale stores and the Federation for the year 1973-74 are summarised below:—

**Working results of the wholesale co-operative**

<i>Name of stores (and year of establishment)</i>	<i>Paid-up share capital</i>	<i>Loans from Government</i>	<i>Balance of cash credit</i>	<i>Sal●</i>	<i>Gross profit</i>
<i>(As on 30th June 1973)</i>					
(J) Trivandrum (1915)	6.37	12.63	12.58	1,54.81	9.16
Quilon (1963)	7.93	10.89	12.48	91.98	6.60
(J) Alleppey (1960)	5.78	6.30	7.70	84.95	5.67
(J) Kottayam (1961)	6.58	1.10	20.67	1,33.79	7.69
Ernakulam (1963)	11.52	10.28	24.71	2,41.34	18.36
Trichur (1963)	5.03	9.20	16.91	1,20.60	7.08
Palghat (1963)	5.59	8.61	11.45	1,24.26	5.18
Malappuram (1971)	1.87	0.40	..	31.65	2.10
(J) Calicut (1938)	9.69	0.10	26.82	2,54.38	17.88
Cannanore (1963)	6.88	5.89	13.10	1,56.96	7.69
Federation (1965)	6.51	1.55	35.87	3,50.60	11.36

The wholesale stores at Trivandrum, Trichur, Palghat and Calicut continue to work at loss. The cumulative losses have far exceeded the paid-up share capital in the case of eight stores.

(J) These were existing stores converted as stores under the scheme in 1963.





## consumer stores and the Federation for 1973-74

<i>Miscellaneous income</i>	<i>Expenses</i>	<i>Net profit or loss</i>	<i>Previous profit/loss carried forward</i>	<i>Total accumulated profit/loss</i>	<i>Remarks</i>
		<i>(In lakhs of Rupees)</i>			
8.22	9.95	(-)0.57	(-)27.67	(-)28.24	Working at loss from 1966-67.
0.44	6.54	(+)0.50	(-)20.52	(-)20.02	Worked at loss from 1966-67 to 1972-73.
0.81	6.09	(+)0.39	(-)11.38	(-)10.99	Worked at loss from 1967-68 to 1972-73.
1.16	7.42	(+)1.43	(-)23.64	(-)22.21	Worked at loss from 1962-63 to 1972-73.
0.18	15.83	(+)2.71	(-)9.43	(-)6.72	Worked at loss from 1967-68 to 1971-72.
0.39	8.62	(-)1.15	(-)14.45	(-)15.60	Working at loss from 1966-67.
0.08	7.05	(-)1.79	(-)13.39	(-)15.18	Working at loss from 1965-66.
0.11	1.64	(+)0.57	(+)0.20	(+)0.77	Working at profit from inception.
0.26	19.83	(-)1.69	(-)20.13	(-)21.82	Working at loss from 1967-68.
0.41	7.92	(+)0.18	(-)9.84	(-)9.66	Worked at loss from 1968-69 to 1972-73.
0.06	13.26	(+)1.61	(-)0.66	(+)0.95	Working at profit from 1970-71.

(iv) *Deficiency in stock:*

Shortage of stock revealed during physical verification from 1964-65 onwards, awaiting regularisation in all the stores at the end of June 1973 aggregated Rs. 30.35 lakhs. The store-wise details are given below:—

<i>Name of store</i>	<i>Value of stock deficit (In lakhs of Rupees)</i>	<i>Remarks</i>
Trivandrum	3.64	Rs. 1.84 lakhs relate to 1964-65
Quilon	2.76	
Kottayam	7.60	Rs. 1.49 lakhs, Rs. 2.01 lakhs and Rs. 2.26 lakhs relate to 1968-69, 1969-70 and 1970-71 respectively.
Alleppey	1.26	
Ernakulam	6.24	Rs. 1.06 lakhs and Rs. 1.03 lakhs relate to 1968-69 and 1970-71 respectively.
Trichur	0.59	
Palghat	3.25	
Calicut	3.50	
Cannanore	1.25	
Federation	0.26	
Total	30.35	

(v) Some points noticed in the working of a few individual stores are mentioned below:—

A. *Trivandrum Stores:*

Slow-moving/damaged/unsaleable articles valued at Rs. 89,953 were held (June 1973) in the inventory. Bulk of the items relate to 1968-69. The latest position in this regard called for during November 1974 has not been furnished so far (January 1975) by the Stores.

B. *Cannanore Stores:*

A scheme for establishment of a 'pulses processing unit' and a 'spices powdering unit' by the Stores was approved by the Government of India in March 1969 and financial assistance of Rs.1.34 lakhs towards block capital for the two units was released in March 1969 through the State Government.







In March 1970, the Stores purchased 50 cents of land in a residential area for Rs. 37,851 for constructing a factory building for the pulses processing unit. In November 1971, it was found that the scheme would result in huge loss as there was no scope for marketing the finished product. In March 1973, the land already acquired was disposed of for Rs. 38,750 and Rs. 40,000 were refunded in October 1973 to Government. The remaining Rs. 93,500 are lying unutilised (November 1974) with the Stores for over five years.

### 61. Unfruitful outlay

In January and March 1958, Government sanctioned establishment of three production-cum-training centres, one each in carpentry, blacksmithy and metal products in the Community Development Block, Muvattupuzha, at a total estimated cost of Rs. 0.88 lakh. In September 1958, these were converted as production centres under an industrial co-operative society formed for the purpose and all the assets were transferred to the society. After about three years of working, the society became dormant, and in 1969 it was eventually wound up.

Between January 1961 and March 1962, Rs. 86,039 (loan: Rs. 44,435 and grant: Rs. 41,604) were paid by Government to the society towards the cost of construction of building, purchase of machinery, pay of staff, etc., of which the society repaid only Rs. 3,000 (February 1963) towards first instalment of the loan, and paid Rs. 4,925 towards interest (February and November 1963). The remaining amount to be recovered from the society was Rs. 68,698 (loan: Rs. 41,435; interest: Rs. 25,263; unutilised grant: Rs. 2,000). The assets of the society were sold in auction (June 1974) by the official liquidator for Rs. 35,709. Out of the aggregate of the sale proceeds and the cash balance (Rs. 2,004) in the bank, viz. Rs. 37,713, Rs. 3,772 were adjusted towards liquidation costs (Rs. 3,572) and Building Tax due to the Municipality (Rs. 200). The balance of Rs. 33,941 was credited to Government (July 1974: Rs. 19,800; October 1974: Rs. 14,141), leaving an irrecoverable balance of Rs. 34,757.

## Summarised financial results of

(Figures in columns 4 to 11 are

Sl. no.	Name of concern	Year of commencement	Government capital	
			1st April 1973	31st March 1974
(1)	(2)	(3)	(4)	(5)
1	Model Coir Factory, Beypore	1963	9.78	11.34
2	State Water Transport Department, Alleppey	1968	20.45	23.61

Figures are as per tentative *pro forma* accounts.





XURE

**Government commercial undertakings**

lakhs of Rupees)

<i>Mean capital</i>	<i>Block assets</i>	<i>Depreciation</i>	<i>Net Loss(—)</i>	<i>Interest charged added back</i>	<i>Total (columns 9+10)</i>	<i>Percentage of return on mean capital</i>
(6)	(7)	(8)	(9)	(10)	(11)	(12)
10.56	5.95	0.82	(—)1.50	0.20	(—)1.30	..
22.03	25.77	1.92	(—)1.94	2.07	0.13	0.59

## CHAPTER VII

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

#### 62. General

The accounts of twenty-three institutions which received assistance in the shape of grants/loans from State/Central Government were audited between August and November 1974. The grants/loans received by these institutions during 1972-73 and 1973-74 were as follows:—

	1972-73		1973-74	
	<i>No. of institutions</i>	<i>Amount (in lakhs of rupees)</i>	<i>No. of institutions</i>	<i>Amount (in lakhs of rupees)</i>
1. Grants paid by Government of India	4	43.92	3	20.52
2. Grants paid by State Government	17	1,14.07	15	1,23.39
3. Loans paid by Government of India	..	..	..	..
4. Loans paid by State Government	3	33.00	..	..

Some important irregularities noticed during audit are mentioned in paragraphs 64 to 67 of this Report. Other irregularities noticed are mentioned in Appendix VII.

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

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

(b) The extent of arrears of audit for the accounting periods upto end of 1972-73 as at the end of September 1974 was as shown below:—

<i>Category</i>	<i>Number of institutions the accounts of which for the period up to 31st March 1973 were to be audited by the 31st March 1974</i>	<i>Number of institutions remaining to be audited at the end of September 1974</i>	<i>Accounts for 1972-73</i>	<i>Accounts for earlier years</i>
City corporations	3	3	3	3
Municipal councils	30	11	1	1
Panchayats	966	180	8	8
Miscellaneous institutions	398	76	107	107
Total	1,397	270	119	119







The position of arrears in audit of local bodies for the accounting years up to 1971-72 was as indicated below:—

<i>Name of institution</i>	<i>Year the accounts for which remain to be audited</i>	<i>Reasons for non-finalisation of audit</i>
Corporation of Cochin	1968-69 onwards	Non-production of annual financial statement and Demand, Collection and Balance Statement.
Corporation of Calicut	1970-71 and 1971-72	
Corporation of Trivandrum	1971-72	
Trichur Municipal Council	1971-72	
Karadka Panchayat	1962-63	Records are reported to be with Vigilance Investigation Department.
Tunneri Panchayat	1964-65	
Triprangode Panchayat	1964-65 and 1965-66	
Thadikkadavu Panchayat	1964-65 and 1965-66	
*Kalikavu Panchayat	1968-69 and 1969-70	Records are reported to be under Police custody.
Upputhara Panchayat	1969-70 to 1971-72	*The audit relating to 1970-71 and 1971-72 has been taken up in December 1974.
Kodenchery Panchayat	1971-72	Records are stated to be in court.
Chengala Panchayat	1971-72	Records are stated to have been damaged in a fire accident.

(c) The number of inspection reports issued up to March 1974 and outstanding at the end of September 1974 was as indicated below:—

<i>Category</i>	<i>Number of reports</i>	<i>Earliest year to which the report relates</i>
City corporations	95	1948-49
Municipal councils	383	1944-45
Panchayats	8,217	1947-48
Miscellaneous institutions	146	1956-57
Total	8,841	

Of the ninety-five reports shown under city corporations, fifty-nine reports relate to exhibitions, tournaments, raffles, etc. conducted by the corporations.

The Committee on Public Accounts (1972-73) in its Tenth Report (paragraph 3.12) had recommended (September 1972) that a review of the old inspection reports should be conducted by the Department with a view to closing such reports as did not deal with serious irregularities or lapses. The action taken on the recommendation has not been reported by Government so far (December 1974).

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

(i) As at the end of September 1974, Rs. 19.82 lakhs were due to Government from various local bodies towards audit charges. Out of this, Rs. 16.31 lakhs were due from Hindu Religious and Charitable Endowments Administration alone. The dues relate to periods from 1960-61 onwards.

