



**REPORT
OF
THE COMPTROLLER
AND
AUDITOR GENERAL OF INDIA**

FOR THE YEAR ENDED 31 MARCH 1998

**NO.3
(CIVIL)**

GOVERNMENT OF KERALA



REPORT
OF
THE COMPTROLLER
AND
AUDITOR GENERAL OF INDIA
FOR THE YEAR ENDED 31 MARCH 1956

NO. 1
(CIVIL)

GOVERNMENT OF KERALA

TABLE OF CONTENTS

	<i>Reference to</i>
	<u>Paragraph Page</u>
Prefatory remarks	ix
Overview	xi – xxx
 CHAPTER I – ACCOUNTS OF THE STATE GOVERNMENT	
Introduction	1.1 1-3
Price trends	1.2 3
Summarised financial position	1.3 3-17
Revenue receipts	1.4 17-19
Revenue expenditure	1.5 20-25
Capital expenditure	1.6 26-28
Deficit	1.7 29-31
Debt burden of Government	1.8 31-35
Ways and means advances and overdraft	1.9 35-36
Guarantees given by the State	1.10 37-38
Incomplete capital works/projects	1.11 38-39
Performance of Government of Kerala in financing and implementing VIII Plan (1992-97)	1.12 40-43
Indicators of financial performance of the state government	1.13 43-50
 CHAPTER II – APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE	
Introduction	2.1 51
Summary of expenditure	2.2 51-53
Results of Appropriation Audit	2.3 53-63
Budgetary Procedure and Control over Expenditure	2.4 63-68
Contingency Fund	2.5 68-69
Arrears in departmental reconciliation	2.6 69-70
Excess of earlier years pending regularisation	2.7 70
Audit of Personal Ledger Accounts	2.8 71-77

	<i>Reference to</i>	
	<i>Paragraph</i>	<i>Page</i>
CHAPTER III – CIVIL DEPARTMENTS		
AGRICULTURE (ANIMAL HUSBANDRY) DEPARTMENT		
Livestock census produced irrelevant data	3.1	78-79
ELECTION DEPARTMENT		
Election expenses	3.2	79-85
FINANCE DEPARTMENT		
Irregular fixation of pay on the basis of pay equalisation order 1992	3.3	85
FISHERIES AND PORTS DEPARTMENT		
Functioning of Fisheries Department	3.4	86-106
Under-utilisation of a mobile crane	3.5	107
Nugatory expenditure on staff	3.6	107-108
GENERAL ADMINISTRATION DEPARTMENT		
Foreign travel by Ministers and bureaucrats	3.7	108-112
HEALTH AND FAMILY WELFARE DEPARTMENT		
National Malaria Eradication Programme	3.8	112-121
Unjustified purchase of absolute alcohol in Medical College	3.9	121
HIGHER EDUCATION DEPARTMENT		
Extra expenditure due to delay in finalisation of tender	3.10	122
HOME DEPARTMENT		
Manpower management in Police Department	3.11	122-134
Procurement of vehicles in Police Department	3.12	135
Unsuitable land acquired for construction for quarters for judicial officers	3.13	136
Unproductive expenditure on salary of staff	3.14	136-137

	<i>Reference to</i>	
	<i>Paragraph</i>	<i>Page</i>
INDUSTRIES DEPARTMENT		
Financial assistance to Harijan women not provided	3.15	137
LOCAL ADMINISTRATION DEPARTMENT		
Failure of the scheme for providing employment to the rural people through decentralised planning	3.16	137
SCHEDULED CASTES AND SCHEDULED TRIBES DEVELOPMENT DEPARTMENT		
Special Central assistance to Tribal Sub-plan	3.17	138-139
TAXES DEPARTMENT		
Excess payment of Special discount to lottery agents	3.18	140
GENERAL		
Outstanding Inspection Reports	3.19	141-142
Misappropriations, losses, etc.	3.20	142-143
Writes off and waivers	3.21	143
Follow up action on Audit Reports	3.22	143-144
CHAPTER IV – WORKS EXPENDITURE		
FISHERIES AND PORTS DEPARTMENT		
Extra expenditure on account of undue enhancement of rates	4.1	145-146
Unjustified extra payment to a contractor for conveyance of earth	4.2	146-147
FOREST AND WILDLIFE DEPARTMENT		
Avoidable expenditure due to faulty tendering	4.3	148-149
IRRIGATION DEPARTMENT		
Kuriarkutty – Karappara Irrigation Project		
Irregular arrangement of execution of earth work for formation of main canal	4.4	149-150
Kallada Irrigation Project		
Loss due to adoption of incorrect rate	4.5	150-151

	<i>Reference to</i>	
	<i>Paragraph</i>	<i>Page</i>
Excess expenditure due to exorbitant rates and avoidable arbitration	4.6	151-153
Loss due to unauthorised payment to contractor	4.7	153-154
Unauthorised payment to contractor beyond the terms of contract	4.8	154-155
Chimony Dam Project		
Extra expenditure due to change in specification of filter media	4.9	155-156
Undue financial benefit to contractor	4.10	156
PUBLIC WORKS AND TRANSPORT DEPARTMENT		
Excess expenditure due to failure in accepting contractor's claim for enhanced rates	4.11	157-158
Idle investment on a bridge due to failure in acquiring of land for approach roads in time	4.12	158-159
Unfruitful expenditure on a temporary diversion road constructed across river bed	4.13	159
Avoidable expenditure due to belated payment of electricity charges	4.14	160
CHAPTER V – STORES AND STOCK		
HOME DEPARTMENT		
Extra expenditure on purchase of rice	5.1	161
Excess purchase of yarn	5.2	161
Extra expenditure due to delay in purchase of arms and ammunition	5.3	161-162
Delay in finalisation of purchase orders and consequent non-procurement of arms	5.4	162-163
CHAPTER VI – COMMERCIAL ACTIVITIES		
General		
	6.1	164-165
GENERAL EDUCATION DEPARTMENT		
Working of Text Books Office	6.2	165-174

	<i>Reference to</i>	
	<i>Paragraph</i>	<i>Page</i>
CHAPTER VII – FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS		
General	7.1	175
Delay in furnishing utilisation certificates	7.2	175-176
Delay in furnishing copies of accounts	7.3	176-177
Audit arrangement	7.4	177-179
AGRICULTURE DEPARTMENT		
Kerala Agricultural University	7.5	179-194
GENERAL EDUCATION DEPARTMENT		
Non-deployment of protected teachers	7.6	194-195
HOUSING DEPARTMENT		
Working of Kerala State Housing Board	7.7	195-212
INDUSTRIES DEPARTMENT		
Unjustified purchase of huge quantity of raw cashew nuts of substandard quality	7.8	213-214
Loss due to import of raw cashew nuts outside Advance Licence Scheme	7.9	214-215
Extra expenditure due to engagement of excess workers for shelling and peeling of roasted cashew nuts	7.10	215-216
Kerala Khadi and Village Industries Board		
Misappropriation of funds provided for special employment generation scheme	7.11	216-217
Failure to start a Khadi Processing Unit for a decade	7.12	217-218
IRRIGATION DEPARTMENT		
Command Area Development Programme	7.13	218-233
IRRIGATION (WATER SUPPLY) DEPARTMENT		
Kerala Water Authority		
Rajiv Gandhi National Drinking Water Mission	7.14	234-243
A rural water supply scheme lying incomplete for fourteen years	7.15	243-244

	<i>Reference to</i>	
	<i>Paragraph</i>	<i>Page</i>
A water supply scheme is lying incomplete for thirteen years	7.16	244-245
Water supply scheme remaining incomplete since 1991	7.17	245
Avoidable expenditure and delay in completion of a water supply scheme due to change in design	7.18	246-247
Extra expenditure due to non-procurement and supply of pipes in time	7.19	247
Irregular payment of advance to a local firm	7.20	248-249

APPENDICES

		<i>Page</i>
1	List of Statutory Corporations and Government companies having accumulated loss and investment in them by Government	253-255
2	List of indices/ratios and basis for their calculation	256
3	Cases of unnecessary supplementary grants/appropriations	257-258
4	Cases of excessive supplementary grants/appropriations	259
5	Cases of inadequate supplementary grants	260
6	Significant cases of savings in Plan expenditure	261-265
7	Significant cases of savings in non-Plan expenditure	266-269
8	Persistent savings	270-271
9	Injudicious reappropriation of funds	272-274
10	Details of foreign travel undertaken by Ministers, Government officials and Executives of PSUs/ABs	275-277
11	Department wise details of cases of misappropriations, losses, etc.	278
12	Department wise details of writes off and waivers	279
13	Statement showing number of paragraphs in respect of which Action Taken Notes had not been furnished by the Administrative departments	280-281
14	Cash loan housing schemes – Targets and Achievements	282
15	Physical target and achievements under ROMHS	283
16	Statement showing non-utilisation of Central assistance in respect of five specific components	284
17	Statement showing release of funds to CADA by the State Government in the last quarter during 1991-98	285
18	Details of potential created/utilised in respect of the CADA projects	286
19	List of schemes for which land had not been made available by local bodies	287
20	Statement showing the districts in which excessive chemicals/chemical compounds present in drinking water revealed in the survey conducted during 1991-93	288

PREFATORY REMARKS

This Report has been prepared for submission to the Governor under Article 151 of the Constitution.

The present Report relates mainly to matters arising from the Appropriation Accounts for 1997-98 and other points arising from audit of financial transactions of the Government of Kerala. It also includes certain points of interest arising from the Finance Accounts for 1997-98. The following audit reviews are, inter alia, included in this Report:

*Working of Fisheries Department
Manpower management in Police
Department*

*Fisheries and Ports Department
Home Department*

*Working of Text Books Office
Rajiv Gandhi National Drinking Water
Mission*

*General Education Department
Irrigation (Water Supply)
Department*

Kerala Agricultural University

Agriculture Department

Kerala State Housing Board

Housing Department

Command Area Development Programme

Irrigation Department

The Report containing the observations of Audit on statutory corporations, boards and Government companies and the Report relating to State revenue receipts are issued separately.

The cases mentioned in the present Report are among those which came to notice in the course of test audit of accounts during 1997-98 as well as those which had come to notice in earlier years but could not be included in previous Reports; matters relating to the period subsequent to 1997-98 have also been included, wherever considered necessary.

OVERVIEW

This Report includes two chapters containing the observations of Audit on the State's Finance and Appropriation Accounts for the year 1997-98 and five chapters, comprising 7 audit reviews and 55 paragraphs based on the audit of certain selected schemes, programmes, projects and financial transactions of the Government. A synopsis of the major findings is set out in this overview.

I. Accounts of the State Government

- *During 1997-98, total revenue receipts and expenditure of the Government of Kerala were Rs 7118.21 crore and Rs 8241.12 crore respectively, resulting in a revenue deficit of Rs 1122.91 crore. There was a capital deficit of Rs 317.81 crore.*
- *Revenue receipts increased from Rs 6145.08 crore in 1996-97 to Rs 7118.21 crore in 1997-98. The revenue growth reversed the trend of previous year when it decelerated by 3 percentage points. Still, the revenue receipts fell short of the original estimates by Rs 435.15 crore in 1997-98.*
- *Though non-tax revenue collections grew at the rate of 7 per cent compared to the negative growth rate of 4 per cent in 1996-97, it was far below the annual growth rates of 16 per cent to 35 per cent attained in the 3 years 1993-96. Similarly, the rate of growth of tax revenue (15 per cent) was way below the peak of 24 per cent registered in 1993-94.*
- *State's share of Union taxes and duties increased from Rs 751 crore in 1993-94 to Rs 1271 crore in 1997-98. The amount of Central grants increased to Rs 793 crore in 1997-98 from Rs 503 crore in 1993-94.*
- *Revenue expenditure (Rs 8241.12 crore) constituted 86 per cent of the total expenditure (revenue and capital including loans) of Government (Rs 9568.34 crore). Non-plan expenditure (Rs 6454.48 crore) constituted 78 per cent of the revenue expenditure. Approximately, Rs 1920 crore (30 per cent) was spent on salary out of the total non-plan expenditure during 1997-98. Servicing of debt (Rs 1286.09 crore) accounted for about one-fifth of the total non-plan expenditure and the interest payments consumed 29 per cent of tax revenue raised by Government.*

- *Capital expenditure for creation of durable assets and economic development fell short of the budget allocations by 9 to 13 per cent during the 5 year period 1993-98.*
- *Government made investment of Rs 193.30 crore in statutory corporations (Rs 36.25 crore), Government companies (Rs 117.40 crore), joint stock companies (Rs 0.62 crore) and co-operative banks and societies (Rs 39.03 crore). The dividend received was negligible. The accumulated loss of 52 Government companies and 3 statutory corporations in which Government invested Rs 510.89 crore up to 31 March 1998, amounted to Rs 1071.80 crore. Capital invested by Government in one statutory corporation and 29 Government companies was eroded by their accumulated loss.*
- *The internal debt of the State increased by 107 per cent during 1993-98, from Rs 1735 crore in 1993-94 to Rs 3585 crore in 1997-98. The outstanding Central loans and advances also increased by Rs 1877 crore.*
- *The total indebtedness was 29.63 per cent of the Gross State Domestic Product (GSDP) in 1997-98. The public debt increased by 77 per cent from Rs 4849 crore at the end of March 1994 to Rs 8576 crore at the end of March 1998. As the debt servicing (repayment plus interest) obligations in 1997-98 increased, 97 per cent of the borrowings had to be set apart for it.*
- *The revenue deficit increased from Rs 372 crore in 1993-94 to Rs 1123 crore in 1997-98.*
- *The fiscal deficit ranged between Rs 935 crore in 1993-94 and Rs 2408 crore in 1997-98 showing an increase of 158 per cent. Continued failure to rein in the deficit led to increase in the borrowings.*
- *Interest received on loans was only Rs 18.42 crore as against outstanding loans (Rs 2801.05 crore) during 1997-98. The arrears in recovery from the loanees amounted to Rs 1075 crore (Principal : Rs 360 crore; Interest : Rs 715 crore). Outstandings against Kerala State Electricity Board alone amounted to Rs 735 crore (Principal: Rs 202 crore; Interest: Rs 533 crore).*
- *Financial assistance to local bodies and others increased by 27 per cent over the previous year 1996-97. A substantial portion of the increased assistance was attributable to enhanced payment of assistance to panchayat*

raj institutions (Rs 1143 crore) as a sequel to transfer of certain departmental functions and schemes to these institutions and decentralised planning.