(ii) Out of Rs. 1.46 lakhs paid as Kalasamithy grant to the Kerala Sangeetha Nataka Academy during 1971-72 and 1972-73 for development of music, dance and drama, the actual expenditure was Rs. 0.24 lakh. The unspent grant of Rs. 1.22 lakhs remains to be adjusted (November 1974).

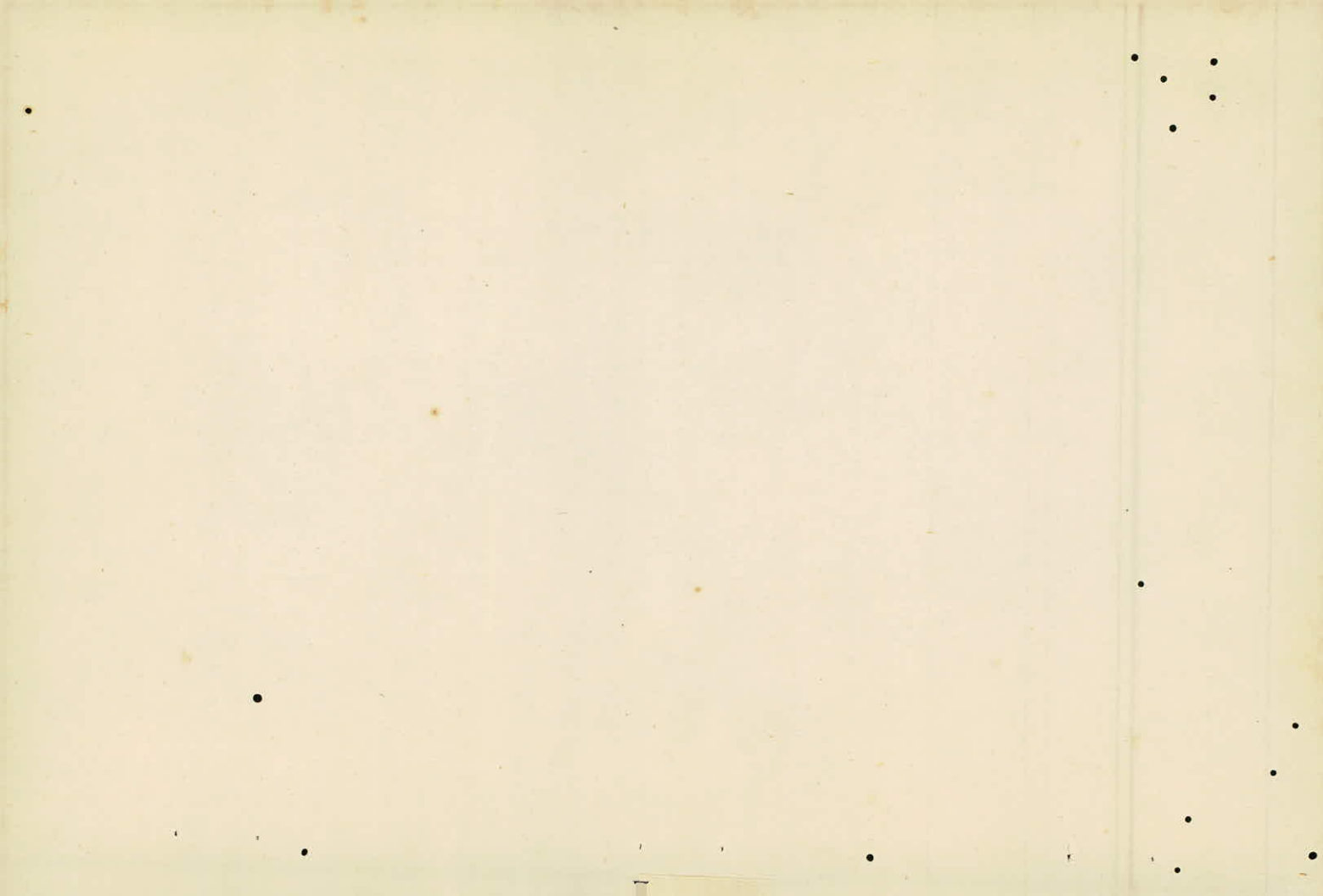
#### 64. The State Institute of Languages

The Education Commission (1964-66) set up by the Government of India recommended that regional languages should be the media of education at all levels. This recommendation was considered and approved by the Tenth Conference of the State Education Ministers held in April 1967 and it was decided that the media of instruction at the University level should be the regional languages and that necessary steps for the change-over to this media should be taken as early as possible. The Conference of Vice-Chancellors held in September 1967 also approved the recommendation of the Education Commission.

For effecting the change-over, the production of books on science, technology and humanities in the regional languages was an urgent necessity. The University and College teachers had also to be equipped for teaching in the regional languages.

In this connection the Government of India formulated in January 1968 a scheme for giving assistance to the State Governments to the extent of one crore of rupees each during the six year period starting from 1968-69. For 1968-69 assistance to the State Governments was limited to 75 per cent of the approved expenditure, the balance being the responsibility of the State Government; but during the Fourth Plan period (1969-70 to 1973-74) the entire expenditure was to be reimbursed by the Government of India.

The Central Scheme contemplated the setting up of suitable machinery by the State Governments, preferably autonomous organisations, for implementing the scheme. Accordingly, the Government of Kerala constituted (March 1968) the State Institute of Languages, Kerala, which was subsequently (April 1969) registered as a society under the Travancore-Cochin Literary,





Scientific and Charitable Societies Act. The Institute was financed fully by grants from the State and Central Governments. The objectives of the Institute were to promote the development of Malayalam language to help it to grow rapidly in richness and "functional efficiency", to make it an effective means of communicating modern knowledge and as a vehicle for bringing about emotional and social integration in the country. The rules framed by the Institute provided for adequate control by the State Government over the budget and the activities and progress of the Institute and also vested the State Government with necessary powers for taking over the administration and assets of the Institute if Government were satisfied that the Institute was not functioning properly. The accounts of the Institute were to be audited by the Examiner of Local Fund Accounts.

The assistance received by the Institute till the end of 1973-74 was as follows:—

Grant from the Central Government:

- |  |                  |
|--|------------------|
| (i) Production of University level books | Rs. 59.43 lakhs. |
| (ii) Special Employment Programme        | Rs. 4.34 lakhs   |

Grant from the State Government for the running of the Institute

Rs. 20.13 lakhs

A review of the working of the Institute was conducted during August-September 1974 and the following points were noticed:

*A. Production of University level books in Malayalam:*

The scheme formulated initially (December 1968) by the Institute and approved by the Government of India (February 1969) contemplated publication of 740 books—640 text books on all subjects of Pre-Degree and Degree levels and 100 supplementary books of a general nature at an estimated cost of Rs. 1,09.65 lakhs.

While according approval to the scheme the Government of India stipulated that:

- (a) the administrative expenses should not exceed 5 per cent of the overall approved expenditure,
- (b) the books produced under this scheme should be recommended for the appropriate University courses,
- (c) the sale proceeds of books should be kept separate in a revolving fund to be ploughed back for production of literature in the same category so that the scheme will be self-sustaining in due course, and
- (d) no deviation from approved pattern should be made without prior approval of the Ministry of Education.

(2) The scheme was revised in February 1970 by the Institute increasing the number of books from 740 to 771. The anticipated cost of the revised scheme was Rs. 1,09.63 lakhs. In October 1973 the State Government informed the Government of India that the Institute had programmed to produce 1,000 books out of which 800 books had been commissioned and requested allotment of Rs. 1.50 lakhs for the scheme during the Fifth Plan. The Government of India, however, declined in December 1973, the request of the State Government on the ground that the Central assistance was designed only for the minimum number of University level books and that the scheme envisaged production of additional books out of funds generated through sale proceeds of the books published with the Central grant of rupees one crore and supplemented by State resources. It was also stated that after the books programmed under the scheme were published and the regional language was adopted as the medium of education at University level, increasing interest would be evinced by private trade for meeting future requirements of such books. Notwithstanding this observation of the Government of India, the Institute decided in March 1974, to increase the number of books to be published under the scheme to 1297 at an anticipated cost of Rs. 2,86.64 lakhs. In December 1974 Government stated that the revision of the number of books to be published under the scheme was due to periodical revision of syllabi by the Universities, creation of two more Universities in the State and appearance of new advanced text books in other languages.

(i) Details of the books published/under print/assigned to authors by the Institute to end of March 1974 are given below:—

<i>Number of books</i>	<i>General</i>	<i>Pre-Degree</i>	<i>Degree</i>	<i>Total</i>
Proposed	598	208	491	1,297
Published	132	55	88	275
Under print	27	14	64	105
Assigned to authors	295	74	331	700

The expenditure incurred to end of March 1974 amounted to Rs. 59.41 lakhs. The expenditure anticipated for the residual work during the Fifth Plan period was estimated by the Institute as Rs. 2,27.23 lakhs against which the assistance due from the Government of India would be only Rs. 40.59 lakhs (being the unutilised balance carried over from the Fourth Plan period). Rupees 25 lakhs were expected from the sale proceeds of books during the Fifth Plan period.

According to the Government of India, 70-75 per cent of the funds made available to the Institute were to be utilised for publication of text books. In the original scheme approved by the Government of India in February 1969 as against a total number of 740 books to be published, text books contributed 86 per cent (640 new titles) while in the scheme as revised by the Institute in March 1974 this percentage was reduced to 54. Out of 275 new books published by the Institute to end of March 1974, only 80 were text books for







University level classes working out to about 29 per cent of the total books published. This would indicate that the text books had not received adequate priority.

(ii) Out of 88 Degree level and 55 Pre-Degree level books published by the Institute till the end of March 1974, only 2 Degree level and 15 Pre-Degree level books have so far (December 1974) been approved by the Universities either as text books or as reference books. In some cases the Boards of Studies were seen to have not even considered the books published by the Institute. Even in cases where the books were considered by them, no reasons were indicated in cases where it was decided not to prescribe the books.

(iii) Under the scheme approved by the Government of India the expenditure on the administrative staff was in no case to exceed 5 per cent of the total expenditure under the scheme. The administrative expenses of the Institute for the period ending March 1974 amounted to Rs. 7.36 lakhs of which Rs. 2.80 lakhs, representing 5 per cent of the total expenditure on the Book Production Scheme to end of March 1974 had been charged to the scheme. The staff appointed by the Institute for the Book Production Scheme included non-academic staff also like officers for seminars, publication and library. The expenditure on these personnel to end of March 1974 amounted to Rs. 1.53 lakhs and was not chargeable as expenditure against this scheme as administrative expenses upto the maximum ceiling of 5 per cent of the total expenditure on the scheme had already been debited to the scheme from year to year.

An expenditure of Rs. 3.29 lakhs was incurred on the purchase of Library Books not contemplated in the scheme approved by Government of India. Further expenditure of Rs. 1.12 lakhs on the purchase of vehicles and Rs. 0.93 lakh on the purchase of furniture in excess of the approved provision of Rs. 0.40 lakh and Rs. 0.20 lakh respectively, had also been charged to the account of the scheme. In December 1974 Government stated that the nature of the expenditure was such that it was not possible to restrict it to the original outlays without detriment to the scheme as such.

(iv) Out of 5.29 lakh copies of 245 books published only 1.71 lakh copies had been sold to the end of March 1974 and the sale proceeds thereof amounted to Rs. 3.89 lakhs. No revolving fund was created out of the sale proceeds as contemplated in the scheme sanctioned by the Government of India.

(v) Copies numbering 3.58 lakhs out of 5.29 lakh copies of the books printed and published by the Institute were in stock as on 31st March 1974 (marked price: Rs. 23 lakhs) working out to 68 per cent of the total production. Owing to lack of storage facilities the Institute had taken two godowns on rent and the total expenditure thereon to end of March 1974 amounted to Rs. 0.75 lakh. In December 1974 Government stated that the need for renting the godowns had arisen as the Government of India had discouraged the construction of godowns.

(vi) Instances of short accountal of published books were noticed in carry forward of closing balances to new Stock Registers of published books opened in January 1974 in respect of 115 books (marked price: Rs. 0.70 lakh).

(vii) The Institute entered into agreements, valid for three years, with sixteen presses on various dates between September 1969 and May 1970 for printing of 97 books after invitation of quotations. The rate of binding charges (Rs. 6 for forms of 16 pages per 1,000 copies) was however, revised upwards twice to Rs. 16 and Rs. 21 in July 1970 and August 1971 respectively during the period of the agreements on grounds of increase in labour and material costs claimed by the printing presses. The extra expenditure incurred on this account was Rs. 0.71 lakh. In December 1974 Government stated that the increased rates had to be agreed to as otherwise the work would not have been executed by the presses in spite of the agreements and the entire project would have come to a stand still.

(viii) An Evaluation Committee was constituted by Government in October 1973, to examine *inter alia* how far the objectives of the Institute had been fulfilled. The more important observations made by the Committee in its report of March 1974 were:—

- (a) the major role of preparing text books for higher education largely remains unfulfilled;
- (b) the objective in setting up the Institute could be fulfilled only when the Universities take steps to introduce Malayalam as medium of instruction at all levels; and
- (c) the State Government should initiate more positive measures to ensure the change-over of medium at the University level as early as possible.

Government stated (December 1974) that the recommendation of the Committee had been taken up with the Universities.

#### B. *Special Employment Programme:*

The Institute submitted to the State Government in May 1971 a scheme (estimated cost: Rs. 89.5 lakhs) for the employment of 500/600 unemployed post graduates/professional graduates over a period of two to three years for translation of standard works in Malayalam with a view to their eventual absorption under the Institute for translation work. A monthly stipend of Rs. 300 per mensem was payable during the period of training of three months. The scheme was fully financed by the Government of India. The Planning Commission while clearing the scheme for implementation (July 1972) approved the allocation of Rs. 3 lakhs only during 1972-73 on *ad hoc* basis. Accordingly, the State Government sanctioned the scheme in July 1972. The scheme was continued during 1973-74 also. Under the scheme the Institute trained only 50 trainees and 5 Assistant Editors during the period March 1973/May 1973.





(ii) Simultaneously with this scheme the State Government sanctioned another scheme in February 1973 for training of unemployed post-graduates to be employed to translate standard English books in various subjects of arts and science into Malayalam, for implementation by the Institute at a cost of Rs. 2.40 lakhs. This scheme which was sponsored by the Government of India as part of the Half a Million Jobs Programme envisaged Central assistance to the extent of Rs. 1.2 lakhs for training of 200 persons for a period of 3 months on payment of monthly stipend of Rs. 200 each, in batches of 50. Under this scheme the Institute trained only a single batch from 1st June 1973. The trainees were, however, paid stipend at Rs. 300 per mensem (this rate was approved by the State Government).

(iii) The two batches of 55 and 50 persons trained under the two schemes were, on completion of their training on 31st May 1973 and 31st August 1973 respectively, employed by the Institute for translation work till 31st January 1974 (55 trainees from 1st June 1973 to 31st January 1974 and 50 from 1st September 1973 to 31st January 1974). The total number of books translated were 45, out of which 6 were published and 35 were in different stages of printing (March 1974). The expenditure incurred by the Institute on the schemes during 1972-73 and 1973-74 (upto 31st January 1974) amounted to Rs. 6.28 lakhs. The Central assistance received for the two schemes during the two years was Rs. 4.34 lakhs.

(iv) In January 1974 Government informed the Institute that in view of the proposed reduction of the Central assistance for the two schemes no funds were available for continuance of both the schemes beyond January 1974. The two schemes were consequently discontinued by the Institute from 1st February 1974 after retrenching the trained staff engaged. The objective of providing employment to the trained persons and utilising them for translation of standard works in Malayalam had not thus materialised and the investment made on the training of 105 persons has been rendered largely unproductive.

#### *G. Establishment of a Printing Press by the Institute:*

The Institute decided in November 1970 to construct a building for locating a small press for removing bottlenecks in the printing of the University level books and the work was taken up and completed during 1972-73. The total expenditure on establishing the press and its running to the end of March 1974 amounted to Rs. 10.27 lakhs of which Rs. 4.92 lakhs were on equipment and Rs. 1.39 lakhs were towards cost of building. The working results of the press during the two years ended March 1974 showed an accumulated loss of Rs. 2.82 lakhs. In December 1974, Government stated that the loss was due to higher overhead charges in the press as compared to the private presses.

### 65. Payment of teaching grants to private colleges

In December 1962, Government framed a "Grant-in-aid Code" for regulating the grant-in-aid payable to the managements of private colleges with effect from 1st April 1962. In terms of the provisions in the code, the teaching grant payable to a college for a year was to be 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 from 1st April 1966) of the excess in the approved recurring expenditure over the income from tuition fees in the previous financial year. Accordingly, the teaching grant in respect of 37 private 'Arts and Science Colleges' which were then in existence was paid from 1962-63 onwards.

With effect from the 1st June 1972, Government introduced a system of direct payment of salaries to the teaching and non-teaching staff of private colleges. Under the new system the entire expenditure on salaries of staff was to be met by Government and consequently the managements ceased to be eligible for any grant on this account from 1st June 1972.

However, during 1972-73 besides meeting the entire expenditure on the salaries of the staff of thirty-seven private Arts and Science Colleges, the Department also paid to these thirty-seven colleges Rs. 1,45.05 lakhs as teaching grants for 1972-73 even though it was inadmissible as salaries of staff were paid by Government directly from 1st June 1972.

### 66. Rural Institute, Tavanur

With a view to introducing a new pattern of rural higher education on the lines recommended by the University Education Commission in 1949, a scheme for starting Rural Institutes was evolved by the Government of India in 1952. The Rural Institute, Tavanur (a society registered under the Central Act No. XXI of 1860 for Registration of Literary, Scientific and Charitable Societies) is one of the fourteen institutes set up in different parts of the country under the scheme. It started functioning in July 1963. The main objects of the Institute are: (i) to provide higher education to rural youth and (ii) to train them for careers in the development programmes in rural areas on the lines suggested by the National Council for Rural Higher Education, New Delhi. The Institute is financed by grants from Government of India and the State Government and is managed by a Governing Body







nominated by the State Government with the approval of the Union Government. The Government of India meets 75 per cent of the non-recurring and 50 per cent of the recurring expenditure of the Institute, the balance being met by the State Government. The details of grants paid to the Institute during the years 1972-73 and 1973-74 are given below:—

Year	Grants from Union Government		Grants from State Government		Total
	Recurring	Non-recurring	Recurring	Non-recurring	
	(in lakhs of rupees)				
1972-73	3.22	0.53	1.90	..	5.65
1973-74	4.20	..	3.42	..	7.62

The following points were noticed in audit:—

(i) Till 1973-74 the courses of study offered by the Institute were: (i) Two Year Preparatory Course (equivalent to Pre-Degree Course of the Kerala and Calicut Universities), (ii) Diploma in Rural Services (three year course), (iii) Certificate course in Agricultural Science (two year course), (iv) Sanitary Inspector's course (one year course) and (v) Diploma in Civil and Rural Engineering (three year course affiliated to the Board of Technical Education, Kerala).

The Government of India decided (February 1971) that Central assistance would be available for a period of five years from 1st April 1971 to those Rural Institutes which affiliated to the neighbouring Universities from 1971. Accordingly, proposals were made by the Institute in May 1971 to affiliate it to the Kerala Agricultural University. On the basis of the recommendations of a Sub-Committee constituted (17th February 1972) by the University, it was decided (16th May 1972) to take-over the Institute, and pending finalisation of details regarding the take-over, admissions to the first year of the preparatory course (1973-74) were stopped in June 1973.

A Technical Sub-Committee constituted in May 1972 to make a detailed study for the take-over of the Institute recommended (May 1974) that the Institute campus was suitable for the establishment of an Agricultural Polytechnic and suggested the stoppage of admission to the remaining courses from 1974-75. As a result, the Sanitary Inspector's course and the first year course of other studies were also discontinued from the academic year 1974-75. However, the entire staff continue to be retained (December 1974). The amount paid as pay and allowances to the surplus staff from June 1973 to November 1974 worked out to Rs. 0.82 lakh. The monthly recurring expenditure on surplus staff is about Rs. 0.14 lakh (December 1974). Government have not taken a decision on the transfer of the Institute to the University so far (January 1975).

(ii) The student-teacher ratio in the Institute (after excluding the teachers rendered surplus) during the four years 1971-72, 1972-73, 1973-74 and 1974-75 was as follows:—

	1971-72	1972-73	1973-74	1974-75
Number of students	465	433	357	159
Teachers	50	48	45	34
Student-teacher ratio	9:1	9:1	8:1	5:1

(iii) According to the Contributory Provident Fund Rules of the Institute the provident fund subscription collected from the staff monthly and the employer's contribution are to be deposited in an approved Bank. During the period April 1973 to March 1974 an amount of Rs. 0.12 lakh representing refund of temporary advances taken by employees was utilised for the day-to-day expenses of the Institute and was remitted to the bank only in December 1974. The Institute also did not deposit in the bank the employer's contribution for the years 1972-73 and 1973-74 amounting to Rs. 33,400.

#### 67. A project in the co-operative sector

As part of a special programme for providing employment to unemployed engineers and technicians, the State Government sanctioned (October 1972) a scheme for starting an industrial unit in the co-operative sector in Trichur District. Accordingly the Department of Industries and Commerce organised and registered on 10th January 1973 an industrial co-operative society of unemployed engineers and technicians for the manufacture of power tillers. The society started functioning on the 29th January 1973. The estimated capital requirement of the project was Rs. 51 lakhs. No market survey for power tillers was conducted by the society before deciding on the project. On 12th March 1973, the society approached Government for a share capital contribution of Rs. 9 lakhs for its project. On 29th March 1973 the Government sanctioned a share capital contribution of Rs. 9 lakhs out of which Rs. 7 lakhs were paid to the society on 31st March 1973.