- *The contingent liability of the State Government in the form of guarantees offered to financial institutions amounted to Rs 6656.89 crore.*
- *Ten irrigation projects started between 1961 and 1982 with an estimated cost of Rs 184 crore have not been completed though Rs 1235 crore had been spent on these projects as of March 1998.*
- *Plan allocation during Eighth plan was reduced from Rs 6930 crore to Rs 6672 crore during revision of annual plan allocation. Actual expenditure was still lower (Rs 5919 crore). Ratio of Plan expenditure to non-Plan expenditure was low and ranged between 0.28 and 0.37.*

(Paragraphs 1.1 to 1.12)

II Indicators of financial position of the State

- *Balance from Current Revenues (BCR) was positive in the last 3 years.*
- *Interest payments consumed 15 to 17 per cent of revenues during the last 5 years.*
- *Borrowed funds were used increasingly for purposes other than Capital Outlay.*
- *Ratio of total tax receipt to GSDP remained constant during the last 5 years indicating scope for increased revenue collection.*
- *Return on investment was negligible at less than 1 per cent.*
- *Availability of Capital borrowings for investment improved during the last 5 years.*
- *Debt vs GSDP ratio remained stable indicating that the State's ability to meet its debt obligations remained unaffected over the years.*
- *Ratio of Revenue Deficit over Fiscal Deficit (FD) was unfavourable and indicated that increasingly borrowings were applied to meet revenue expenditure.*

- *Ratio of Primary Deficit to FD was small indicating less availability of borrowed funds for capital investment.*
- *Amount of guarantee increased in 1997-98 compared to earlier years.*
- *Liabilities were more than Assets in the last 5 years.*
- *There was no delay in submission of budget and its approval.*
- *Estimates of Capital expenditure varied widely at the revised estimate stage.*
- *Treasuries were not rendering accounts on due dates and many accounts were delayed by more than one month.*

(Paragraph 1.13)

III. *Appropriation Audit and control over expenditure*

- *During 1997-98 the overall excess expenditure in 13 Grants and Appropriations aggregated Rs 65.14 crore, while savings totalling Rs 1135.69 crore occurred in 88 Grants and Appropriations. The excess expenditure aggregating Rs 23.97 crore in 8 Grants (Rs 23.91 crore) and 2 Appropriations (Rs 0.06 crore) required regularisation under Article 205 of the Constitution of India.*
- *Supplementary provision of Rs 862.49 crore obtained during the year 1997-98 constituted 8.2 per cent of the original budget provision of Rs 10471.78 crore. Supplementary provision aggregating Rs 49.04 crore obtained in 22 cases on 31 March 1998 proved wholly unnecessary or overpitched since the expenditure was less than even the original provision. In 14 cases, supplementary provision aggregating Rs 157.72 crore were obtained on 31 March 1998 when the actual utilisation of funds was Rs 75.46 crore only (48 per cent). Substantial non-utilisation/underutilisation of supplementary provision indicated absence of closer scrutiny of the supplementary estimates proposed by the departments.*
- *Substantial savings of more than Rs 1 crore in each case occurred in 61 cases on account of non-implementation or slow implementation of Plan schemes. In 20 of these cases the entire provision remained unutilised.*

- *Persistent savings during the 3 years were substantial, in the departments of Education, Health, Police and Community Development.*
- *Against the net savings of Rs 1070.55 crore, amount surrendered during the year was Rs 944.03 crore only of which Rs 926.96 crore (98 per cent) were surrendered only on the last day of the financial year i.e. 31 March 1998. This indicated inadequate budgetary control in the respective departments.*
- *Huge amounts of budgeted funds were drawn at the fag end of the year and kept in Personal Deposit (PD) accounts/ Treasury Public (TP) accounts while these amounts were booked as expenditure under the concerned Heads of Accounts.. As on 31 March 1998 there was a total balance of Rs 449.33 crore - in PD accounts (Rs 194.97 crore) and in TP accounts (Rs 254.36 crore). Nine District Collectors, 14 District Rural Development Agencies and 6 autonomous bodies together held in PD/TP accounts a balance of Rs 156.01 crore as of 31 March 1998 being unspent funds of schemes implemented by them. Unspent balances of Central assistance held in TP accounts by three Departments amounted to Rs 2.21 crore as of August 1998.*
- *The corpus of the Contingency Fund was enhanced twice temporarily from Rs 25 crore to Rs 50 crore by two Ordinances during May 1997 and February 1998. The former Ordinance was allowed to lapse on 5 August 1997 and the latter was neither replaced by an Act nor lapsed before 31 March 1998. Accordingly, the corpus stood at the enhanced level of Rs 50 crore at the end of the year. During 1997-98, 27 sanctions were issued for withdrawal of Rs 70.88 crore from the Contingency Fund of the State. One advance of Rs 0.32 crore remained unrecouped to the Fund as on 31 March 1998.*
- *According to the principles of legislative control over expenditure, any excess over grants/appropriations made by the Legislature will have to be regularised by obtaining excess grants therefor. For the purpose, Government have to furnish to the Public Accounts Committee notes seeking regularisation of the excess disclosed in the Appropriation Accounts and commented upon in Audit Reports. Such explanatory notes in respect of 70 grants/appropriations where excess expenditure aggregating Rs 255.87 crore occurred during 1983-84, 1985-86 and 1988-89 to 1996-97 had not been received as of October 1998.*

(Paragraphs 2.1 to 2.8)

IV. Performance review of schemes/departments

1. Functioning of Fisheries Department

Kerala State has a long coastline extending almost to its entire length on the western side and fisheries sector plays an important role in the State's economy.

- *Out of Rs 326.44 crore of expenditure for the years 1993-98, Rs 44.67 crore was actually lying in Treasury Public Accounts (TPA). Due to lack of proper scrutiny while preparing budget estimates and slippages in the developmental works there was huge savings under Plan during 1996-97 (Rs 20.32 crore under Capital) and during 1997-98 (Rs 11.03 crore under Revenue).*
- *Departmental receipts (Rs 5.57 crore) were not reconciled with treasury figures. Departmental figures of expenditure were also not reconciled with those booked by the Accountant General since 1994-95. Negligence in observance of important controls might lead to non-detection of misappropriation, frauds and other malpractices.*
- *Director of Fisheries was not aware of idling of 102 staff for 21 months to 8 years and Rs 2.56 crore were paid to them as salaries though they had no work.*
- *Fifty four per cent of the funds for State plan and Centrally sponsored schemes was spent directly by Fisheries Department and the balance released to Harbour Engineering Department and three autonomous bodies. Department had not exercised control over the utilisation of funds by these institutions and did not effectively monitor the implementation of the schemes.*
- *For 'National Welfare Scheme for Fishermen', only Rs 1.42 crore was received from GOI though Rs 5.33 crore was due. Out of Rs 10.65 crore drawn from treasury, implementing officers retained unspent balances ranging from Rs 16.19 lakh to Rs 85.15 lakh in banks/TPAs during 1992-93 to 1996-97.*
- *Department could not yet (November 1998) start the scheme of introduction of prawn culture which was sanctioned by the Government in July 1995 for an outlay of Rs 276 crore. Rs 1.90 crore drawn for the scheme in 1994-97 was mostly lying unused in TPAs.*

- *During 1992-98, Director of Fisheries established Vanitha Banks in eleven districts without approval of Government and drew Rs 1.19 crore though funds were not provided in the budget for the purpose. Functioning of the Vanitha Banks had not been evaluated.*
- *For two co-operative societies which were liquidated in 1984 and 1988, Government being guarantor, had to repay loan of Rs 2.70 crore including penal interest of Rs 35.05 lakh due to delay in repayment of loan. Assets of one society amounting to Rs 1.26 crore had not been adjusted against their liabilities to Government.*
- *Out of Rs 2.60 crore released to MATSYAFED for enhancing the borrowing capacity and strengthening the infrastructure facilities, Rs 82.27 lakh was diverted for other purposes and Rs 1.04 crore was not utilised and kept in TPA.*
- *Every year, Director routinely drew huge sums payable to agencies for implementing various schemes and deposited them in TPA. As of 31 March 1998, Rs 12.24 crore was lying in TPA, part of which pertained to period prior to 1992-93.*
- *Though GOI had prescribed a speed of 14 knots, Government went for construction of 5 boats with a speed of 20 knots with extra burden of Rs 2.50 crore. The boats costing Rs 8.80 crore had been lying unused since November 1996.*

(Paragraph 3.4)

2. Manpower analysis of Police Department

The organisation, structure and functions of the police force in the State is governed by the Police Act, 1861 (Central Act) and the Kerala Police Act, 1960. Review of the manpower management of Police Department revealed the following points:

- *Budget estimates for salaries were prepared on the basis of sanctioned strength instead of men in position resulting in avoidable savings of Rs 89 crore during 1995-98.*

- *There was overall shortage of 18 per cent in essential cadres of Circle Inspectors/Sub Inspectors/Assistant Sub Inspectors/Head Constables/Police Constables directly responsible for control of crime, law and order, etc.*
- *After induction training on recruitment, no training was imparted to the Police Constable during entire service even after promotion as Sub-Inspector. The changing needs of responsiveness of police to public, environment and modernisation was thus inadequately met.*
- *Transfer of police officers was not done as per norms. 133 officers were transferred before completing 6 months and 104 officers before completing 3 months of service at a place. Crime branch officers were frequently transferred. Posting of 95 transferred/promoted officers was delayed by 11 to 126 days.*
- *Deployment of police personnel was not decided on the basis of crime rate and most crime prone districts in the State were having less police personnel per lakh population than districts where the crime rate was low.*
- *A narcotic control wing with 21 personnel registered and investigated only 6 cases during 1995-97. 17 Narcotic cells created in November 1995 with 17 Dy.SPs did not function in the absence of supporting staff.*
- *In 12 police units and 124 police stations, 462 police personnel were engaged for ministerial and other duties.*

(Paragraph 3.11)

3. Text Books Office

The Text Books Office (TBO) functions under the overall supervision of the Director of Public Instruction (DPI). TBO arranges for printing of text books through Government presses and other agencies and also for their distribution.

- *TBO verified the sample paper reels by visual evaluation or test running of sample reels and not in a scientific manner. It did not enforce the tender condition on purchase of 30 thousand tonnes of paper worth Rs 66.39 crore during 1992-98.*
- *Government incurred extra expenditure of Rs 3.96 crore in procurement of paper during 1992-98 due to unjustified rejection of lowest offers. It*

accepted offers of tenderers who furnished no samples with their tender bids.

- 1800 tonnes of sheet paper were purchased at an extra expenditure of Rs 74 lakh on the basis of a single tender, without considering a cheaper offer, the validity of which had not expired.*
- In December 1996, Government discontinued printing of text books by private presses and 1.7 thousand tonnes of sheet paper costing Rs 4.33 crore became surplus.*
- Printing paper of economic size commensurate with the size of normal text books was not procured and Rs 98 lakh were avoidably spent for buying 12.3 thousand tonnes of over-sized paper.*
- Under-weighment during disposal of 26.24 lakh obsolete books in 18 District Text Book Depots resulted in a loss of Rs 48.33 lakh.*
- As of March 1998, Rs 1.32 crore were pending recovery from 51 store keepers towards cost of text books sold and shortages in stock.*

(Paragraph 6.2)

4. Working of Kerala State Housing Board

The Kerala State Housing Board (KSHB) a statutory body implemented housing and habitat improvement schemes sponsored/promoted by Government and local bodies. KSHB also provided housing finances to individuals. Audit review disclosed the following points:

- Annual accounts published by KSHB was deficient as important account statements were not prepared, required information were not disclosed, explanatory notes were not appended and accounts were not authenticated by the Chief Executive of the Board. The audit report of Director of Local Fund Audit (DLFA) did not give the customary certificate to the effect that the annual accounts depicted a true and fair view of the affairs of KSHB. The response of KSHB to audit was inadequate.*
- As of March 1998, accumulated deficit of KSHB was Rs 7.89 crore. No provision for the liability of Rs 4.74 crore payable to Housing and Urban*

Development Corporation (HUDCO) was made in the accounts for 1996-97.

- *As on 31 March 1997, amount of principal repayable was Rs 13.91 crore and interest liability was Rs 12.86 crore towards Government loans.*
- *Rupees 31.05 crore were pending collection from the beneficiaries as of December 1997. No efforts were made to identify the sticky/bad loans.*
- *KSHB delayed payment of guarantee commission to the Government for the period 1994-95 to 1996-97 and sustained avoidable loss of rebate of Rs 78.58 lakh.*
- *As against 9.85 lakh houses originally targeted to be constructed under four schemes for Economically Weaker Sections and others for the period 1993-98, only 69 thousand houses (7 per cent) were completed though 77 per cent of the loan (Rs 414.40 crore) was availed from HUDCO.*
- *Under 'Public housing scheme', plots, plots with buildings and flats costing Rs 21 crore were lying unallotted/vacant due to low demand from registrants.*
- *Adoption of incorrect land value resulted in low costing of plots and non-realisation of Rs 52.83 lakh from beneficiaries under Kudumbi housing scheme.*
- *Under Rajiv One Million Housing Scheme (ROMHS) against the target of providing 10 lakh houses during 1991-96, only 38 thousand houses could be completed.*
- *MLAs/MPs were charged interest of 7 per cent as against interest rates of 8.5 to 13.5 per cent charged from beneficiaries of Economically Weaker Section Housing Schemes. Rs 27.93 lakh were pending recovery from 33 MLAs and 6 MPs as of August 1998 for periods ranging from 7 months to 10 years.*
- *KSHB made avoidable excess payment of Rs 70.98 lakh on account of excessive solatium, incorrect granting of additional market value, etc., in 53 land acquisition references.*

(Paragraph 7.7)

5. Command Area Development Programme

The Command Area Development Programme (CADP) was launched in 1974-75 as a Centrally sponsored scheme with the objective of bridging the gap between irrigation potential and its utilisation in order to increase agricultural production on a sustainable basis.

Fourteen irrigation projects having a total culturable command area (CCA) of 1.81 lakh hectares were covered under CADA.

- Central Assistance of Rs 4.39 crore released for CADP during 1994-95 to 1996-97 was not utilised. Unutilised year-end cash balances ranging from Rs 5.69 crore to Rs 25.77 crore were mainly attributable to belated release of funds by the State Government.*
- Three partially commissioned irrigation projects were included in CADP from 1992-93 in disregard of GOI guidelines and Rs 26.31 crore were spent on these projects.*
- There was heavy shortfall in physical achievement in respect of many on farm development (OFD) works like Warabandhi, adaptive trials and field drains.*
- Though the entire ayacut of 76958 hectares under 8 projects was claimed to be fully covered by field channels, Warabandhi, etc., field channels in 28361 hectares were not actually completed. Expenditure incurred by CADA for field channels exceeded the norms by Rs 17.02 crore.*
- The loan assistance of Rs 1.92 crore released by GOI to CADA during 1985-86 to 1987-88 for disbursement to farmers as loan was retained by CADA.*
- In 5 projects, Rs 2.72 crore were diverted for unapproved items of works during 1991-95.*
- Rs 7.95 crore were spent in excess of GOI norms while introducing Warabandhi in 76449 hectares.*
- Out of Rs 3.43 crore provided for payment of subsidy to small and marginal farmers for digging new wells and installation of pump sets, only Rs 75.20 lakh were disbursed.*

- *Water cess had not been revised since 1974. Out of total cess of Rs 1.84 crore due as of February 1998, Rs 0.68 crore were pending collection and Rs 0.61 crore were under stay/remission/write off, etc.*
- *400 surplus staff transferred from erstwhile irrigation division were retained in 3 projects and Rs 4.58 crore were spent on establishment beyond norms.*

(Paragraph 7.13)

6. Rajiv Gandhi National Drinking Water Mission

The National Drinking Water Mission launched in 1986 was renamed as Rajiv Gandhi National Drinking Water Mission (Mission) in 1991. The main objective of the Mission was to provide safe drinking water to all habitations with 'no-source' by 2000 AD. Kerala Water Authority (KWA) implemented the scheme in the State.

- *While GOI assistance was received as grant-in-aid, State Government released the Central assistance of Rs 126.38 crore to KWA as loan carrying interest.*
- *Failure to utilise assistance from GOI resulted in reduction of Central assistance to the tune of Rs 2.79 crore during 1996-98.*
- *Implementation of many Accelerated Rural Water Supply Programmes were delayed for many years. Cost over-run of such delayed schemes amounting to Rs 50.86 crore was met by diversion of Central funds though they were to be met from State funds.*
- *Thirty schemes sanctioned between 1983 and 1994 had not been completed even as of June 1998 and the expenditure of Rs 42.75 crore remained unproductive.*
- *Out of 114 Piped Water Supply Schemes sanctioned at a total approved cost of Rs 100 crore, only 49 schemes were completed as of June 1998. Fifteen schemes sanctioned in 1995-96 with an estimated cost of Rs 43.50 crore had not been started.*
- *During 1995-98, KWA released Rs 34.03 crore to 14 District Collectors(DCs) for implementing schemes in SC/ST habitats. Only 481*

schemes (out of 1318) were completed as of June 1998. The DCs retained the unutilised balance of Rs 21.78 crore.

- *Rupees 1.25 crore released during 1991-92 for implementing water supply schemes to SC/ST habitats as part of Ambedkar centenary celebrations were diverted for implementing other schemes.*
- *As local bodies did not provide the required land, 27 schemes in 11 districts did not take off. In 20 schemes, materials like pipes procured at a cost of Rs 16.88 crore were lying idle.*
- *Though Rs 3.06 crore were released by GOI during 1993-94 for Kuttanad Water Supply Project, Rs 2.22 crore only were spent as of June 1998 and estimated cost increased from Rs 6.13 crore to Rs 14 crore.*
- *KWA had not installed defluoridation plants though drinking water available in rural areas was found contaminated with fluoride. Water supplied in 154 habitations had fluorides beyond the tolerance limits.*

(Paragraph 7.14)

7. Kerala Agricultural University

The Kerala Agricultural University (KAU) was established in 1971 with the main objectives of (i) imparting education in different branches of study in agriculture and allied subjects, (ii) advancement of learning and research activities and (iii) undertaking extension education programme. KAU had 8 teaching campuses and its five research stations were recognised as Regional Agricultural Research Stations.

- *34 per cent of ICAR grant amounting to Rs 8.24 crore (out of Rs 23.91 crore received during 1992-97) remained unutilised.*
- *As against the budget provision of Rs 108.94 crore for pay and allowances of staff for the years 1992-97, actual expenditure was Rs 66.26 crore. The savings (Rs 42.68 crore) were diverted to civil works.*
- *Annual accounts and Balance sheet of KAU were not prepared in the prescribed form. Only Receipts and Payments accounts were prepared.*
- *Norms prescribed by ICAR on staff strength vis-à-vis work load were not adopted. There were 94 excess teaching staff in 2 colleges and Rs 3.16 crore were spent on their pay, etc., during 1992-97.*

- *Even though the original capacity for intake of students in existing colleges was not utilised fully, a new agricultural college with 30 seats was started in Padannakkad.*
- *Out of 285 research programmes taken up with outlay of Rs 26.91 crore, during 1985-98, 142 programmes remained incomplete. 27 schemes were more than 5 years old. Research findings obtained in the field of developing and raising high yielding varieties (HYV) were not transferred to the farmers. 55 HYV of pulses, oil seeds, spices, etc., developed by KAU, were not popularised.*
- *The agricultural farms posted very low returns. The shortfall in production of coconuts in 10 research stations and banana in two farms worked out to Rs 4.48 crore. Shortfall in production in two fish farms amounted to Rs 63 lakh.*
- *More than 15 thousand tonnes of fodder grass were not harvested which led to loss of revenue of Rs 77.36 lakh during 1992-97.*
- *Action against unauthorised cutting and removal of 1410 standing trees valued at Rs 58.90 lakh from the Regional Agricultural Research Station, Ambalavayal is pending since 1993.*

(Paragraph 7.5)

8. National Malaria Eradication Programme

The Programme aimed at effective control of malaria and prevention of deaths due to the disease.

- *13 to 36 per cent of the funds were not utilised during 1992-93 to 1997-98.*
- *Though 6 and 4 per cent of the population were to be covered under active and passive surveillance, only a maximum of 2.33 and 1.63 per cent respectively were covered during 1992-97.*
- *Out of 75 lakh blood smear slides to be examined per year by 453 Laboratory Technicians in position, only 11 to 14 lakh slides were examined. Radical treatment was not given in 2404 positive cases.*
- *Coverage of Annual Blood Examination Rate ranged between 3.23 and 4.59 per cent during 1992 to 1997 as against the prescribed 10 per cent.*

Hence the Annual Parasitic Index arrived at did not indicate the true picture of incidence of malaria in the State.

- *In carrying out focal spray operations and collection of slides under mass and contact survey, there was shortfall ranging from 53.5 to 100 per cent and 16 to 99 per cent respectively in locations from where malaria cases were detected.*

(Paragraph 3.8)

9. Election expenses

- *Rs 15.30 crore spent by State Government for elections to Panchayats during 1995-96 to 1997-98 had not been realised from Panchayats.*
- *Extra rate allowed to KELTRON for issue of identity cards resulted in extra expenditure of Rs 7.44 crore.*
- *Paper worth Rs 54 lakh was purchased for printing ballot papers far in excess of requirement.*
- *Rs 54.70 lakh drawn as advance by 12 Tahsildars from 1987 to 1998 is lying unadjusted.*

(Paragraph 3.2)

10. Foreign travel by Ministers and Bureaucrats

Review of the journeys to foreign countries undertaken by Ministers, bureaucrats and officials of State Government/Public Sector Undertakings/Autonomous bodies revealed the following:

- *Though only one delegate of Kerala State Road Transport Corporation was to attend a seminar at Chicago, the Minister for Transport, the Managing Director and Executive Director of the Corporation went to Chicago for that purpose. Tour of the Minister for Transport and a Director of the Corporation served no purpose.*
- *The Managing Director of the Bekal Resorts Development Corporation Limited made three visits and the Director one visit to different countries incurring an expenditure of Rs 7.63 lakh with no benefit to the Corporation.*

- *Though the Minister for Electricity had not produced any hotel bill, US \$ 4250 towards hotel charges was admitted by Government for his tour to Canada, Switzerland, etc.*
- *The Principal Secretary, Industries and the Chief Executive officer, Technopark had drawn excess daily allowance and entertainment allowance amounting to US \$ 6000 and US \$ 2000 respectively.*

(Paragraph 3.7)

V. Other points of interest

1. Extra expenditure on purchase of rice and yarn

- *In 4 Jails, 7490 quintals of rice was purchased from open market instead of from Civil Supplies Department. In two other central prisons, yarn was purchased in excess. This led to avoidable extra expenditure of Rs 12.08 lakh in the first case and blocking of funds to the tune of Rs 14.08 lakh in the second case.*

(Paragraphs 5.1 and 5.2)

2. Extra expenditure on purchase of arms and ammunition

- *The price of arms and ammunition were valid for specified period and the department had to make advance payment in time. Failure to do so resulted in extra expenditure of Rs 15.38 lakh during 1995-96 and 1997-98.*

(Paragraph 5.3)

- *Purchase of arms worth Rs 20.74 lakh could not be made for over two years as sanction was delayed and advance payment, as required, was not made.*

(Paragraph 5.4)

3. Excess payment of special discount to lottery agents

- *Director of Lotteries allowed excess special discount of Rs 1.33 crore to lottery agents based on the entire tickets purchased by them instead of at the rates applicable to different slabs.*

(Paragraph 3.18)

4. Unfruitful expenditure on Livestock census

- *Rupees 71.46 lakh spent on Fifteenth Livestock Census 1992 with different reference date did not serve the National purpose as the State Government completed the census only in 1996.*

(Paragraph 3.1)

5. Kuriarkutty-Karappara Irrigation Project

- *Unjustified approval of quotation at 60 per cent above estimate rates and in addition, conveyance of cut earth to contractor's dump yard instead of depositing it in the land offered by beneficiaries, led to avoidable expenditure of Rs 81 lakh.*

(Paragraph 4.4)

6. Chimony Dam Project

- *Though CE initially did not accede to the contractor's demand to change the specification for supply of filter media for the earth dam, the design was changed in May 1990. The failure to enforce the original agreement conditions for supply of gravel and the delay in finalising the changed specification, resulted in extra expenditure of Rs 62.01 lakh.*

(Paragraph 4.9)

7. Fishing Harbour Project, Thangassery

- *The location of the leeward breakwater was changed after award of work, on public demand. Though the contractor's claims for enhancement of rates were rejected (March/May 1995) except the claim relating to the work on leeward breakwater, 75 per cent increase in rates for the entire work done was allowed (December 1995). The failure to confine the escalation to leeward breakwater alone resulted in extra expenditure of Rs 2 crore.*

(Paragraph 4.1)

8. Conveyance of timber from Wayanad colonisation scheme area

- *Failure to include other depots in the original tender notification for sale of timber extracted from Wayanad Colonisation Scheme area resulted in avoidable extra expenditure of Rs 1.08 crore.*

(Paragraph 4.3)

9. Non-completion of Chithrapuzha bridge

- *Intermittent changes in the design for the bridge after award of the work and the consequential delays in execution of the work paved the way for the contractor demanding enhanced rates. Avoidable expenditure incurred amounted to Rs 48.75 lakh*

(Paragraph 4.11)

10. Unfruitful/excess expenditure on aided school staff

- *Director of Public Instruction did not implement Government orders (April-May 1988) to deploy 'protected' teachers against open vacancies in Government and aided schools. During 1993-96 avoidable unfruitful expenditure caused by the non-deployment of protected teachers amounted to Rs 1.26 crore per annum.*

(Paragraph 7.6)

11. Kerala State Cashew Workers Apex Industrial Co-operative Society (CAPEX)

- *MD ordered purchase of 5000 tonnes of cashewnuts for a total amount of Rs 17.25 crore though the Board had approved the purchase of 1000 tonnes only. Unauthorised advance payment resulted in loss of Rs 2.89 crore.*

(Paragraph 7.8)

- *CAPEX imported 3000 tonnes of Tanzanian cashewnuts during 1992-93 under Open General Licence Scheme instead of under 'Advance Licence Scheme'. Consequently it lost the opportunity to negotiate 40 per cent of the value of imports at official exchange rate and sustained loss of Rs 51 lakh.*

(Paragraph 7.9)

12. Kerala Khadi and Village Industries Board (KKVIB)

- *KKVIB wrongly selected in January 1995 a charitable society which did not possess a 'Khadi certificate' to implement an employment generation scheme in Wandoor Block of Malappuram District and paid to it Rs 16 lakh which was misappropriated by the society.*

(Paragraph 7.11)

13. Kerala Water Authority

- *Work on Accelerated Rural Water Supply Scheme to Mulakkuzha Panchayat awarded to a contractor in January 1983 has not been completed as of November 1998 due to non-availability of land. Expenditure of Rs 27.47 lakh incurred on the scheme as of January 1998 remained unfruitful.*

(Paragraph 7.15)

- *Works on Rural Water Supply Scheme to Kottamkara in Kollam District (estimated to cost Rs 0.51 crore) was commenced in 1985 and was commissioned in June 1998 at a cost of Rs 2.11 crore. The failure to fix up a proper and adequate source of water was the major factor for the inordinate delay of 13 years and four fold increase in expenditure.*

(Paragraph 7.16)

- *Work on the water supply scheme to Kunnathur in Kollam District was almost complete in June 1991 but it was lingering for seven years for want of providing gap connections and street fountains and the expenditure of Rs 23.92 lakh remained unfruitful.*

(Paragraph 7.17)

14. Ineffective monitoring of special programmes under decentralised planning

- *Rupees 4.40 crore was released to the Director of Panchayats during 1989-90 to 1991-92 for implementation of the special programme for providing employment to the rural people through decentralised planning. Details about the utilisation of funds and achievement of the objectives of the scheme were not available with the Director.*

(Paragraph 3.16)

15. Irregular fixation of pay

- *Test check of fixation of pay on the basis of 1992 Pay Equalisation Orders revealed irregularities in 3622 cases out of 45.6 thousand cases in 94 departments. Excess payment due to irregularities in fixation of pay pending recovery in 1334 cases in 43 departments worked out to Rs 54.09 lakh towards basic pay alone.*

(Paragraph 3.3)

16. Unjustified purchase of absolute alcohol

- *Principal of Medical College, Thrissur placed orders for 9725 litres of absolute alcohol and procured 4500 litres against the average consumption of 275 litres per year indicating lack of adequate safeguards in Health Department and Excise Department in procuring and issuing permits for alcohol which was prone to misutilisation for preparation of illicit liquor.*

(Paragraph 3.9)

CHAPTER I

ACCOUNTS OF THE STATE GOVERNMENT

1.1. Introduction

1.1.1. Structure of the Government Accounts

The accounts of the Government are kept in three parts: (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account.