While processing the society's proposal, Government was aware that on the basis of a licence obtained from the Government of India in February 1972, the Kerala Agro-Industries Corporation Limited (a Government Company) had made arrangements for establishing a plant for the manufacture of power tillers in collaboration with a foreign firm. On the 28th March 1973, the Chairman of the Company wrote to Government stating *inter alia* (i) that in the context of the Company's project for the manufacture of power tillers involving an investment of Rs. 2 crores, there was no justification for another project of similar nature, (ii) that the demand for tillers was not so much as was originally expected and (iii) that the grant of assistance for the society's power tiller project would result in "frittering away of scarce





resources" especially when the Company was not able to obtain from Government the share capital contribution required for the project. In view of the objections raised by the Agro-Industries Corporation Limited, the society decided (June 1973) to drop its power tiller project and to start a foundry forging plant.

The society obtained a project brief (June 1973) and a detailed project report (March 1974) for a foundry Forging Plant at a cost of Rs. 0.50 lakh from a firm of Engineering and Management Consultants. According to the project report, the project was estimated to cost Rs. 2.33 lakhs which was to be financed by equity participation of Rs. 85 lakhs consisting of Government contribution (Rs. 64 lakhs), employees' contribution (Rs. 12 lakhs) and others (Rs. 9 lakhs). The balance of Rs. 1.48 lakhs was expected to be provided by raising long term and short-term loans. The proposal of the society to start the Forging unit was approved by Government in March 1974. The payment of Rs. 0.50 lakh for the project report which is reimbursable by Government has not been reimbursed so far (January 1975).

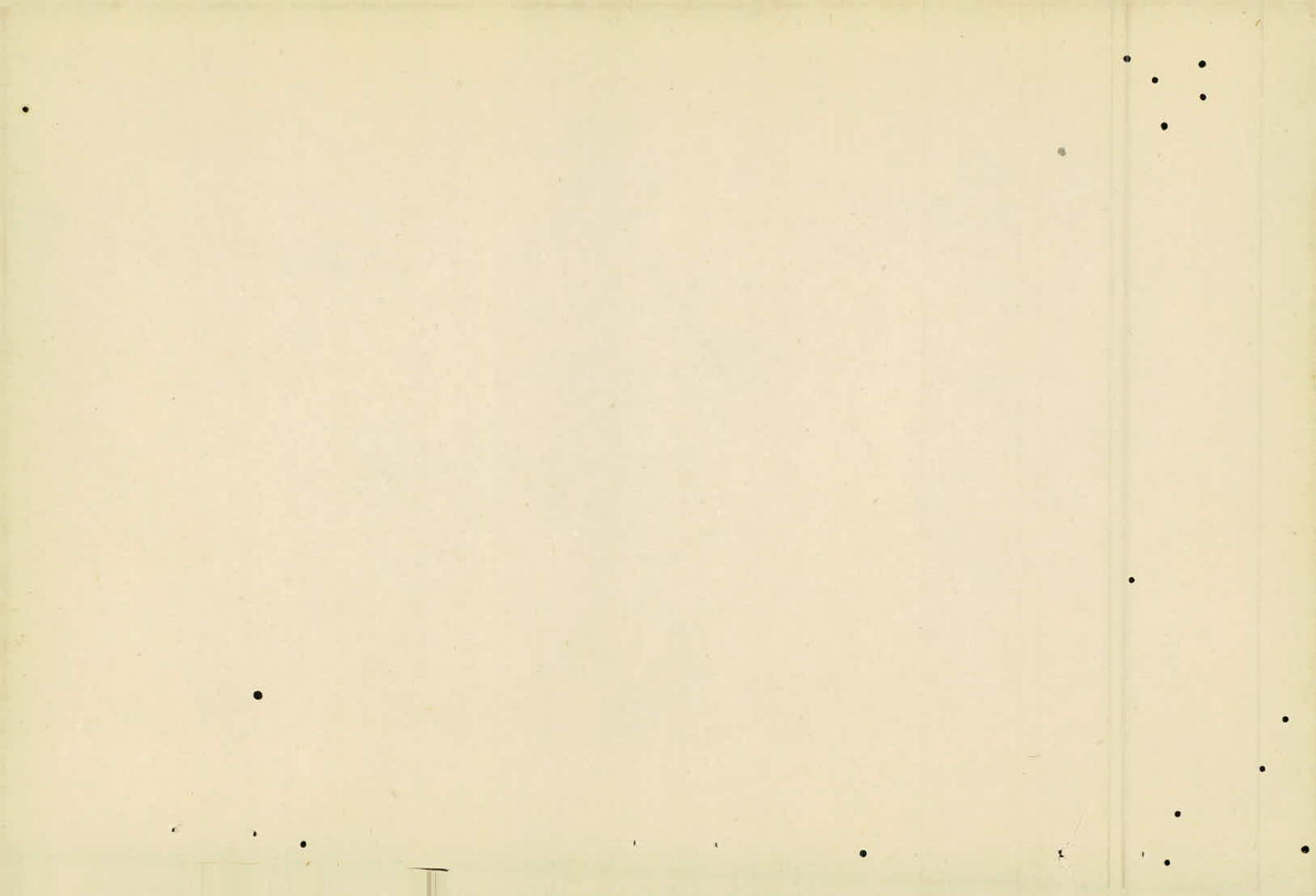
The society appointed (April 1974) the same firm which had proposed a project report as consultants on a remuneration of Rs. 1.50 lakhs for preparing the basic design of buildings and providing detailed engineering assistance in procurement of machinery and other services like assessment of details of raw materials required, locating probable suppliers, manpower requirements, training programme of personnel, etc. and quality control procedures. For overall supervision during erection, start-up and commissioning of the project, a further sum of Rs. 25,000 was to be paid to them. A sum of Rs. 22,500 (15 per cent of the remuneration) was paid to the firm in April-May 1974. The basic designs which the firm was required to furnish by May 1974 were received by the society on 29th October 1974.

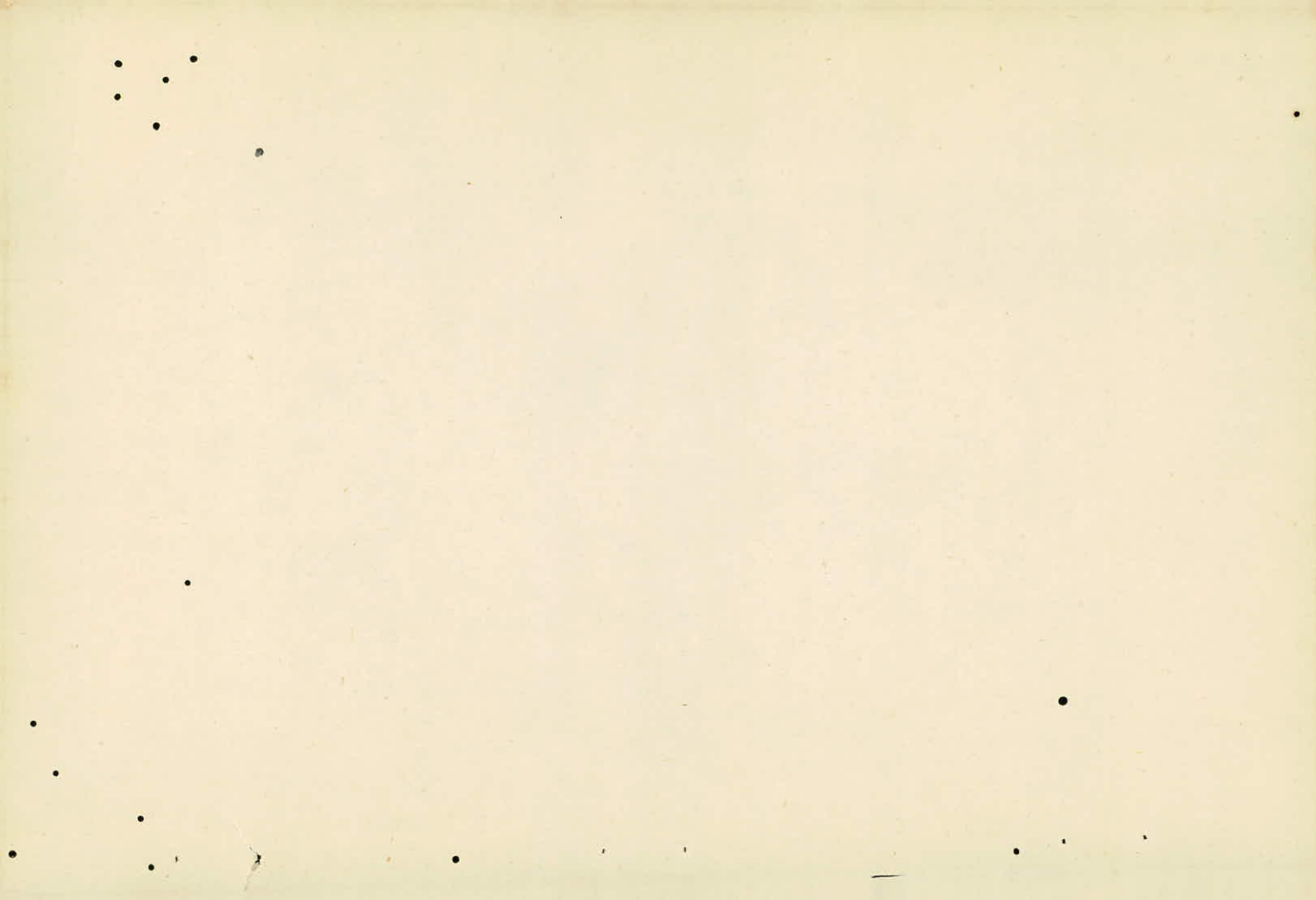
In addition to the investment by Government (Rs. 7 lakhs) the expenditure on the salaries and allowance of the Secretary appointed in May 1973 is also reimbursable by Government for a period of three years. The society has incurred an expenditure of Rs. 15,277 on this account till the end of January 1975. Government has reimbursed only Rs. 6,571 so far (January 1975).

In accordance with a scheme sanctioned (October 1970) by Government for imparting training to unemployed engineers and technicians, the society deputed 78 persons for training in various industries in the State in June and July 1973 and incurred an expenditure of Rs. 69,852 on stipends during 1973-74, against which Rs. 44,845 have been reimbursed by Government. As this training within the State imparted was not considered to be of much practical utility for the establishment of a Forge Plant, the society decided (January 1974) to depute some members for intensive technical training covering all aspects of the forge technology. Accordingly thirteen persons were sent to a factory at Ranchi for training for a period of one year from 1st February 1974, sixty four were sent to Avadi in three batches for six months each and

one each was deputed to Faridabad (for six months) and Kalamassery (for one year). The society spent during 1973-74 a sum of Rs. 31,288 for the training (Rs. 23,600 towards stipend, Rs. 3,250 towards tuition fees, Rs. 1,910 for protective clothing and Rs. 2,528 on account of travelling allowance). Out of Rs. 6,270 paid as stipend advance to trainees during 1973-74, a sum of Rs. 4,523 is yet to be recovered (January 1975).

The money received from Government as share capital contribution (Rs. 7 lakhs) has been deposited in the Union Bank of India (Rs. 6 lakhs in fixed deposit and Rs. 1 lakh in Savings Bank account) and has not been utilised so far (December 1974). The share certificates were issued to Government in July 1973.







## CHAPTER VIII

### OUTSTANDING AUDIT OBSERVATIONS AND INSPECTION REPORTS

#### 68. Outstanding audit observations

(a) Audit observations on financial transactions of the Government are reported to the Departmental authorities from time to time. Periodical reports of outstanding audit observations are also sent to the Finance Department, the Administrative Departments of the Government and the Heads of Departments for taking necessary action to expedite their settlement. The financial rules of the Government require the Departmental Officers to attend to audit observations promptly. The Public Accounts Committee has also repeatedly stressed the need for quick disposal of audit observations.

The number of audit observations (other than those reported through inspection reports) relating to the period upto the 31st March 1974 which were not settled till the 30th September 1974 was 36,928 (money value: Rs. 28.27 crores).

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

<i>As on</i>	<i>Number</i>	<i>Amount</i> <i>(in lakhs of rupees)</i>
the 30th September 1972	23,098	13,90.88
the 30th September 1973	32,874	22,84.42
the 30th September 1974	36,928	28,27.05

(c) The year-wise analysis of audit observations issued upto the 31st March 1974, which were not settled upto the 30th September 1974 is given below:—

<i>Year of issue</i>	<i>Number</i>	<i>Amount</i> <i>(in lakhs of rupees)</i>
1966-67 and earlier years	394	8.46
1967-68	416	26.01
1968-69	782	35.70
1969-70	1,318	50.64
1970-71	4,818	1,48.83
1971-72	5,859	3,78.03
1972-73	6,899	5,21.27
1973-74	16,442	16,58.11
<b>Total</b>	<b>36,928</b>	<b>28,27.05</b>

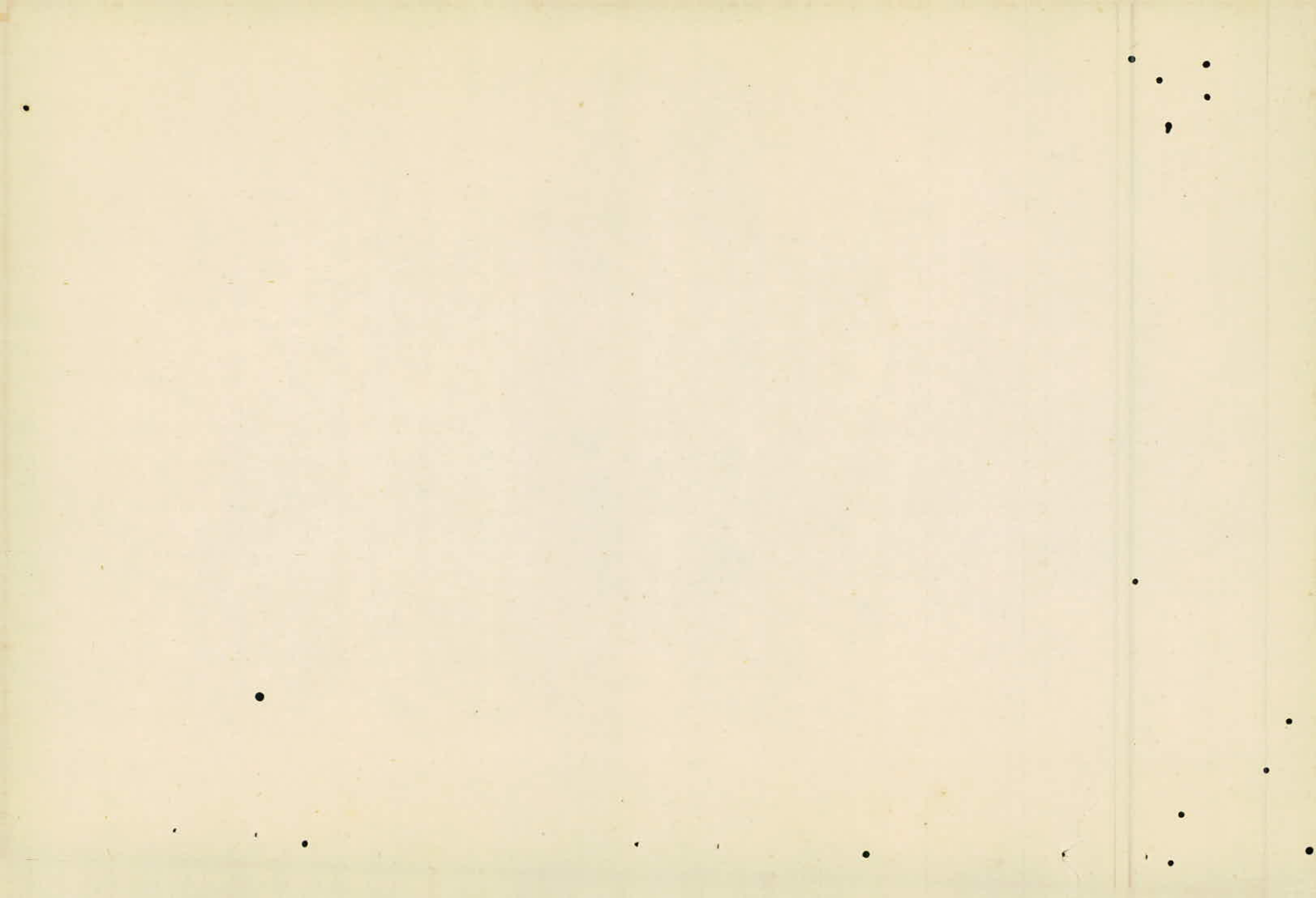
(d) Category-wise break up of the outstanding audit observations is given below:—

<i>Nature of observations</i>	<i>Number</i>	<i>Amount (in lakhs of rupees)</i>
(i) Sanctions for establishment not received	1,045	1,50.68
(ii) Sanctions not received for contingent and miscellaneous expenditure	1,142	2,30.71
(iii) Sanctions to estimates not received	822	68.22
(iv) Detailed contingent bills for lumpsum drawals not received	8,170	6,38.78
(v) Vouchers not received	312	22.44
(vi) Payees' receipts not received	13,688	13,53.07
(vii) Advances paid to Government servants (debiting service heads) not recovered within the prescribed period	5,845	15.18
(viii) Agreements with contractors/suppliers not received	251	1,54.05
(ix) Payments to contractors/suppliers not in conformity with contracts and agreements	12	0.15
(x) Over-payments or amounts disallowed in audit not recovered	113	8.39
(xi) Other reasons	5,528	1,85.38
Total	36,928	28,27.05

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

The amounts outstanding for want of detailed contingent bills relate to advances drawn on abstract bills for which detailed accounts have not been submitted. The detailed contingent bills (containing full particulars of expenditure incurred) with supporting sub-vouchers and payees' receipts are required to be submitted to Audit not later than the 20th of the month succeeding that in which the advance was drawn.

Non-submission/delay in submission of detailed bills and vouchers to Audit results in the expenditure escaping timely audit scrutiny with the attendant risk of irregularities remaining undetected for long. In the absence of detailed bills, Audit does not know whether the amount drawn in the advance bills has been spent and whether it has been spent on the purpose or purposes for which it was drawn. Similarly in the absence of payees' receipts and sub-vouchers, it cannot be ensured that the payments have been





made to the proper persons. The amount outstanding on account of non-receipt of detailed bills, vouchers and payees' receipts has increased substantially during 1973-74 as indicated below:—

<i>As on</i>	<i>Number of observations</i>	<i>Amount (in lakhs of rupees)</i>
the 30th September 1972	12,737	8,59.06
the 30th September 1973	18,593	15,58.73
the 30th September 1974	22,170	20,14.29

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

Detailed accounts of advances drawn for procurement of paddy are still awaited from several Taluk Supply Officers (December 1974). A few cases are mentioned below:—

<i>Taluk Supply Office</i>	<i>Amount and month of drawal (in lakhs of rupees)</i>	<i>Procurement season</i>	<i>Month in which the accounts were to have been rendered at the latest</i>
1. Trichur	2.32 (September-December 1972)	Virippu (Kharif) crop 1972	August 1973
2. Manjeri	3.25 (September-November 1972)	Kanni (Kharif) crop 1973	July 1973
3. Vythiri	11.85 (November-December 1972)	Virippu (Kharif) crop 1972	August 1973
4. Kanjirappally	5.84 (January-March 1973)	Mundakan (Rabi) crop 1973	December 1973
	0.56 (January-May 1972)	Mundakan (Rabi) crop 1972	November 1972
5. Alwaye	2.48 (February-May 1972)	Mundakan (Rabi) crop 1972	November 1972
6. Ernakulam	2.00 (October-November 1968)	Virippu (Kharif) crop 1968	July 1969
7. Muvattupuzha	3.50 (November 1968-January 1969)	Mundakan (Rabi) crop 1969	September 1969
8. Vaikom	0.80 (July-September 1969)	Virippu (Kharif) crop 1969	June-July 1970
9. Ottappalam	10.50 (September-November 1972)	Virippu (Kharif) crop 1972	June-July 1973
	10.30 (November 1972-February 1973)	Mundakan (Rabi) crop 1973	October-November 1973

(f) Observations outstanding clearance as on the 30th September 1974 were heavy in the case of the following Departments:—

<i>Administrative Department</i>	<i>Amount (in lakhs of rupees)</i>
1. Health	3,61.11
2. Agriculture	2,76.21
3. Revenue	1,41.81
4. General Education	1,15.68
5. Food	3,89.16
6. Public Works	5,27.34
7. Water and Power	1,98.27
8. Local Administration and Social Welfare	3,95.84
9. Development	1,59.74