Part – I Consolidated Fund

All receipts of the Government from revenues, loans and recoveries of loans are credited to the Consolidated Fund of the State, constituted under Article 266(1) of the Constitution of India. All expenditure of the Government is met from this Fund and no amount can be withdrawn from the Fund without authorisation from the State Legislature. Expenditure is classified under two main heads i.e. Revenue Account (Revenue receipts and Revenue expenditure) and Capital Account (Capital receipts, Capital expenditure, Public debt and Loans etc.)

Part – II Contingency Fund

The Contingency Fund created under Article 267(2) of the Constitution of India is in the nature of an imprest placed at the disposal of the Governor of the State to meet the requirement of urgent unforeseen expenditure pending authorisation from State Legislature. Approval of the Legislature is subsequently obtained for such expenditure and for transfer of equivalent amount from the Consolidated Fund to Contingency Fund. The corpus of this Fund authorised by the Legislature was Rs 25 crore. By virtue of an ordinance issued in February 1998, the corpus of the Fund stood at the enhanced level of Rs 50 crore as on 31 March 1998.

Part – III Public Account

Receipts and disbursements, in respect of small savings, provident funds, deposits, reserve funds, suspense, remittances, etc., which do not form part of the Consolidated Fund are accounted for in Public Account and are not subject to vote by the State Legislature.

1.1.2. Annual Accounts

The accounts of the State Government are compiled annually by the Accountant General (Accounts and Entitlement), Kerala. These are prepared in two volumes viz., the Finance Accounts and the Appropriation Accounts. The Finance Accounts present the details of all transactions pertaining to both receipts and expenditure under appropriate classification in the Government accounts. The Appropriation Accounts on the other hand, present the details of amounts actually spent by Government *vis-à-vis* the amounts authorised by the State Legislature in the budget grants. Any expenditure in excess of the grants requires regularisation by the Legislature.

1.1.3. Audit Reports

The Finance Accounts and the Appropriation Accounts as well as various transactions in these Accounts are audited by the Comptroller and Auditor General of India (CAG) in accordance with the CAG's (Duties, Powers and Conditions of Service) Act, 1971. CAG certifies the Accounts and also submits Audit Reports thereon to the Governor in terms of Article 151 of the Constitution of India. CAG's Reports for the year ended 31 March 1998 are presented in separate volumes as under:

Number of Report	Containing audit observations on
No. 1	State Government (Revenue Receipts)
No. 2	State Government (Commercial)
No. 3	State Government (Civil)

1.2. Price trends

The trend of prices is dependent mainly on monetary and fiscal policies pursued at national level. The wholesale price index in the State was not exactly comparable with the price index at National level due to variation in the basket of commodities taken to calculate National level index and State level index.

The wholesale price index of all commodities increased by 11.5 *per cent* during 1997. The analysis of financial position as reflected in the Finance Accounts of the State Government should be viewed in the context of this price change.

1.3. Summarised financial position

The financial position of the Government of Kerala as on 31 March 1998 emerging from the Appropriation Accounts and the Finance Accounts for the year 1997-98 and the abstract of Receipts and Disbursements for the year is given in the following statements:

I. Summarised financial position of the Government

Amount as on 31 March 1997 (Rupees in crore)	Liabilities	Amount as on 31 March 1998 (Rupees in crore)
2970.85	Internal debt including ways and means advances but excluding overdrafts	3585.12
2491.07	Market loans	2909.12
177.15	Loans from Life Insurance Corporation of India	375.78
302.63	Loans from other Institutions	300.22
..	Ways and means advances	..
4612.54	Loans and advances from Central Government	4990.51
364.61	Pre-1984-85 loans	334.03
1870.43	Non-Plan loans	2015.05
2323.11	Loans for State Plan Schemes	2588.53
18.15	Loans for Central Plan Schemes	17.17
36.24	Loans for Centrally Sponsored Plan Schemes	35.73
14.72	Contingency Fund	49.68
3837.52	Small Savings, Provident Funds, etc.	4292.50
890.71	Deposits	1544.67
52.62	Reserve Funds	58.91
57.18	Gross	63.47
4.56	Less: Investments	4.56
12378.96	Total	14521.39

of Kerala as on 31 March 1998

Amount as on 31 March 1997 (Rupees in crore)	Assets	Amount as on 31 March 1998 (Rupees in crore)
5314.70 [@]	Gross capital outlay	6053.57
1266.21	Investment in shares of companies, corporations, etc.	1459.51
4048.49	Other capital outlay	4594.06
2248.97 [@]	Loans and advances	2801.05
837.03	Loans for power projects	1073.08
1306.05	Other development loans	1602.90
105.89	Loans to Government servants and Miscellaneous loans	125.07
2.17	Other advances	2.01
327.30	Remittance balances	306.07
262.85	Suspense and miscellaneous balances - other items (Net)	279.47
526.16	Cash	240.40
20.80	Cash in treasuries	21.97
(-) 0.85	Remittances in transit - Local *	(-) 7.23
2.42	Departmental cash balance	1.82
0.19	Permanent cash imprest	0.19
539.90	Cash balance investment	110.51
(-) 36.30	Deposits with Reserve Bank of India	113.14
**	Deposits in other banks	**
3696.81 [@]	Deficit on Government Account	4838.82
	Previous year deficit	3704.85
	Deduct: Prior period adjustments	8.04
	Gross	3696.81
	Add : Revenue deficit during current year	1122.91
	Less : Miscellaneous capital receipts	5.90
	Appropriation to Contingency Fund	25.00
12378.96	Total	14521.39

@ Figure changed due to proforma corrections vide paragraph 7 of the explanatory notes as page 7

* Represents remittances between treasuries and currency chest remaining unadjusted at the end of the year.

** Amount Negligible

Explanatory notes

1. The summarised financial statements are based on the statements of the Finance Accounts and the Appropriation Accounts of the State Government and are subject to notes and explanations contained therein.
2. Government accounts being mainly on cash basis, the revenue surplus or deficit had been worked out on cash basis. Consequently, items payable and receivable or items like depreciation or variation in stock figures, etc., do not figure in the accounts.
3. Although a part of the revenue expenditure (grants) and the loans are used for capital formation by the recipients, its classification in the accounts of the State Government remains unaffected by end use.
4. Under the Government system of accounting, the revenue surplus or deficit is closed annually to Government account with the result that cumulative position of such surplus or deficit is not ascertainable. The balance figure of Rs 184.56 crore as on 31 March 1982 was, therefore, treated as cumulative surplus for drawing up the first statement of financial position for 1982-83 which took the place of a Balance Sheet.
5. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of other States and others pending settlement, etc. The balance under Suspense and Miscellaneous had increased from Rs 262.85 crore as on 31 March 1997 to Rs 279.47 crore as on 31 March 1998.

6. The closing cash balance according to the accounts of the Reserve Bank of India was Rs 112.16 crore against the figure of Rs 113.14 crore reflected in the State Government accounts. The difference of Rs 0.98 crore was under reconciliation (November 1998).

7. The amount as of 31 March 1997 in respect of 'Gross Capital outlay', 'Loans and Advances' and 'Deficit on Government account' shown in this summary were at variance with those shown in the Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 1997 (No.3) because of the *pro forma* adjustments carried out in the progressive balances consequent on:

(i) Conversion of loans payable to Steel Industries Kerala Limited (Rs 1 crore) and Kerala State Textile Corporation Limited (Rs 22.50 lakh) into equity of these undertakings.

(ii) Reclassification of the investment of Rs 10 lakh made by Government during 1996-97 in Thiruvananthapuram Airport Development Society as a loan to the society - vide GO.Rt.No 4/98/Tran. Dated 7 February 1998.

(iii) Increase of Rs 8 crore in Government investment in Bekal Resorts Development Corporation Limited on conversion of the grant paid to the undertaking - vide GO.Rt.No.1615/98/GAD dated 4 March 1998.

(iv) Increase of Rs 4.27 lakh in Government investment in Kerala State Drugs and Pharmaceuticals Limited on transfer of drug manufacturing units attached to Directorate of Health Services to the undertaking.

II Abstract of Receipts and

SECTION A – REVENUE

Receipts		(Rupees in crore)
1	Revenue receipts	
	(i) Tax revenue	4501.05
	(ii) Non-tax revenue	552.11
	(iii) State's share of Union Taxes and duties	1271.74
	(iv) Non-Plan grants	377.61
	(v) Grants for State Plan Schemes	167.31
	(vi) Grants for Central Plan and Centrally Sponsored Plan Schemes	201.70
	(vii) Grants for special Plan schemes	46.69
2	Revenue deficit carried to Section B	1122.91
	Total	8241.12

Disbursements for 1997-98

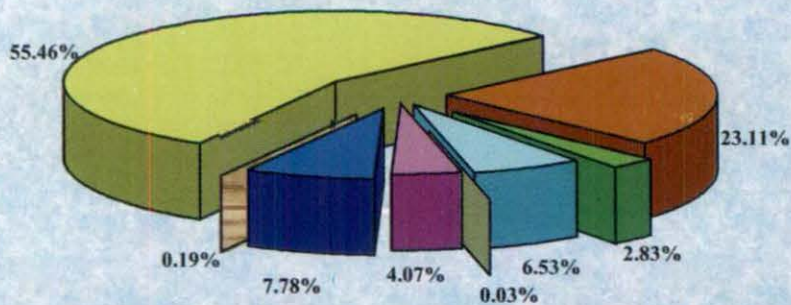
Disbursements		Non-Plan	Plan	Total
		(Rupees in crore)		
1	Revenue expenditure			
	(i) General Services	3078.29	2.81	3081.10
	(ii) Social Services	2456.31	627.05	3083.36
	(iii) Agriculture and Allied Activities	404.14	224.88	629.02
	(iv) Rural Development	72.16	730.21	802.37
	(v) Special Areas Programmes	-	9.88	9.88
	(vi) Irrigation and Flood Control	62.68	48.28	110.96
	(vii) Energy	0.04	26.17	26.21
	(viii) Industry and Minerals	29.44	79.41	108.85
	(ix) Transport	180.93	4.02	184.95
	(x) Science, Technology and Environment	1.46	9.10	10.56
	(xi) General Economic Services	40.27	24.83	65.10
	(xii) Grants-in-aid and Contributions	128.76	-	128.76
	Total	6454.48	1786.64	8241.12

SECTION B - OTHERS

	Receipts	(Rupees in crore)
1	Opening cash balance including permanent advance and cash balance investment	526.16
2	Miscellaneous Capital receipts	5.90
3	Recoveries of loans and advances	36.27
	(i) From Power Projects	--
	(ii) From Government Servants	20.71
	(iii) From others	15.56
4	Public Debt receipts	1514.96
	(i) Internal debt other than ways and means advances	674.40
	(ii) Ways and means advances excluding overdraft	273.41
	(iii) Loans and advances from Central Government	567.15
5	Contingency Fund	35.28
6	Public Account receipts	10803.31
	(i) Small savings, Provident funds, etc.	3415.55
	(ii) Reserve Funds	65.38
	(iii) Deposits and advances	2958.51
	(iv) Suspense and Miscellaneous	1905.70
	(v) Remittances	2458.16
7	Closing overdraft from Reserve Bank of India	--
	Total	12921.88

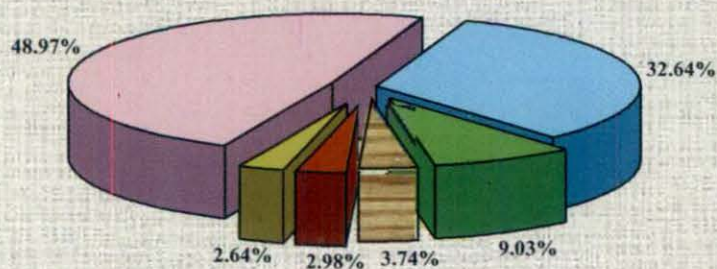
Disbursements		(Rupees in crore)
1	Opening Overdraft from Reserve Bank of India	..
2	Capital Outlay	738.87
	(i) General Services	54.02
	(ii) Social Services	79.12
	(iii) Agriculture and Allied Activities	59.17
	(iv) Irrigation and Flood Control	188.29
	(v) Energy	0.28
	(vi) Industry and Minerals	105.83
	(vii) Transport	228.75
	(viii) General Economic Services	23.41
3	Loans and advances disbursed	588.35
	(i) For Power Projects	236.05
	(ii) To Government Servants	39.89
	(iii) To others	312.41
4	Revenue deficit brought down	1122.91
5	Repayment of Public Debt	522.72
	(i) Internal debt other than ways and means advances	60.13
	(ii) Ways and means advances excluding overdraft	273.41
	(iii) Repayment of loans and advances to Central Government	189.18
6	Appropriation to Contingency Fund	25.00
7	Contingency Fund	0.32
8	Public Account disbursements	9683.31
	(i) Small savings, Provident funds, etc.	2960.57
	(ii) Reserve Funds	59.10
	(iii) Deposits and advances	2304.39
	(iv) Suspense and Miscellaneous	1922.31
	(v) Remittances	2436.94
9	Cash balance at end	240.40
	(i) Cash in treasuries, Deposits with RBI and other banks and Remittances in transit	127.88
	(ii) Departmental cash balance including permanent advances	2.01
	(iii) Cash balance investment	110.51
		12921.88

RECEIPTS - Rs 19478.65 crore



- Tax Revenue (Rs 4501.05 crore)
- Non-Tax Revenue (Rs 552.11 crore)
- Share of Union Taxes and Duties (Rs 1271.74 crore)
- Miscellaneous Capital Receipts (Rs 5.90 crore)
- Central Grants (Rs 793.31 crore)
- Public Debt (Rs 1514.96 crore)
- Recoveries of Loans and Advances (Rs 36.27 crore)
- Public Account (Rs 10803.31 crore)