### 69. Outstanding inspection reports

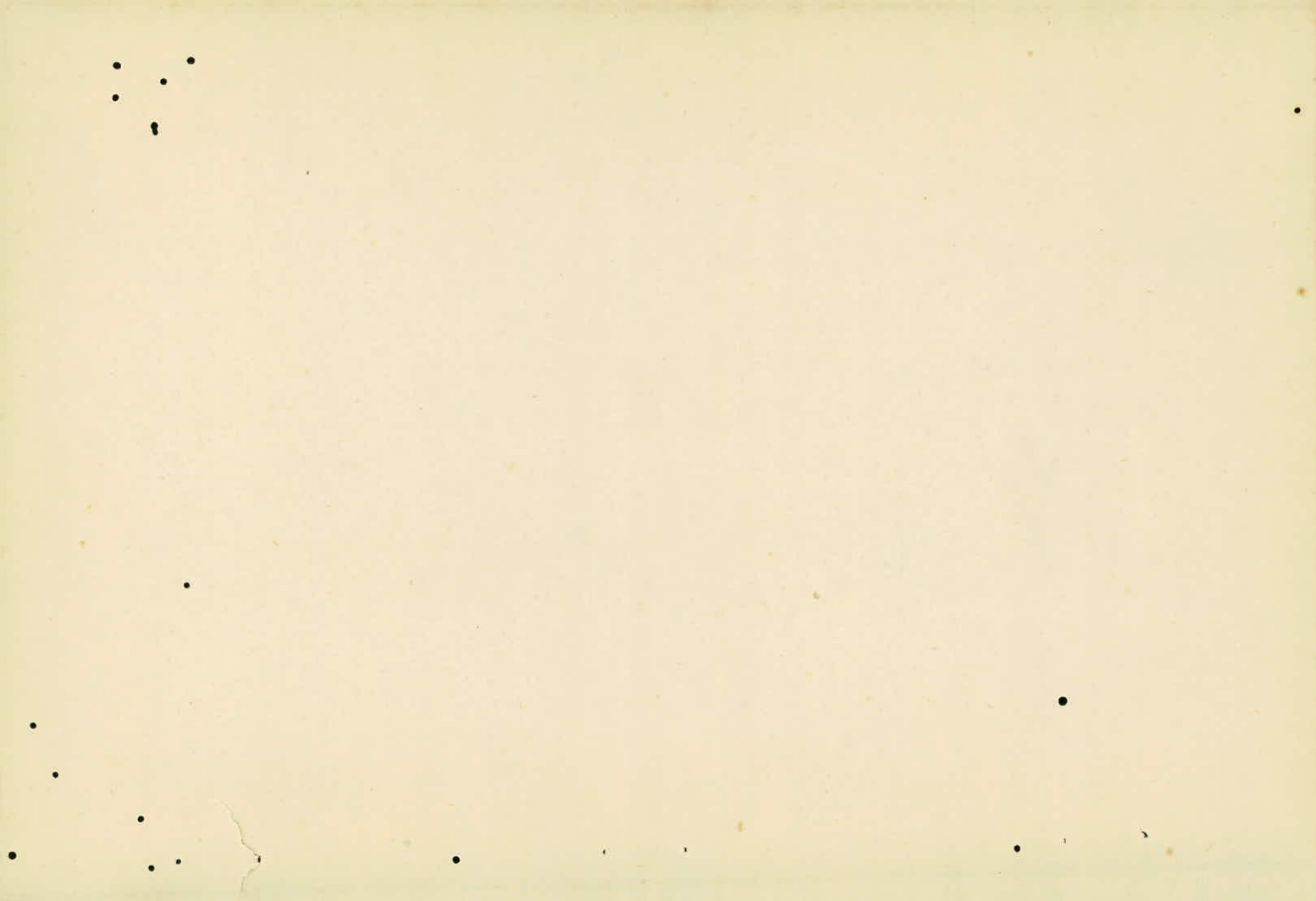
Important irregularities and defects in accounts noticed during local audit and inspections are included in inspection reports which are sent to the Departmental Officers and Heads of Departments and also to the Government, where necessary. The points mentioned in the reports are to be settled as expeditiously as possible if the object of inspection is to be achieved. Unless such reports receive prompt attention, there is likelihood of the irregularities persisting. Therefore, the Government has prescribed that first replies to inspection reports should be sent within four weeks. In spite of this direction and the instructions issued from time to time, there is considerable delay in settling the points raised in the inspection reports.

Two thousand five hundred and twenty-nine inspection reports containing six thousand eight hundred and ninety-four paragraphs issued upto March 1974 were outstanding at the end of September 1974. (These do not include inspection reports relating to receipts of Revenue Departments). Of these, 1,527 reports containing 3,460 paragraphs were outstanding for over one year (reports issued prior to April 1973).

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

	<i>Civil Departments</i>		<i>Commercial Departments/activities</i>	
	<i>Number of Inspection reports</i>	<i>Paragraphs</i>	<i>Number of Inspection reports</i>	<i>Para- graphs</i>
1966-67	2	2	..	..
1967-68	17	29	..	..
1968-69	48	79	..	..
1969-70	150	294	..	..
1970-71	258	485	3	5
1971-72	440	980	7	19
1972-73	597	1,550	5	17
1973-74	998	3,419	4	15
Total	2,510	6,838	19	56







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**APPENDICES**

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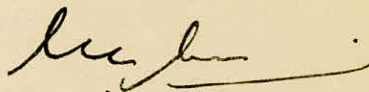
MEMORANDUM

Year-wise details of inspection reports and paragraphs for which first replies were not received till the end of September 1974 are given below:—

	<i>Civil Departments</i>		<i>Commercial Departments/activities</i>	
	<i>Inspection reports</i>	<i>Number of Paragraphs</i>	<i>Inspection reports</i>	<i>Number of Paragraphs</i>
1970-71	7	20	..	..
1971-72	11	38	1	4
1972-73	55	226	1	4
1973-74	210	839	..	..
Total	283	1,123	2	8

The number of inspection reports and paragraphs outstanding on 30th September 1973 and mentioned in the Report for the year 1972-73 (excluding those relating to Revenue Departments) were 2,121 and 5,363 respectively.

The important types of irregularities noticed in local audit/inspection during 1973-74 are briefly mentioned in Appendix VIII.



(R. C. GHEI)

*Accountant General, Kerala.*

Trivandrum,

The **12TH APRIL 1975**

Countersigned



(A. BAKSI)

*Comptroller and Auditor General  
of India.*

New Delhi,

The **15TH APRIL 1975**







APPENDIX I

Major cases of defaults in recovery of loans and advances as on the 31st March 1974

(Reference: paragraph 7(d)-page 9)

Department/class of loans	Arrears		Earliest year from which recovery is due	Number of officers responsible for recovery	Action taken to clear the arrears
	Principal (In lakhs of rupees)	Interest			
Development					
Agricultural loans	17.06	3.60	1954-55	*	} Details have not been received from Government.
Industrial loans	22.99	6.43	1954-55	*	
Other loans under Community Development Programme	9.11	2.51	1957-58	*	
Loans for Fishery Schemes	1,53.08	18.18	1957-58	*	
Loans for scheduled castes and tribes	0.40	0.02	x	*	
Loans for port development	0.71	0.07	x	*	The vessel for the construction of which assistance was given is reported to have sunk. The Department has stated that the claim preferred against the insurance company has not yet been settled.
Education					
Loan scholarships (interest-free)	2.49	..	1962-63	19	Heads of institutions where the loanee students are studying and employers of the loanees have been addressed to collect the dues. Action under Revenue Recovery Act also is under way.
Agriculture					
Soil conservation	22.82	31.28	1956-57	*	Recoveries in this case are to be made by Revenue officials who are stated to have been addressed by the Department.

\* Details not furnished by the Department.

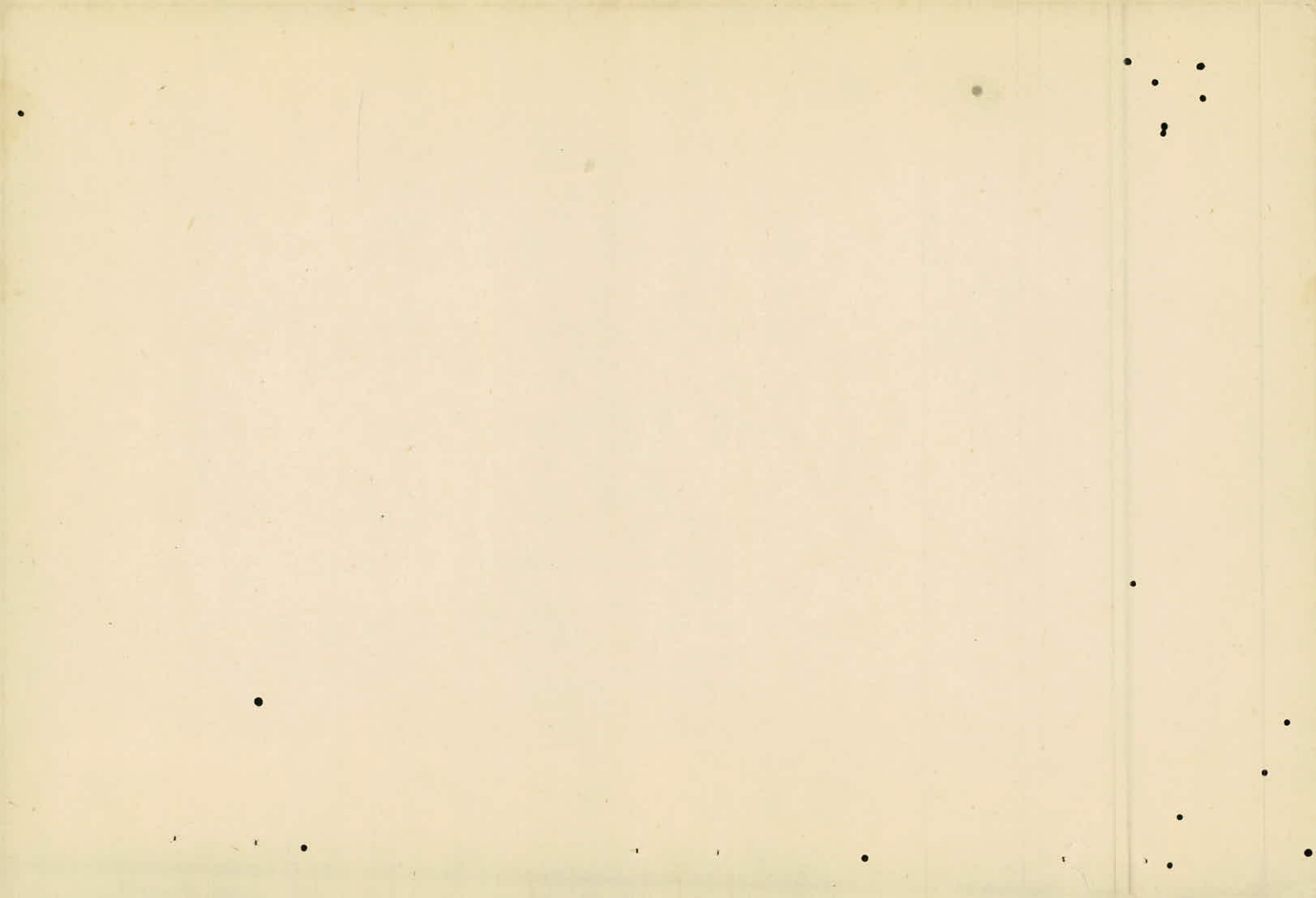
x Information awaited.