DISBURSEMENTS - Rs 19774.37 crore



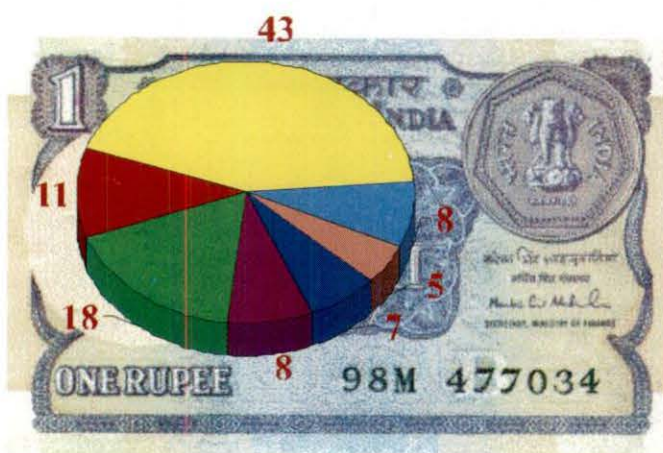
- Revenue Expenditure - Non-Plan (Rs 6454.48 crore)
- Revenue Expenditure - Plan (Rs 1786.64 crore)
- Capital Outlay (Rs 738.87 crore)
- Loans and Advances (Rs 588.35 crore)
- Public Debt Repayment (Rs 522.72 crore)
- Public Account (Rs 9683.31 crore)

III. Sources and Application of funds during 1997-98

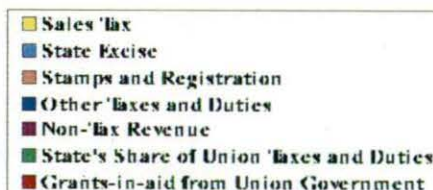
Sl. No.	Sources	(Rupees in crore)	Sl. No.	Application	(Rupees in crore)
1	Revenue receipts	7118.21	1	Revenue expenditure	8241.12
2	Capital receipts	5.90	2	Capital expenditure	738.87
3	Recoveries of Loans and Advances	36.27	3	Lending for development and other purposes	588.35
4	Increase in Public Debt	992.24	4	Appropriation to contingency fund	25.00
5	Net receipts from Public Account	1120.00	5	Decrease in cash balance including permanent advances, departmental cash balance and cash balance investment	(-) 285.76
	(i) Increase in Small Savings, Provident Funds etc.	454.98			
	(ii) Decrease in Reserve Funds	6.29			
	(iii) Increase in Deposits and Advances	654.13			
	(iv) Effect of Suspense Balance	(-) 16.62			
	(v) Effect of Remittance Balance	21.22			
6	Net effect from Contingency Fund transactions	34.96			
Total		9307.58			9307.58

Based on these statements and supporting data, the following paragraphs in this chapter present an analysis of the management of the finances of the State Government during 1997-98, relating it to the position prevalent in the preceding four years.

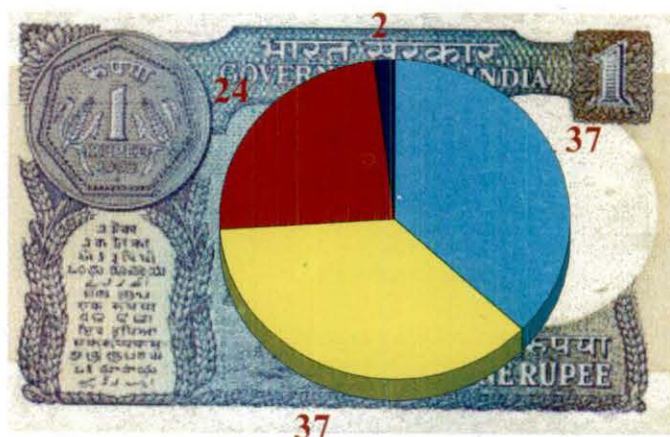
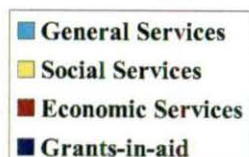
Revenue receipts/expenditure



From where each rupee comes
(Figures in paisa)



Where each rupee goes
(Figures in paisa)



1.3.1. Financial position of the State

(i) During 1997-98, revenue receipts of the State Government were Rs 7118.21 crore against which revenue expenditure was Rs 8241.12 crore, thus resulting in a revenue deficit of Rs 1122.91 crore constituting 15.78 per cent of revenue receipts.

(ii) The revenue receipts of the State Government comprised of tax revenue (Rs 4501.05 crore), non-tax revenue (Rs 552.11 crore), State's share of Union taxes and duties (Rs 1271.74 crore) and grants-in-aid from the Union Government (Rs 793.31 crore). The main sources of tax revenue were sales tax (69 per cent), state excise (12 per cent) and stamps and registration (7 per cent) and taxes on vehicles (7 per cent) while non-tax revenue came mainly from sale of timber and other forest produce (25 per cent) and State lotteries (19 per cent).

(iii) The revenue expenditure of Rs 8241.12 crore was incurred on General Services - Rs 3081.10 crore (37 per cent), Social Services - Rs 3083.36 crore

(37 *per cent*), Economic Services - Rs 1947.90 crore (24 *per cent*) and Grants-in-aid and contributions Rs 128.76 crore (2 *per cent*).

(iv) The capital expenditure was Rs 738.87 crore and its sector-wise application was for General Services Rs 54.01 crore (7 *per cent*), Social Services Rs 79.12 crore (11 *per cent*) and Economic Services Rs 605.74 crore (82 *per cent*).

(v) The Public Debt of the State Government increased by Rs 992.24 crore during 1997-98 thereby swelling the burden of interest payment and servicing of debt. The interest payments (Rs 1286.09 crore) constituted 15.61 *per cent* of revenue expenditure (Rs 8241.12 crore).

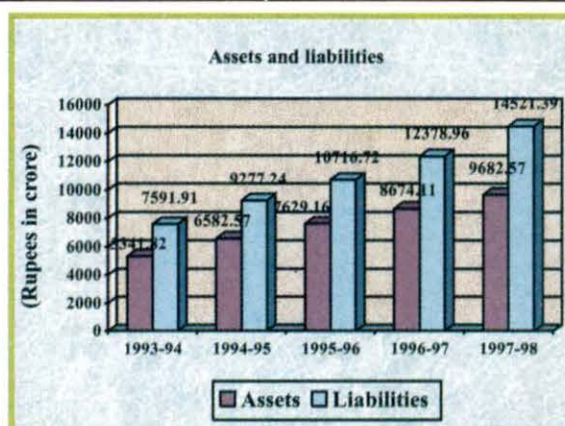
(vi) The present financial position of the State Government is characterised by widening revenue gap, large absorption of resources by non-Plan expenditure, negligible returns from State public undertakings, mounting public debt and heavy debt servicing as analysed in the succeeding paragraphs.

1.3.2. Assets and Liabilities of the State Government

The assets comprising capital investments, loans and advances, etc. and the total liabilities of the State Government during the last five years were as under:

Year	Assets	Liabilities	Excess liabilities over assets	As a percentage of total assets
	(Rupees in crore)			
1993-94	5341.82	7591.91	2250.09	42
1994-95	6582.57	9277.24	2694.67	41
1995-96	7629.16	10716.72	3087.56	40
1996-97	8674.11	12378.96	3704.85	43
1997-98	9682.57	14521.39	4838.82	50

While the assets had grown by 81 *per cent* during 1993-98, the liabilities had grown by 91 *per cent*. At the end of 1993-94, the liabilities were in excess of the assets by Rs 2250.09 crore; the gap had increased to Rs 4838.82 crore in 1997-98. There was steep increase in the excess of liabilities over assets during the last 2 years i.e. from Rs 3087.56 crore in 1995-96 to Rs 4838.82 crore during 1997-98.



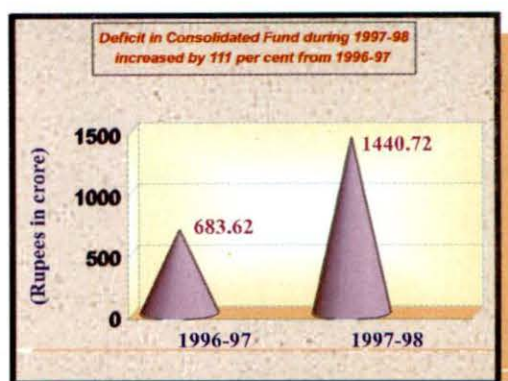
1.3.3. Consolidated Fund

The receipts and expenditure under the Consolidated Fund of the State for 1997-98 and the previous financial year were as under:

(Rupees in crore)

Receipts			Expenditure		
1996-97		1997-98	1996-97		1997-98
Revenue Account					
6145.08	Revenue Receipts	7118.21	6788.11	Revenue Expenditure	8241.12
643.03	Revenue Deficit	1122.91	--	--	--
6788.11	Total	8241.12	6788.11	Total	8241.12
Capital Account					
--	Miscellaneous Capital Receipts	5.90	622.52	Capital Expenditure	738.87
64.10	Recoveries of Loans and Advances	36.27	341.03	Loans and Advances disbursed	588.35
1162.96	Receipts booked as Public Debt	1514.96	304.10	Repayment of Public Debt	522.72
--	--	--	--	Appropriation to Contingency Fund	25.00
40.59	Capital Deficit	317.81	--	Capital Surplus	--
1207.65	Total	1874.94	1267.65	Total	1874.94
683.62	Deficit in Consolidated Fund	1440.72	--	--	--

Receipts in the Consolidated Fund of the State increased from Rs 5694.70 crore in 1993-94 to Rs 8675.34 crore in 1997-98 which constituted an increase of 52 *per cent*. The receipts actually garnered in 1997-98 exceeded the Budget Estimate by Rs 137.44 crore. The expenditure in the Consolidated Fund



increased from Rs 6196.13 crore in 1993-94 to Rs 10116.06 in 1997-98 registering an increase of 63 *per cent*. The expenditure for 1997-98 fell short of Budget Estimate by Rs 204.65 crore. The net deficit in the Consolidated Fund of the State shot up to Rs 1440.72 crore in 1997-98 registering an increase of 111 *per cent* compared to the deficit of Rs 683.62 crore in the previous year. The net deficit anticipated in the Budget for 1997-98 was Rs 782.80 crore against which the actual net deficit amounted to Rs 1440.72 crore. Though it was estimated in the Budget that there would be capital surplus of Rs 459.51 crore, there was actually capital deficit amounting to Rs 317.81 crore. This was mainly due to shortfall of receipts under borrowings (Rs 434 crore) and excess expenditure under loan disbursements (Rs 256 crore).

1.4. Revenue receipts

1.4.1. Trend of revenue receipts

The trend of revenue receipts during the five years 1993-1998 was as under:

Year	Budget Estimates	Revised Estimates	Actuals		Percentage of increase over previous year
			Revenue receipts	Increase over the previous year	
			(Rupees in crore)		
1993-94	3688.59	3951.33	3921.75	603.02	18
1994-95	4216.96	4489.54	4666.42	744.67	19
1995-96	4928.69	5405.96	5423.56	757.14	16
1996-97	6004.08	6465.25	6145.08	721.52	13
1997-98	7553.36	7628.99	7118.21	973.13	16

Revenue receipts increased from Rs 3921.75 crore in 1993-94 to Rs 7118.21 crore in 1997-98 registering a growth of 82 *per cent* in 4 years. The annual growth of 16 *per cent* was an increase of 3 *per cent* over the preceding year's growth. Compared to the trend of actual revenue receipts exceeding the budget estimates during the past 4 years, there was substantial short-fall in revenue receipts during 1997-98 by Rs 435.15 crore compared to the budget estimate.

1.4.2. Tax revenue

The growth of tax revenue raised by Government in the last five years 1993-1998 was as under:

Year	Budget Estimates (Rupees in crore)	Actuals	Percentage growth over previous year	Percentage of tax revenue to total revenue receipts
1993-94	2371.02	2344.86	24	60
1994-95	2763.07	2799.10	19	60
1995-96	3210.91	3382.68	21	62
1996-97	4044.33	3898.50	15	63
1997-98	4727.98	4501.05	15	63

Tax revenue mobilised fell short of Budget estimates except during 1994-95 and 1995-96. Though tax revenue garnered in 1997-98 increased by Rs 602.55 crore compared to that in 1996-97, the annual growth remained stagnant at 15 *per cent*. The sources which contributed substantially higher revenue compared to 1996-97, were Taxes on sales, trades, etc. (Rs 311.80 crore), Taxes on vehicles (Rs 54.04 crore), Electricity duty (Rs 121.81 crore) and State excise (Rs 124.88 crore). There was a drop of Rs 28.94 crore under stamps and registration fees.

1.4.3. Non - tax revenue

The growth of non-tax revenue in the last five years 1993-98 was as under:

Year	Budget Estimates (Rupees in crore)	Actuals	Percentage growth over previous year	Percentage of non-tax revenue to total revenue receipts
1993-94	275.44	322.93	16	8
1994-95	287.54	396.35	23	8
1995-96	372.49	535.49	35	10
1996-97	489.60	513.80	(-) 4	8
1997-98	546.35	552.11	7	8

Non-tax revenue showed an increase of 7 *per cent* (Rs 38.31 crore) during 1997-98 over previous year. The share of non-tax revenue in the total revenue receipts was 8 *per cent* throughout the five year period except in 1995-96 (10 *per cent*). Increase during the year was mainly under Guarantee fees (Rs 17.96 crore) Election receipts (Rs 6.76 crore) and receipts of Medical department (Rs 10.21 crore). Forest receipts however declined by Rs 17.09 crore.

1.4.4. State's share of Union taxes and duties and grants-in-aid from the Central Government

The quantum of State's share of Union taxes (Income Tax and Union Excise Duties) and Central grants received during the last 5 years was as under:

Year	State's share of Union taxes	Central grants	Total	Percentage of total to	
	(Rupees in crore)			revenue receipts	revenue expenditure
1993-94	751.18	502.78	1253.96	32	29
1994-95	838.42	632.55	1470.97	32	29
1995-96	1036.96	468.43	1505.39	28	26
1996-97	1242.65	490.13	1732.78	28	26
1997-98	1271.74	793.31	2065.05	29	25

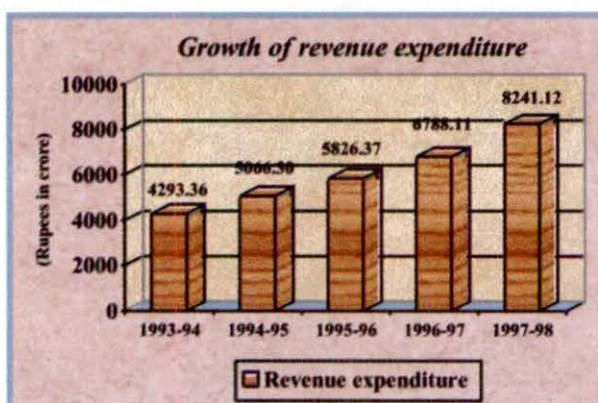
The receipts from Government of India during 1997-98 was higher by Rs 332.27 crore compared to that in 1996-97. The increase was mainly due to the receipt of Rs 294.27 crore as non-plan grant under the Voluntary Disclosure of Income Scheme 1997. Despite this, the Central assistance fell short of the Budget estimate by Rs 213.98 crore. In relation to the total revenue, the proportion of receipts from Government of India dipped from 32 *per cent* in 1993-94 to 29 *per cent* in 1997-98.

1.5. Revenue expenditure

1.5.1. Growth of revenue expenditure

Trend of revenue expenditure of the State (both Plan and Non-Plan) during the 5 year period ended 1997-98 was as under:

Year	Budget estimates	Actuals			Increase(+)/ decrease(-) over the previous year	Gross State Domestic Product (GSDP) at current prices [*]	As a percentage of GSDP
		Plan	Non- Plan	Total			
		(Rupees in crore)					
1993-94	4306.74	630.23	3663.13	4293.36	(+) 637.23	22516.42	19.07
1994-95	5241.78	761.35	4304.95	5066.30	(+) 772.94	26992.10	18.77
1995-96	5777.19	920.17	4906.20	5826.37	(+) 760.07	32035.66	18.19
1996-97	7146.69	1233.09	5555.02	6788.11	(+) 961.74	37136.06**	18.28
1997-98	8795.67	1786.64	6454.48	8241.12	(+)1453.01	43432.65***	18.97



The total revenue expenditure (both Plan and non-Plan) increased from Rs 4293.36 crore in 1993-94 to Rs 8241.12 crore in 1997-98, the increase being 92 per cent. The growth percentage in 1997-98 was 21 compared to the revenue expenditure incurred in 1996-97. In relation to Gross State Domestic

Product, total revenue expenditure hovered around 18 to 19 per cent during the 5 years.

1.5.2. Phenomenal growth in non-Plan revenue expenditure

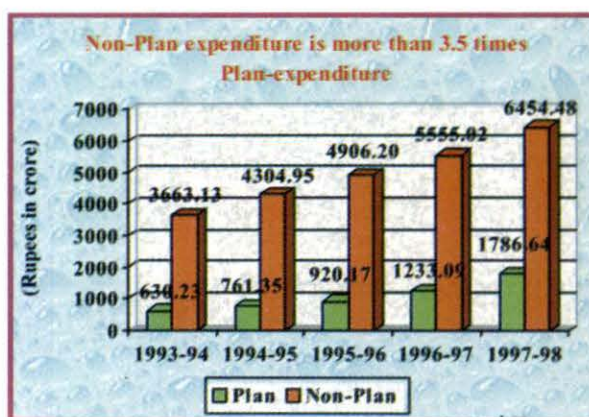
(i) Non-Plan revenue expenditure constituted a major slice of the total revenue expenditure during the 5 years 1993-98 and ranged between 78 and 85 per cent.

* Source: Directorate of Economics and Statistics, Thiruvananthapuram

** Provisional

*** Quick estimates

(ii) The increase in non-Plan expenditure in 1997-98 was Rs 899 crore, an increase of 16 *per cent* in relation to 1996-97. The growth of non-Plan expenditure in the following sub-sectors during the period 1993-98 was pronounced:



Sl. No.	Sector/Sub sector	1993-94	1997-98	Percentage of increase
		(Rupees in crore)		
1	Organs of State	46.30	98.28	112
2	Interest payments	687.16	1286.09	87
3	Pensions and Miscellaneous General Services	523.53	1018.21	94
4	Labour and Labour Welfare	35.48	102.02	188
5	Agriculture and Allied activities	158.69	404.14	155
6	Rural Development	35.85	72.16	101
7	Grants-in-aid and contribution	59.95	128.76	115

Large part of the revenue (non-plan) expenditure (Rs 6454 crore) is accounted for by interest payment (Rs 1286 crore) and pension (Rs 913 crore). Out of the remaining amount, staff cost accounted for approximately to Rs 1920* crore (excluding payment of DA arrears) which constituted 30 *per cent* of the total non-plan revenue expenditure.

Since the non-Plan expenditure (Rs 6454 crore) exceeded the revenue (both tax and non-tax) raised by the State (Rs 5053 crore) and non-Plan grants (Rs 378 crore) received from Government of India, assignments of State's share of Income Tax (Rs 524 crore) and Union Excise Duties (Rs 748 crore) were used mostly to cover the balance non-Plan expenditure. Further, only Rs 664 crore was available from the revenue receipts for meeting the plan revenue expenditure (Rs 1787 crore).

* Based on compilation of salary expenditure from the paid vouchers by the office of the Accountant General (A&E). Approximately Rs 1747 crore was spent on salaries for 1996-97. This amount has been increased by 10 *per cent* assuming it to be the normal growth to arrive at the figure of 1997-98.

1.5.3. Trend of Sectoral revenue expenditure

The sectoral classification in the government accounts, broadly indicates the expenditure on the group of specific functions and services. The trend in sectoral expenditure is shown in the following table.

(Rupees in crore)

Sector	1993-94	1994-95	1995-96	1996-97	1997-98
A- General Services					
Plan	0.08	0.61	0.81	1.35	2.81
Non-Plan	1647.36	1985.09	2338.28	2622.50	3078.29
Total	1647.44	1985.70	2339.09	2623.85	3081.10
As a percentage of Gross SDP	7.3	7.4	7.8	7.9	7.1
B – Social Services					
Plan	206.78	260.44	335.27	549.73	627.05
Non-Plan	1569.77	1822.10	1975.24	2141.35	2456.31
Total	1776.55	2082.54	2310.51	2691.08	3083.36
As a percentage of Gross SDP	7.9	7.7	7.7	8.1	7.1
C – Economic Services					
Plan	423.37	500.29	584.10	682.02	1156.76
Non-Plan	386.05	432.54	517.55	674.86	791.13
Total	809.42	932.83	1101.65	1356.88	1947.89
As a percentage of Gross SDP	3.6	3.5	3.7	4.1	4.5

1.5.4. Interest payments

Trend of interest payments during the last five years was as under:

(Rupees in crore)

Year	Interest paid on				Total	Percentage of interest payments with reference to Tax Revenue raised by Government
	Internal debt	Loans received from Government of India	Small Savings, Provident Funds, etc.	Others		
1993-94	180.90	278.16	228.02	0.08	687.16	29
1994-95	216.41	330.70	272.48	0.08	819.67	29
1995-96	253.64	418.07	252.36	0.09	924.16	27
1996-97	318.08	494.16	291.06	0.11	1103.41	28
1997-98	388.50	550.71	346.76	0.12	1286.09	29

The interest payments constituted 15.6 *per cent* of revenue expenditure in 1997-98 as against 16.3 *per cent* in the previous year. Compared to the growth in Revenue expenditure by Rs 3947.76 crore from 1993-94 to 1997-98 (92 *per cent*) the interest payments increased by Rs 598.93 crore (87 *per cent*).

The interest paid on Internal Debt increased by 115 *per cent* during the 5 year period 1993-98. Similarly interest paid on Central loans and advances increased by 98 *per cent*. The interest paid on Public Debt constituted 73 *per cent* of the total interest payments in 1997-98 as compared to 67 *per cent* in 1993-94.

1.5.5. Financial assistance to local bodies and others

The quantum of assistance paid to local bodies, etc., jumped from Rs 1197.18 crore in 1993-94 to Rs 2529.92 crore in 1997-98 - an increase of 111 *per cent*. The out-flow of funds in the form of grant-in-aid during 1997-98 constituted 31 *per cent* of the revenue expenditure mainly explained by grant-in-aid paid to Panchayat Raj institutions, viz. District panchayats, Block panchayats, Village panchayats, Corporations and Municipalities during 1997-98 (Rs 1143.45 crore). Grant-in-aid to aided educational institutions and 6 Universities in 1997-98 (Rs 1058.19 crore), was another significant factor. The proportion of the assistance to the revenue receipts and revenue expenditure are shown below:

(Rupees in crore)						
Sl. No.	Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
1	Assistance paid	1197.18	1399.99	1536.58	1994.32	2529.92
2	Revenue raised by the State	2667.79	3195.45	3918.17	4412.30	4501.05
3	Percentage of assistance to revenue raised by the State	45	44	39	45	57
4	Revenue expenditure	4293.36	5066.30	5826.37	6788.11	8241.12
5	Percentage of assistance to revenue expenditure	28	28	26	29	31

1.5.6. Loans and advances by State Government

The State Government had been advancing loans to Government companies, corporations, autonomous bodies, co-operatives, non-Government institutions, etc., for developmental and non-developmental activities. The position of such loans for the five years was as under:

	1993-94	1994-95	1995-96	1996-97	1997-98
	(Rupees in crore)				
Opening Balance	1189.15*	1378.53*	1637.47*	1973.16*	2248.97*
Add: Amount advanced during the year	233.95	288.47	368.11	341.03	588.35
Less : Amount repaid by the beneficiaries during the year	33.44	25.71	31.74	64.10	36.27
Closing Balance	1389.66	1641.29	1973.84	2250.09	2801.05
Net addition	200.51	262.76	336.37	276.93	552.08
Interest received and credited to revenue	11.55	19.15	46.91	17.26	18.42
Net receipt from long term borrowings	589.75	956.47	919.16	858.86	992.24

1.5.7. Recoveries in arrears

In respect of loans and advances the detailed accounts of which were maintained by the Accountant General (Accounts and Entitlement) an amount of Rs 1074.64 crore towards principal and interest was in arrears as on 31 March 1998 as shown below:

* Differs with the closing balance of the previous year due to *pro forma* corrections carried out during the respective years.

Sl. No.	Name of Institution	Principal	Interest
		(Rupees in crore)	
1	Kerala State Electricity Board (KSEB)	201.74	532.83
2	Kerala State Road Transport Corporation (KSRTC)	41.40	40.60
3	Kerala Water Authority (KWA)	106.95	130.00
4	Kerala State Housing Board	3.96	2.99
5	Development Authorities	4.62	5.07
6	Other institutions	1.69	2.79
	Total	360.36*	714.28*

The terms and conditions for loans amounting to Rs 753.39 crore granted to KSEB, KSRTC and KWA granted between 1991-92 and 1997-98 have not been prescribed by Government (November 1998). The total outstanding loans against these institutions as on 31 March 1998 was Rs 1570.78 crore. The terms and conditions have not been prescribed for 48 *per cent* of the loans. In the absence of terms and conditions, the loanee is not bound to make any payment towards principal or interest.

According to the orders issued by Government in March 1961, each Head of the Department should intimate to the Accountant General every year by 15 July, the arrears (as on 31 March preceding) in recovery of principal and interest on loans, the detailed accounts of which are maintained by the departmental officers. Of the 40 departmental officers from whom statements were to be received for the year 1997-98, only 4** departmental officers had furnished the statements as of November.

The defaulters include 10 institutions which were listed as profit making enterprises by the Bureau of Public Enterprises.

* This does not include arrears in respect of loans for which terms and conditions have not been fixed by Government/Sanctioning authority.

** Agriculture department, Agriculture (Dairy Development), Industries Department, Ports Department

1.6. Capital expenditure

1.6.1. Assets are created out of capital expenditure. In addition, financial assets arise from moneys invested in institutions or undertakings outside Government (i.e. public sector undertakings, corporations, etc.) and loans and advances. The trend in capital expenditure for the last 5 years was as under :

(Rupees in crore)

Year	Provision			Actuals of capital expenditure			Shortfall in expenditure	Per-centage of varia-tion	Percentage of increase (+) / decrease(-) over the previous year
	Original budget estimates (Net)	Supple-mentary	Total	Non-Plan	Plan	Total			
1993-94	376.22	30.10	406.32	0.09	363.24	363.33	42.99	11	(+) 30
1994-95	435.27	54.36	489.63	4.36	441.65	446.01	43.62	9	(+) 23
1995-96	500.40	136.24	636.64	1.82	561.65	563.47	73.17	11	(+) 26
1996-97	684.85	33.72	718.57	(-) 2.14*	624.66	622.52	96.05	13	(+) 10
1997-98	654.00	177.35	831.35	(-) 10.76*	749.63	738.87	92.48	11	(+) 19

The capital expenditure during 1997-98 was Rs 738.87 crore against the net budget estimates (including supplementary) of Rs 831.35 crore, the shortfall in expenditure being Rs 92.48 crore (11 *per cent*). The important functions/programmes where substantial shortfalls occurred and the main reasons wherever furnished by Government, are given in Chapter II of this Report. The capital expenditure constituted 1.7 *per cent* of the Gross SDP in 1997-98.

1.6.2 Sectoral analysis of Capital expenditure

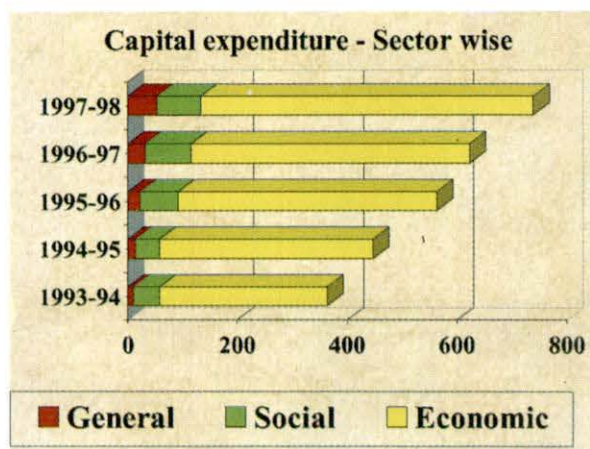
A sectoral distribution of the capital expenditure during the last 5 years is indicated below :

(Rupees in crore)

Year	General services		Social services		Economic services		Total	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
1993-94	10.75	..	47.10	0.54	305.39	(-)0.45	363.24	0.09
1994-95	14.20	..	42.60	1.69	384.85	2.67	441.65	4.36
1995-96	23.44	..	68.66	0.36	469.55	1.46	561.65	1.82
1996-97	32.03	0.21	81.05	2.27	511.58	(-)4.62	624.66	(-)2.14
1997-98	50.89	3.12	79.49	(-) 0.37	619.25	(-) 13.51	749.63	(-)10.76

* Minus expenditure was mainly due to 'receipts and recoveries on Capital Account' being more than the outgo of funds during the year

Sectoral allocation of capital expenditure on General services increased from 3 per cent to 7 per cent during 1993-98, that on Social and Economic services declined by 2 per cent. Compared to 1996-97, major items* of capital expenditure were Public Works (Rs 48.95 crore), Major and Medium Irrigation (Rs 148.49 crore), Industries and Minerals (Rs 57.46 crore) and Roads and Bridges (Rs 182.91 crore).