Department/class of loans	Arrears		Earliest year from which recovery is due	Number of officers responsible for recovery	Action taken to clear the arrears
	Principal (in lakhs of rupees)	Interest			
Co-operative Societies	14.09	13.17	1969-70	*	Details not furnished by the Registrar of Co-operative Societies.
Poultry Development	1.05	0.54	x	*	According to the Department, action under Revenue Recovery Act has been taken.
Loans for the purchase of cattle and cattle feed	0.63	0.08	1971-72	*	According to the Department, the District Collectors had been addressed to resort to Revenue Recovery Proceedings in some cases and in some other cases the parties had been directed to repay the arrears immediately.
Revenue					
Loans to cultivators affected by floods	6.77	1.10	1966-67	*	} Department has stated that Revenue Recovery proceedings have been launched in long standing cases.
Other loans	2.51	1.03	1966-67	*	
Home					
Miscellaneous loans	0.36	0.12	x	*	Details have not been received from Government.
Industries					
Loans for Coir development	47.06	13.04	1971-72	*	Details have not been received from the Department.
Local Administration and Social Welfare/Labour					
Loans to repatriates from Burma and Ceylon	3.25	1.85	x	*	} Department has stated that Revenue Recovery proceedings have been launched in long standing cases.
Housing schemes	14.34	12.45	1970-71	*	
Loans for colonisation schemes	8.98	1.88	x	*	
Loans for co-operative colonisation	3.05	0.83	1965-66	*	

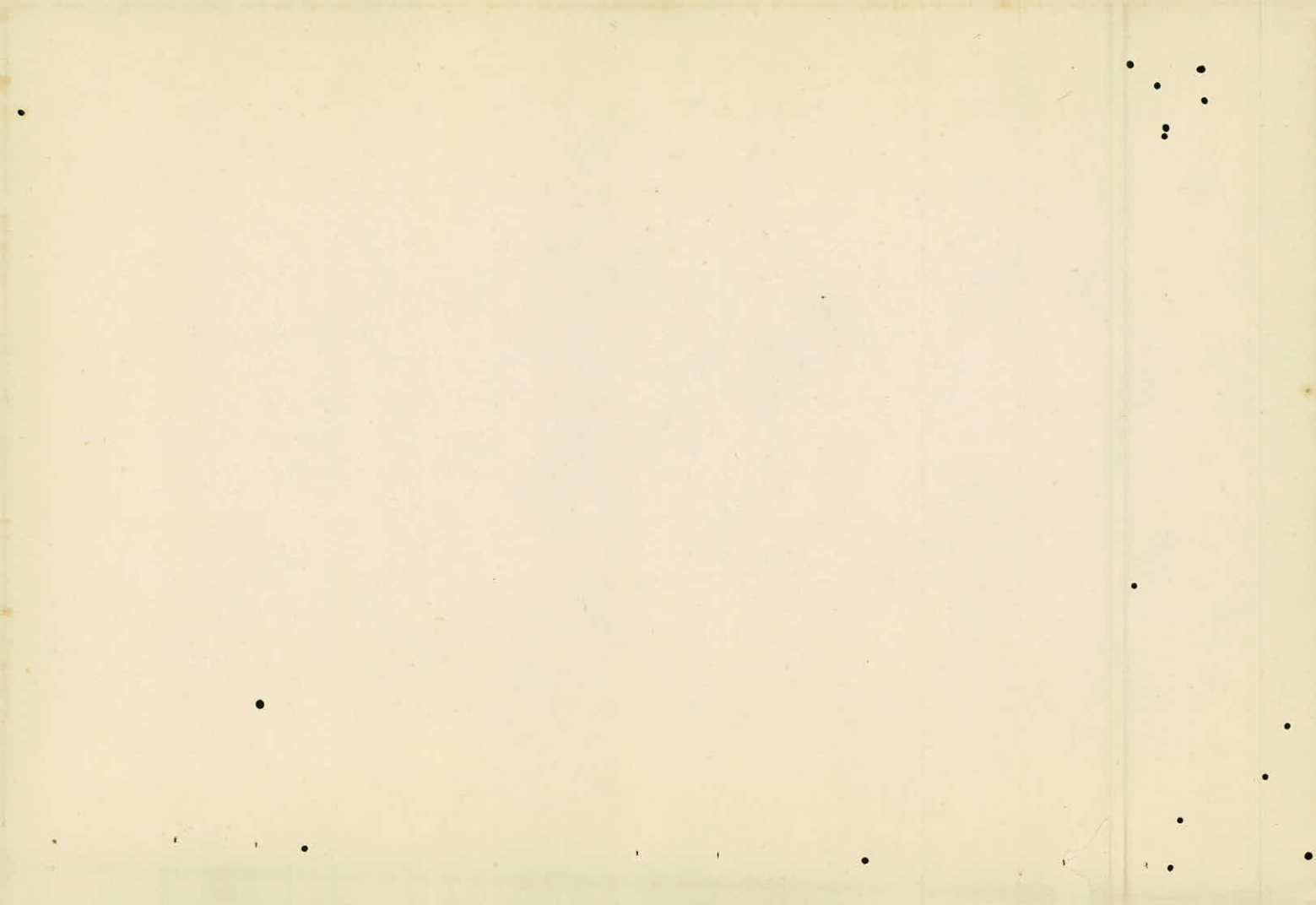
\* Details not furnished by the Department.

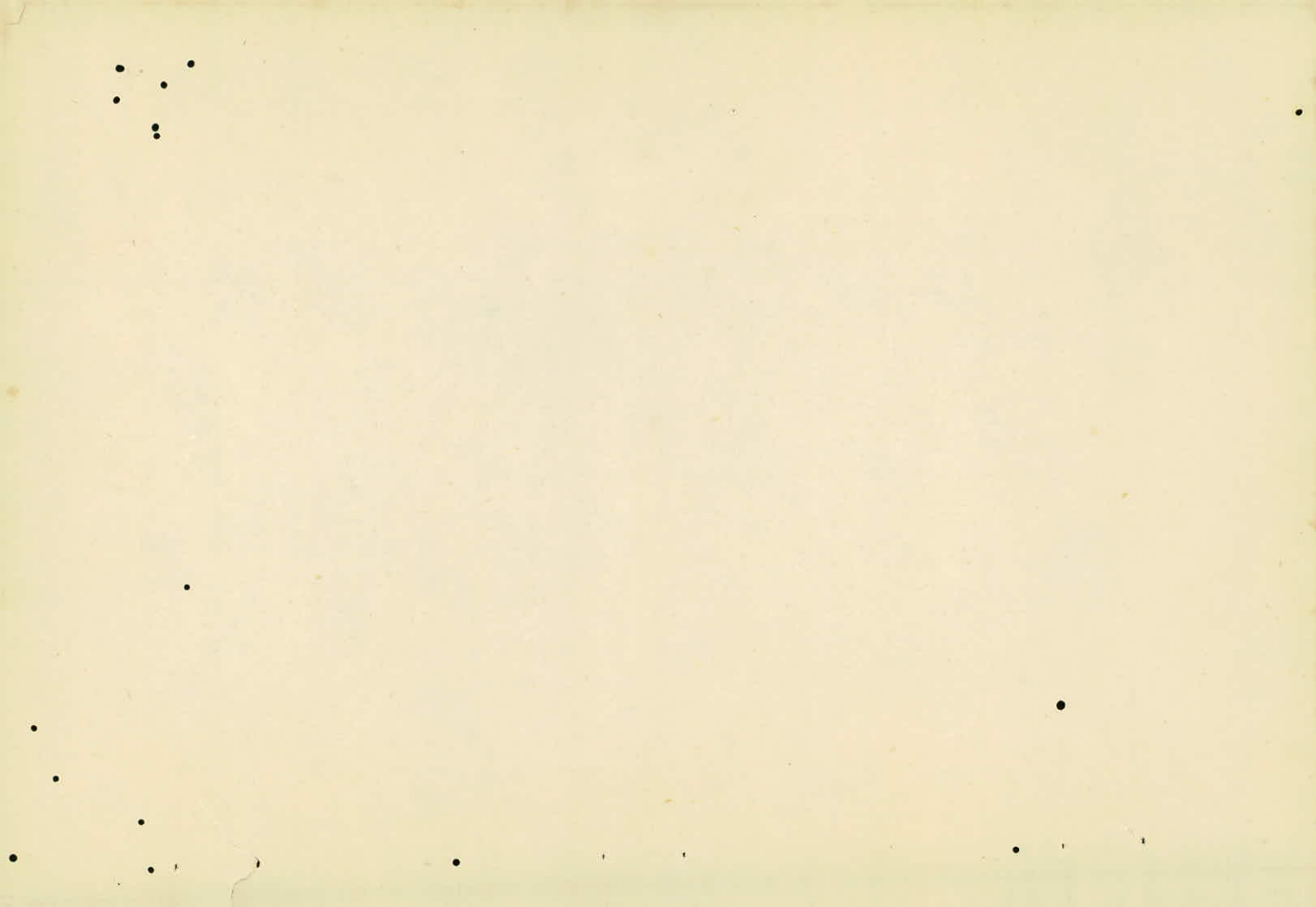
x Information awaited.











APPENDIX II

Grants/appropriations where the unutilised provision (more than Rs. 2 lakhs in each case) was 20 per cent or more of the total provision

(Reference: paragraph 16(ii)—page 33)

Sl. no.	Number and name of grant	Charged/ Voted	Total grant/ appropriation	Saving	Percentage of saving to the total provision
			(in lakhs of rupees)		
1.	XIV State Insurance and Miscellaneous	Voted	40.85	9.25	22
2.	XVII General Education	Charged	11.83	3.75	32
3.	XX Public Health	Voted	6,79.99	1,36.09	20
4.	XXII Agriculture	„	12,28.53	3,76.42	31
5.	XXIII Fisheries	„	1,42.72	38.40	27
6.	XXXI Statistics and Miscellaneous	„	3,24.44	88.72	27
7.	XXXIII Public Works	Charged	5.52	2.68	49
8.	XL Miscellaneous	Voted	7,27.60	2,85.85	39
9.	XLII Capital Outlay on Compensation to Land Holders	„	10,54.00	10,53.44	100
10.	XLIV Capital Outlay on Agricultural Improvement	„	37.53	10.78	29
11.	XLIX Capital Outlay on Ports	„	1,35.30	36.90	27
12.	Do.	Charged	2.72	2.72	100
13.	LIII Capital Outlay on Schemes of Government Trading	Voted	7,00.97	1,80.61	26
14.	Do.	Charged	10.01	9.92	99
15.	LV Loans and Advances by the Government	Voted	17,00.02	4,84.35	28
	Total		68,02.03	27,19.88	

APPENDIX III

**Major Schemes where provision remained wholly or substantially unutilised**

(Reference: paragraph 16(iii)—page 33)

Sl. no.	Department/grant number and group head/scheme	Provision	Saving and its percentage (in lakhs of rupees)	Reasons for saving and remarks
1.	Health XX 30-A(h) Compensation 3. Vasectomy	34.00	31.88 (94 per cent)	The saving was mainly due to non-holding of massive family planning camps in the districts of Alleppey, Malappuram and Kozhikode for want of sanction from the Government.
2.	Agriculture (Animal Husbandry) XXV (g) (iv) Piggery Development	22.90	20.41 (89 per cent)	The saving was mainly due to non-finalisation of rules for operating the Revolving Fund for Bacon Factory and non-implementation of the scheme for piggery development.
3.	Industries XXVII (d) Expenditure on development of Coir Industry (ii) Schemes under the Five Year Plan	23.00	21.16 (92 per cent)	The saving was mainly due to (i) non-establishment of four additional coir projects originally envisaged (Rs. 5 lakhs), (ii) non-payment of subsidy on interest and assistance towards loss sustained by societies owing to non-finalisation of rules (Rs. 4.50 lakhs) pending clearance of the Coir Development Scheme by Government of India and (iii) non-payment of grant to the Alleppey Central Coir Marketing Co-operative Society for construction of godown (Rs. 4.40 lakhs).
4.	Agriculture— Statistics and Miscellaneous XXXI(j) VII Soil Conservation in Tribal Blocks and Harijan areas	45.00	24.16 (54 per cent)	The reasons for the saving have not been intimated (October 1974).
5.	XXXI(j) X Scheme for improving the milk production potential of cows and augmenting milk production (Special Employment Programme)	40.00	22.72 (57 per cent)	The saving was mainly due to booking of stipend to cattle improvement assistants engaged for artificial insemination work in Panchayats under '39 (g) Grants-in-aid' (Rs. 13.01 lakhs) and posts kept vacant and economy in expenditure (Rs. 9.38 lakhs).