Significant shortfall in capital expenditure over previous year occurred under Animal Husbandry, Flood control projects and Village and small industries during 1997-98.

1.6.3. Investment and returns

In 1997-98, Government invested Rs 193.30 crore in share capital of statutory corporations (Rs 36.25 crore), Government companies (Rs 117.40 crore), joint stock companies (Rs 0.62 crore) and co-operative banks and societies (Rs 39.03 crore).

The investment of the Government in the share capital of different concerns at the end of each year from 1993-94 to 1997-98 and the return in the form of interest/dividends were as under :

Year	Investments	Return on investment	Percentage
	(Rupees in crore)		
1993-94	851.00	3.91	0.46
1994-95	970.76	4.54	0.47
1995-96	1111.28	5.78	0.52
1996-97	1256.94	3.90	0.31
1997-98	1459.51	5.89**	0.40

The total investment increased by Rs 609 crore (72 per cent) during the period 1993-98. The negligible return on investment during the period 1993-98, ranging between 0.31 per cent and 0.52 per cent of the total investment up to the end of

* Above Rs 40 crore in each case.

** Excludes Rs 0.03 crore which could not be apportioned to the respective institutions for want of details.

the respective years was much lower than the average rate of interest of 12.97 *per cent* paid by Government on market borrowings.

No dividend or interest was received from statutory corporations during 1993-94 to 1997-98. The share of dividends received from Government companies, joint stock companies and co-operative institutions is indicated below:

(Rupees in crore)

Nature of concerns	1993-94	1994-95	1995-96	1996-97	1997-98
Government Companies	2.84	3.69	4.63	2.88	4.45
Other Joint Stock Companies	0.48	0.54	0.52	0.51	0.56
Co-operative Banks and Societies	0.59	0.31	0.63	0.51	0.88

Return on investment in Government companies was 0.48 *per cent* while that from investment in Other Joint Stock Companies was 7.9 *per cent*. Return on investment in co-operative institutions was 0.29 *per cent*. Of Rs 4.45 crore received as dividend from Government companies, Rs 1.09 crore was from two Government of India companies (FACT and Cochin Refineries Limited) where state Government had invested Rs 5.68 crore.

1.6.4. Investment in undertakings working on loss

The accumulated loss of 52 Government companies and 3 statutory corporations in which Government had invested Rs 510.89 crore up to 31 March 1998 was Rs 1071.80 crore as disclosed in the accounts rendered by them for various years from 1984-85 to 1997-98. Of this 53 per cent of the loss amounting to Rs 571 crore was sustained by one statutory corporation (Kerala State Road Transport Corporation – Rs 322 crore upto 1996-97) and two Government companies (Kerala State Cashew Development Corporation Limited – Rs 206 crore upto 1997-98 and Kerala State Civil Supplies Corporation – Rs 43 crore upto 1991-92).

Six companies were under liquidation. The accumulated loss in one statutory corporation and 29 Government companies has completely wiped out the investments made by Government. The details are given in Appendix - 1.

1.6.5. Negative return from Irrigation Projects

Total revenue received from the eight major irrigation works during 1997-98 was Rs 4.54 crore as against the cumulative expenditure of Rs 119.87 crore. Net loss in these projects was 12.50 *per cent* of the cumulative outlay as of March 1998 (vide Statement No.3 of Finance Accounts of Government of Kerala 1997-98).

1.7. Deficit

1.7.1. Revenue deficit

The revenue deficit is the excess of revenue expenditure over the revenue receipts. The recurrence of widening revenue gap during the last 5 years is depicted in the table below:

Year	Revenue			Percentage of actual deficit to revenue receipts	As a percentage of Gross State Domestic Product
	Receipts	Expenditure	Deficit		
	(Rupees in crore)				
1993-94	3921.75	4293.36	371.61	9.5	1.65
1994-95	4666.42	5066.30	399.88	8.6	1.48
1995-96	5423.56	5826.37	402.81	7.4	1.34
1996-97	6145.08	6788.11	643.03	10.5	1.93
1997-98	7118.21	8241.12	1122.91	15.8	2.59

The revenue deficit anticipated in the Budget estimate and revised Budget estimate *vis-a-vis* the actuals are indicated below:

Year	Revenue deficit (Rupees in crore)			Percentage of over projection vis-à-vis previous year's actuals
	Budget estimates	Revised estimates	Actuals	
1993-94	618.17	466.68	371.61	76
1994-95	833.37	694.32	399.88	124
1995-96	848.50	820.47	402.81	112
1996-97	1142.61	1007.06	643.03	184
1997-98	1242.31	1574.88	1122.91	93

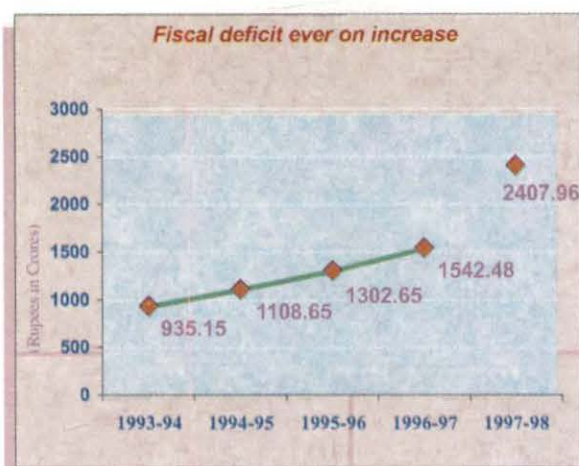
1.7.2. Fiscal deficit

Fiscal deficit is defined as the excess of expenditure (both revenue and capital) including net loans paid over revenue receipts (including grants-in-aid received) and certain non-debt capital receipts. Since ideally the capital expenditure of the Government should be financed from the revenue surplus, fiscal deficit provides a

measure of macro economic imbalance. The fiscal deficit for the last five years was as follows:

(Rupees in crore)

Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
Revenue Expenditure	4293.36	5066.30	5826.37	6788.11	8241.12
Capital Expenditure	363.33	446.01	563.47	622.52	738.87
Loans and Advances (Net)	200.51	262.76	336.37	276.93	552.08
Total Expenditure	4857.20	5775.07	6726.21	7687.56	9532.07
Revenue Receipts	3921.75	4666.42	5423.56	6145.08	7118.21
Capital receipts	0.30	5.90
Fiscal Deficit	935.15	1108.65	1302.65	1542.48	2407.96
As a percentage of Gross SDP	4.15	4.11	4.34	4.62	5.54



The fiscal deficit, in absolute terms, increased from Rs 935 crore in 1993-94 to Rs 2408 crore in 1997-98, registering an increase of 158 per cent. Increase in fiscal deficit during 1997-98 was 56 per cent whereas the increase during the previous year was only 18 per cent. This huge increase during 1997-98 was mainly attributable to steep increase in the revenue deficit.

Fiscal deficit as a percentage of Gross State Domestic product increased from 4.15 per cent in 1993-94 to 5.54 per cent in 1997-98.

This fiscal deficit of Rs 2408 crore was financed mainly through the following sources after adjustments by the net effects of suspense balances, remittance balance and transactions in Reserve Funds.

Sources	Amount (Rupees in crore)
Public debt (net)	992
Public Accounts (net)	1120
Cash balance	286
Contingency fund	10
TOTAL	2408

1.7.3. Impact of fiscal deficit

The persistence of fiscal deficit resulted in increase in Public Debt from Rs 4849 crore to Rs 8576 crore during the 5 years in 1993-98, pushing up the interest burden from Rs 459 crore in 1993-94 to Rs 939 crore in 1997-98.

1.8. Debt burden of Government

1.8.1. Public Debt

Public Debt, which comprises of internal debt and loans and advances from Government of India, has vital links with all aspects of public finance, taxation and expenditure policies, budget surplus and deficits, trade, development expenditure and economic growth.

The Constitution of India provides that a state may borrow within the territory of India, upon the security of the Consolidated Fund of the state within such limits, if any, as may from time to time be fixed by an Act of Legislature of the State. No law has been passed by the State Legislature laying down any such limit.

The growth in Public Debt during the last 5 years is analysed as under :

1.8.1(a) Internal debt

Internal debt comprises of long term loans raised in the open market and loans received from the Life Insurance Corporation of India, National Bank for Agriculture and Rural Development (NABARD) and other institutions to finance projects, schemes, etc. In addition, it also includes ways and means advance from the Reserve Bank of India and other Bonds issued by the State Government. The growth-of internal debt during 1993-98 is shown in the table below :

(Rupees in crore)

Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
Opening balance	1694.14	1734.68	2079.32	2486.28	2970.85
Addition	1143.35	509.32	427.64	623.01	947.81
Repayment of Principal	1102.81	164.68	20.68	138.44	333.54
Net addition	40.54	344.64	406.96	484.57	614.27
Closing balance	1734.68	2079.32	2486.28	2970.85	3585.12

Internal debt increased from Rs 1735 crore in 1993-94 to Rs 3585 crore in 1997-98, which represents an increase of 107 *per cent*.

The resources mobilised through market loans constituted a major source of finance for implementation of Plan Schemes. The quantum of market borrowings envisaged in the Annual Plans, fresh loans raised, repayment of previous loans effected and interest paid during the years 1993-98 are indicated below :

Year	Market borrowings proposed in plan programme	Fresh loan raised	Repayments made	Interest paid	Total
(Rupees in crore)					
1993-94	193.16	219.64	26.43	153.23	179.66
1994-95	245.61	295.61	0.20	185.59	185.79
1995-96	345.61	345.61	0.02	217.00	217.02
1996-97	380.17	380.17	*	269.53	269.53
1997-98	418.19	447.69	29.64	326.08	355.72

Debt servicing payments on market loans during 1997-98 was 79 *per cent* of the loans raised during the year compared to 71 *per cent* during the preceding year.

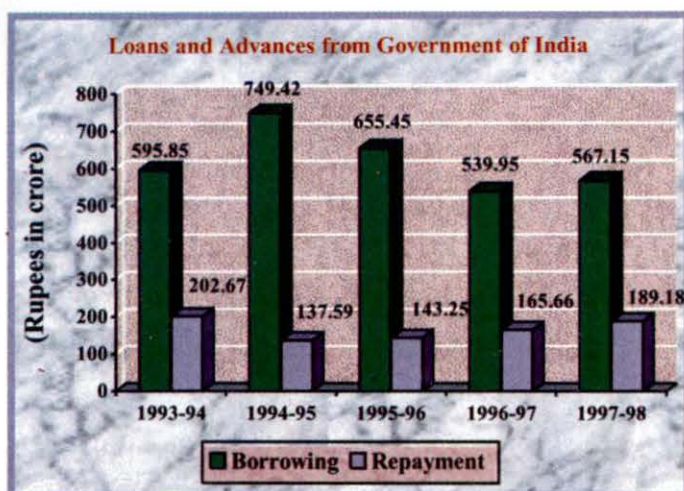
1.8.1(b) Loans and advances from Government of India

In addition to share of tax revenue, Union Government provides assistance to the State Government in the form of grants and loans. The trend of loans and advances from the Government of India for the last five years was as under :

(Rupees in crore)

Year	Opening Balance	Additions	Discharges	Closing Balance	Net addition
1993-94	2721.04	595.85	202.67	3114.22	393.18
1994-95	3114.22	749.42	137.59	3726.05	611.83
1995-96	3726.05	655.45	143.25	4238.25	512.20
1996-97	4238.25	539.95	165.66	4612.54	374.29
1997-98	4612.54	567.15	189.18	4990.51	377.97

* Negligible being Rs 14,200



The net addition of loans received from Government of India during the past 5 years was Rs 2269.47 crore. The outstanding loans (principal) which stood at Rs 3114.22 crore in 1993-94 increased to Rs 4990.51 crore in 1997-98. Total payment made to GOI during 1997-98 (Rs 740

crore) was in excess of the loans received (Rs 567 crore) by Rs 173 crore (30 per cent).

1.8.2. Other liabilities

Besides borrowing accounted for in the Consolidated Fund of the State, Small Savings, Provident Funds, Reserve Funds and Deposits (which are kept in the Public Account) add to the liabilities of the State. The balances in Public Account are carried forward annually. The trend of accretion to such liabilities during the last 5 years was as under :

(Rupees in crore)

Year	1993-94	1994-95	1995-96	1996-97	1997-98	Total
Additions	3298.42	3793.46	4122.01	4725.27	6437.05	22376.21
Disbursements	2818.09	3110.57	3589.69	3888.82	5321.83	18729.00
Net additions	480.33	682.89	532.32	836.45	1115.22	3647.21
Interest paid	228.10	272.56	252.45	291.17	346.88	1391.16
Debt obligations discharged and its percentage to additions	3046.19 92	3383.13 89	3842.14 93	4179.99 88	5668.71 88	20120.16 90

The total addition was Rs 22376 crore while the outgo amounted to Rs 18729 crore, resulting in a net receipt of Rs 3647 crore during the 5 year period 1993-98. The net addition to these liabilities ranged from Rs 480 crore in 1993-94 to Rs 1115 crore in 1997-98. The major sources which provided for the spurt in the net addition during 1997-98 were, State Provident Funds (Rs 192 crore), Small Savings (Rs 228 crore) and Deposits (Rs 654 crore). It is noteworthy that the interest obligations discharged shot up from Rs 228 crore in 1993-94 to Rs 347 crore in 1997-98. The total obligation discharged was 90 per cent of the total receipts (Rs 22376 crore) during the period 1993-98.

1.8.3. Debt Service Obligation

The State Government had not made any amortisation arrangements for market borrowings from 1975 onwards and also for repayment of loans taken from the Government of India.

The outflow of funds on account of interest payments in 1997-98 (Rs 1286.09 crore) far exceeded that in 1993-94 (Rs 687.16 crore), the growth being Rs 598.93 crore. The position is summarised in the following table.