Sl. no.	Department/grant number and group head/scheme	Provision	Saving and its percentage (in lakhs of rupees)	Reasons for saving and remarks
6.	Water and Power XXXII-44A(i)(d) III Scheme for providing employment opportunities to unemployed engineers (Central Programme)	60.00	54.25 (90 per cent)	The saving was mainly due to excessive provision on flood control, irrigation, etc., (Rs. 48 lakhs) and less requirements under stipend owing to shortfall in the number of trainees actually engaged (Rs. 4.38 lakhs).
7.	Public Works XXXIII-50 (a) (xiv) Family Planning-B Schemes under the Five Year Plan	48.41	33.29 (69 per cent)	The saving of Rs. 10.64 lakhs was mainly due to less expenditure than anticipated in a number of works (Rs. 7.58 lakhs), works not started (Rs. 1.31 lakhs) and non-utilisation of lumpsum provision for new works owing to non-receipt of details of work from administrative department (Rs. 1.10 lakhs). Reasons for the balance saving of Rs. 22.65 lakhs have not been intimated (October 1974).
8.	XLVII(a)(x) Education A Schemes under the Five Year Plan	36.80	29.11 (79 per cent)	The saving was mainly due to non-utilisation of the lumpsum provision of Rs. 30 lakhs for construction of school buildings because of economy measures.
9.	XLVII(a)(xii) Public Health B Schemes under the Five Year Plan	33.90	23.75 (70 per cent)	The saving was mainly due to non-utilisation of part of the provisions made for Public Health Centres (Rs. 7.43 lakhs), works not started (Rs. 4.40 lakhs), want of administrative sanctions (Rs. 2.94 lakhs) and less expenditure than anticipated on certain works mainly because of economy measures (Rs. 2.60 lakhs). Reasons for balance saving have not been intimated (October 1974).
10.	XLVII(a)(xiii) Family Planning B Scheme under the Five Year Plan	25.88	21.52 (83 per cent)	The saving was mainly due to works not started/stopped at various stages because of economy measures.
11.	Development XLIX F (a) 2 Centrally Sponsored Schemes- Development of Bypore Port	46.00	37.94 (82 per cent)	The reasons for the saving have not been intimated (October 1974).

Sl. no.	Department/grant number and group head/scheme	Provision (in lakhs of rupees)	Saving and its percentage	Reasons for saving and remarks
12.	Local Administration and Social Welfare LV. I (ii) B.I.32 Loans to Municipalities for Urban Water Supply Schemes	1,88.00	1,88.00 (100 per cent)	The budget provisions in the two cases were for meeting the share of cost of Water Supply Schemes to be transferred from "94-Capital Outlay on Improvement of Public Health". The savings occurred as the adjustments were not carried out due to non-finalisation of the procedure for transfer of expenditure.
13.	LV.I (iii) (c) I. 3 Loans to Panchayats for Rural Water Supply Schemes (Non-Plan)	50.00	50.00 (100 per cent)	
14.	LV.I (x) C (b) 13 Loans to Kerala State Industrial Development Corporation Limited (Plan)	50.00	50.00 (100 per cent)	The saving was due to economy measures.
15.	LV.I (x) C (b) 30 Loans to Travancore Cochin Chemicals (Plan)	30.00	30.00 (100 per cent)	The saving was due to post-budget decision to sanction share capital investment only during the year.
16.	LV. I (xi) B 48 C Loans for Co-operative Industrial Estates (Central Programme)	22.00	22.00 (100 per cent)	The saving was due to non-implementation of the scheme as funds were not allotted by Government of India.





APPENDIX V

**Excess surrender of savings**

(Reference: paragraph 17—page 33)

**Grants in which amount surrendered was more than the savings available**

<i>Sl. no.</i>	<i>Number and name of grant</i>	<i>Total grant</i>	<i>Savings</i>	<i>Amount surrendered</i>	<i>Excess amount surrendered</i>
		<i>(in lakhs of rupees)</i>			
1.	I Agricultural Income Tax and Sales Tax	1,48.49	1.34	4.89	3.55
2.	XIII Police	12,71.29	1,01.65	1,23.69	22.04
3.	XVII General Education	69,45.92	71.26	1,37.84	66.58
4.	XVIII Technical Education	2,76.29	50.70	55.84	5.14
5.	XIX Medical	16,64.03	1,53.71	1,84.46	30.75
6.	XXXII Irrigation	10,04.47	23.44	83.60	60.16
7.	XLVII Capital Outlay on Public Works	12,65.21	42.19	64.26	22.07
8.	XLIX Capital Outlay on Ports	1,35.30	36.90	40.50	3.60

APPENDIX IV

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

(Reference: paragraph 17—page 33)

Sl. no.	Number and name of grant	Total grant	Saving	Amount surrendered	Amount not surrendered (and its percentage to the total saving)	
(in lakhs of rupees)						
1.	XVI University Education	12,40.35	73.94	53.85	20.09	(27)
2.	XX Public Health	6,79.99	1,36.09	1,12.06	24.03	(18)
3.	XXV Animal Husbandry	3,86.30	72.29	30.82	41.47	(57)
4.	XXX Harijan Welfare	6,04.44	38.62	12.95	25.67	(66)
5.	XXXI Statistics and Miscella- neous	3,24.44	88.72	62.98	25.74	(29)
6.	XXXIII Public Works	16,16.38	2,03.21	1,06.04	97.17	(47)
7.	XL Miscellaneous	7,27.60	2,85.85	65.17	2,20.68	(77)
8.	XLII Capital Outlay on Com- pensation to Land Holders	10,54.00	10,53.44	2.00	10,51.44	(99)
9.	XLV Capital Outlay on Indus- trial and Economic Development	10,91.76	1,48.48	1,01.42	47.06	(32)
10.	LIII Capital Outlay on sche- mes of Government Trading	7,00.97	1,80.61	1,35.80	44.81	(25)
11.	LV Loans and Advances by the Government	17,00.02	4,84.35	2,45.83	2,38.52	(49)







## APPENDIX VI

### Writes off, waivers and ex-gratia payments

(Reference: paragraph 32—page 89)

In 728 cases, losses due to theft, fire, etc., irrecoverable revenue, duties, advances, etc. were written off or waived or ex-gratia payments made during 1973-74. 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.	Home	15	18,204	..	..	14	60,550
2.	General Education	10	5,592	9	4,797	..	..
3.	Agriculture	36	32,336	6	1,13,193	..	..
4.	Higher Education	4	84,223	..	..	..	..
5.	Public Works	4	2,616	1	2,344	4	69,753
6.	Public	4	7,001	..	..	4	6,638
7.	Health	175	2,24,884	..	..	..	..
8.	Development	21	63,985*	5	2,021	..	..
9.	Water and Power	9	2,822	1	255	..	..
10.	Revenue	3	1,951	..	..	3	24,291
11.	Finance	1	184	..	..	395	3,63,275
12.	Labour	1	4,850	..	..	..	..
13.	Food	2	82,081	..	..	..	..
14.	Industries	1	2,000	..	..	..	..
	Total	286	5,32,729	22	1,22,610	420	5,24,507

\* This includes expenditure of Rs. 51,502 on Koothali colonisation scheme which became infructuous. Of this, an expenditure of Rs. 27,676 could not be properly vouched—*vide* also comments under Item A2 in Appendix V to the Audit Report 1964.

APPENDIX VII

**Irregularities noticed during audit of institutions receiving grants/  
loans from Government**

(Reference: paragraph 62—page 170)

<i>Name of Institution</i>	<i>Nature of irregularities</i>	<i>Remarks</i>
St. Thomas College, Kozhencherry	Retention of teaching staff in excess of requirement	According to the work norms fixed by the Kerala University, the strength of staff justified for the English department of the college during 1973-74 was 15 whereas the actual number engaged was 16. Similarly eleven persons were being engaged in the Chemistry department against the strength of 10 posts fixed by the University during 1972-73 on the basis of work-load. The extra expenditure on the salary of the surplus staff was Rs. 0.08 lakh.
Farook College, Farooke	do.	One Junior lecturer each in the departments of Chemistry and Physics was engaged in excess of the strength of teaching staff fixed by the Calicut University in March/May 1974 for the year 1972-73. The salary paid between June 1972 and March 1973 for the staff retained in excess was Rs. 0.06 lakh.





## APPENDIX VIII

### Important types of irregularities noticed in local audit and inspection during 1973-74

(Reference: paragraph 69—pages 186-187)

#### Civil offices and treasuries:

Number of offices/treasuries inspected: 1,332

<i>Nature of irregularities</i>	<i>Number of offices in which irregularities were noticed</i>
1. Defective maintenance of cash book, non-conduct of physical verification/surprise verification of cash balance, etc.	191
2. Non-maintenance/defective maintenance of stock registers, failure to conduct physical verification of stock, etc.	113
3. Non-maintenance/defective maintenance of initial accounts and registers such as bill register, register of contingent charges, etc.	80
4. Failure to obtain cash security from persons handling cash	13

#### Public Works Divisions:

Number of Divisions inspected: 104

<i>Nature of irregularities</i>	<i>Number of Divisions in which irregularities were noticed</i>
1. Non-inspection of Sub-divisional offices by Executive Engineers/Divisional Accountants	30
2. Non-observance of rules regarding measurement/check measurement of works	29
3. Non-maintenance/defective maintenance of materials-at-site accounts	14









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