(Rupees in crore)

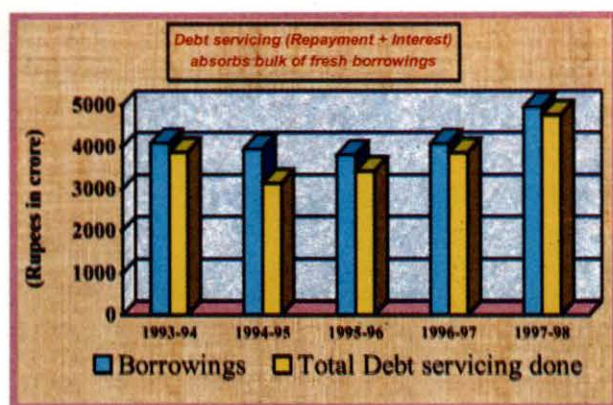
Year	Revenue expenditure	Interest payments	Interest payments as a percentage of revenue expenditure
1993-94	4293.36	687.16	16
1994-95	5066.30	819.67	16
1995-96	5826.37	924.16	16
1996-97	6788.11	1103.41	16
1997-98	8241.12	1286.09	16

Though the percentage of the interest paid to total Revenue expenditure remained static at 16 *per cent* from 1993-94 onwards, the total interest payments had increased by 87 *per cent* during the period 1993-94 to 1997-98.

The magnitude and impact of the debt servicing done during the past 5 years are indicated in the following table.

(Rupees in crore)

Year	Borrowings	Repayments effected	Interest paid	Total Debt Service	Debt Service as a percentage of borrowing
1993-94	4089.67	3188.14	687.16	3875.30	95
1994-95	3944.30	2322.09	819.67	3141.76	80
1995-96	3805.79	2513.12	924.16	3437.28	90
1996-97	4070.19	2762.82	1103.41	3866.23	95
1997-98	4930.52	3483.29	1285.97	4769.26	97



The debt servicing obligations discharged in 1997-98 increased substantially. Ninety seven *per cent* of the borrowings had to be applied for this. After amortisation of debt obligations the balance available was Rs 161.26 crore only though the total borrowings in 1997-98 amounted to Rs 4930.52 crore.

The committed liability towards debt service obligations account for a substantial part of public expenditure. Hence Government is obliged to resort to more borrowings to meet its liability in debt servicing besides raising resources to meet the expenditure.

1.8.4. Total indebtedness of State Government

The magnitude of the indebtedness of the State Government on the last day of the financial years 1993-94 to 1997-98 was as under :

(Rupees in crore)

Year	Internal Debt	GOI Loans & Advances	Small savings, Provident funds, etc.	Total indebtedness	As a percentage of Gross SDP
1993-94	1734.68	3114.22	2349.76	7198.66	31.97
1994-95	2079.32	3726.05	3015.49	8820.86	32.68
1995-96	2486.28	4238.25	3389.01	10113.54	33.66
1996-97	2970.85	4612.54	3837.52	11420.91	34.23
1997-98	3585.12	4990.51	4292.51	12868.14	29.63

The total indebtedness increased from Rs 7199 crore in 1993-94 to Rs 12868 crore in 1997-98. The total indebtedness was 29.63 *per cent* of the Gross SDP at the end of the year 1997-98 as against 34.23 *per cent* in 1996-97.

1.9. Ways and means advances and overdraft

Under an agreement with the Reserve Bank of India, the State Government has to maintain with the Bank a minimum daily cash balance of Rs 60 lakh. If the balance falls below the agreed minimum on any day, the deficiency is made good by

taking ways and means advances/overdraft from the Bank. The extent to which the Government maintained the minimum balance with the Bank during the period 1993-94 to 1997-98 is indicated below:

Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
(i) Number of days on which minimum balance was maintained:					
(a) without obtaining any advance	204	336	366	358	324
(b) by obtaining ways and means advances	108	28	Nil	5	41
(ii) Number of days on which there was shortfall from the agreed minimum balance	Nil	Nil	Nil	Nil	Nil
(iii) Number of days on which overdraft was taken	53	1	Nil	2	Nil

The position of ways and means advances, and overdraft taken by the State Government and interest paid thereon during 1993-94 to 1997-98 is detailed below:

Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
	(Rupees in crore)				
Ways and Means Advances					
(i) Advances taken during the year	465.68	128.52	Nil	108.16	273.41
(ii) Advances outstanding at the end of the year	11.94	Nil	Nil	Nil	Nil
(iii) Interest paid	1.56	0.20	Nil	0.13@	0.30
Overdraft					
(i) Overdraft taken during the year (gross)	402.91	330.07	Nil	4.46	Nil
(ii) Overdraft outstanding at the end of the year	Nil	Nil	Nil	Nil	Nil
(iii) Interest paid	0.74	0.24*	Nil	Nil	Nil

@ Includes interest on overdrafts.

* Includes Rs 24.31 lakh paid on overdrafts availed of in 1993-94

1.10. Guarantees given by the State

The position of contingent liability in the form of guarantees stood by the State Government for repayment of loans raised by statutory corporations, Government companies, local bodies, etc., and payment of interest thereon for the last 5 years was as under :

(Rupees in crore)

As on 31 March	Maximum amount guaranteed (Principal only)	Amount outstanding	
		Principal	Interest
1994	3680.76	2139.93	180.06
1995	4407.14	3086.16	142.48
1996	5167.48	1983.20	99.12
1997	5867.82	1863.49	85.48
1998	6656.89	3154.93	137.36

Details of outstanding guarantees (Principal and interest) in respect of 50 institutions (Government companies – 11, Co-operative institutions - 25, Development authorities – 8, Other institutions – 6) have not been intimated by Government. In the absence of full information, the full impact of the contingent liability arising out of the guarantees provided by the Government could not be properly assessed.

Payment of Rs 20.34 crore made by Government in discharge of guarantee liabilities upto 31 March 1998 is awaiting recovery.

During 1997-98, Government paid a sum of Rs 8.80 crore towards guarantee liability on behalf of the Kerala State Coconut Development Corporation Limited.

Five cases, where Government paid Rs 10.67 crore in discharge of guarantees invoked by the financial institutions during April 1993 – March 1998 are listed below :

Sl. No.	Name of beneficiary	Guarantee amount discharged by Government (Rupees in lakh)
1	Trivandrum District (Northern) Regional Fish Marketing Co-operative Society Limited, Anjengo	33.14
2	Kozhikode Regional Fish Marketing Co-operative Society (Puthiappa) Limited	17.16
3	Kerala Fisheries Corporation Limited	30.66
4	Kerala Soaps and Oils Limited	106.43
5	Kerala State Coconut Development Corporation Ltd.	880.00

The organisation at Sl. No. 3 above had been under liquidation from January 1984 onwards.

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

An amount of Rs 22.97 crore was received as guarantee fee during 1997-98. Out of this, Rs 15.85 crore relates to guarantee commission arrears recovered from loan payments made to Kerala State Electricity Board. However, guarantee fees aggregating to Rs 38.84 crore (in 51 cases) were pending realisation as of March 1998.

1.11. Incomplete capital works/projects

A major portion of Government's Capital expenditure is applied for providing infrastructure like Irrigation Projects, roads and bridges etc. Timely completion of the works ensures prompt accrual of intended benefits and eliminates cost over-run.

Ten irrigation projects taken up between 1961 and 1982 at an estimated cost of Rs.183.85 crore had not been completed even as of March 1998. The total expenditure already incurred on these incomplete works amounted to Rs.1235.25 crore. The estimates of these projects have since been revised to Rs.1969.48 crore; the

escalation in estimated cost ranged between 88 and 5058 *per cent* of the original estimates vide details given below:

Sl. No.	Name of Irrigation project	Year of sanction	Original Estimate	Expenditure upto March 1998	Percentage of increase in estimated cost	Percentage of expenditure to revised estimate
			Revised estimates			
			(Rupees in crore)			
1	Kallada	1961	<u>13.28</u> 685.00	542.36	5058	79
2	Kuttiady	1962	<u>4.97</u> 44.85	56.96	802	127
3	Pazhassi	1961	<u>4.42</u> 132.00	122.01	2886	92
4	Muvattupuzha	1980	<u>48.08</u> 388.00	218.69	707	56
5	Chimmony Dam	1976	<u>29.51</u> 55.47	58.45	88	105
6	Idamalayar	1981	<u>17.86</u> 107.00	68.70	499	64
7	Karapuzha	1977	<u>7.60</u> 207.50	146.84	2630	71
8	Vamanapuram	1982	<u>36.40</u> 221.40	10.27	508	*
9	Banasura Sagar	1971	<u>11.37</u> 28.26	2.35	148	*
10	Kuriarkutty - Karappara	1978	<u>10.36</u> 100.00	8.62	865	*

There were 33 other projects/works estimated to cost more than Rs 1 crore (excluding irrigation projects mentioned above) which were pending completion as of March 1998. As against the aggregated estimated cost of Rs 99.73 crore, expenditure incurred on these works amounted to Rs 96.91 crore as of March 1998. Estimate has since been revised in respect of 15 works and the revised estimates of such works exceeded original estimates by 15 *per cent* to 140 *per cent* (from Rs 57.68 crore to Rs. 97.57 crore). These incomplete works included 5 fishery projects sanctioned between 1987 and 1993, 2 anti-sea erosion works sanctioned between 1993 and 1996, 12 bridge works sanctioned between 1984 and 1995, 5 road works sanctioned between 1989 and 1994 and 9 buildings sanctioned between 1991 and 1997.

* Insignificant

1.12. Performance of Government of Kerala in financing and implementing VIII Plan (1992-97)

(i) Annual Plan size unrealistic

Based on the assumption that the State's economy would attain the annual growth rate of 5.6 per cent, an outlay of Rs 5460 crore was projected as the State Sector component of Eighth Five Year Plan. However, the Annual Plans (APs) fixed for the period 1992-93 to 1996-97 aggregated to Rs 6930.27 crore. The State Plan size was subsequently scaled down during the revised allocation stage and brought down to Rs 6672.09 crore. Even the reduced level of financial projections were unachievable and the actual expenditure was Rs 5918.86 crore. The expenditure in successive years was lower than the revised allocation as shown below:-

(Rupees in crore)

Year	Original Allocation	Revised Allocation	Actual Expenditure by Government			Percentage of actuals	
			On State Plan	State share of expenditure on CSS	Total	Col 4 Over Col 2	Col 6 Over Col 2
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1992-93	913.00	750.00	672.78	46.18	718.96	74	79
1993-94	1000.00	1019.77	816.33	43.18	859.91	82	86
1994-95	1260.60	1260.60	1084.96	58.29	1143.25	86	91
1995-96	1550.00	1563.00	1360.78	74.14	1434.92	88	93
1996-97	2207.27	2078.72	1688.89	295.12	1762.22	77	80
Total	6930.27	6672.09	5623.74	295.12	5918.86	81	85

In the first and last years of the plan, the actual expenditure fell far short of the original annual plan projections, by 21 per cent and 20 per cent. If the State's share of expenditure on Centrally sponsored schemes was excluded, the actual expenditure on State Plan would be in the range of 74 per cent to 87 per cent only. Thus, the approved and revised State Plans were over pitched.

(ii) Pattern of State's annual plans.

Projections of figures of basic assumptions for the State's contribution to the plan varied widely from the actuals as was seen during the examinations of

BCR, contribution from State Provident funds and other deposits and loans from small savings, etc., as shown below:

(Rupees in crore)

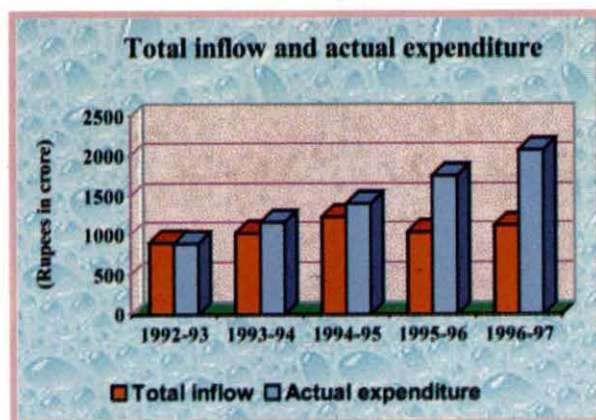
	1992-93	1993-94	1994-95	1995-96	1996-97
BCR projected in the AP proposals	(-) 861	(-) 663.99	(-) 616.77	(-) 613.22	(-) 535.51
Actuals	(-) 219.84	(-) 202.61	(-) 230.81	127.83	142.32
Net savings from PF, small savings, etc. as projected in AP proposals	333.00	382.51	418.62	432.00	473.68
Actuals	213.62	467.82	665.73	373.52	448.51
Loans against small savings as projected in AP proposals	247.00	200.00	250.00	355.00	350.00
Actuals	112.29	167.26	393.23	338.41	180.25

(iii) State Plan relied heavily on Central support

The following table indicates Central Government contribution (including market borrowing) to State Plan:

(Rupees in crore)

	1992-93	1993-94	1994-95	1995-96	1996-97
Market borrowing	215.01	219.64	295.61	345.61	380.17
Loan for State Plan	277.07	340.03	354.33	312.64	352.75
Grants for State Plan	204.83	243.01	298.51	143.30	160.75
Total inflow for State Plan	696.91	802.68	948.45	801.55	893.67
Resources for CSS and CP	212.00	231.12	295.29	249.48	242.23
Total inflow for plan	908.91	1033.80	1243.74	1051.03	1135.90
Actual plan expenditure *	901.98	1174.07	1415.98	1762.17	2088.62
State's contribution to plan expenditure (percentage)	(-) 0.77	12	12	41	46



Funding of State Plan predominantly met from Central support including the market borrowing during the first three years of plan picked up in 1995-96 to 1996-97. Even then, the actual State expenditure fell far short of the original plan outlays as shown in the above table.

* Included State expenditure on CSS and also loans advanced for Plan Schemes

(iv) Centrally sponsored schemes (CSS)

Centrally Sponsored schemes are financed both by the Centre and the State. The proportion of expenditure varies from scheme to scheme but generally the state's contribution is not less than 50 *per cent* apart from those of 100 *per cent* CSS. The year-wise details of projection and actual flow of central funds during the plan are given in the table.

(Rupees in crore)

	1992-93	1993-94	1994-95	1995-96	1996-97
State Plan					
Projections	457.06	589.52	599.66	622.40	620.84
Actual Receipts	481.90	583.04	652.84	455.94	513.50
CSS and Central Plan –					
Projections	304.95	339.77	387.65	475.82	515.87
Inflow of funds	212.00	231.12	295.29	249.48	242.23
Expenditure	183.04	314.56	272.73	327.25	326.41

It would be seen that original projections of inflow of funds for Centrally sponsored scheme and Central plan were not achieved in any year. The actual expenditure also fell short of the Central assistance received during 1992-93 and 1994-95.

(v) Ratio of plan and non-plan expenditure

The composition of plan and non-plan expenditure during VIII Plan under Revenue & Capital (including loans and advances) were as follows:

(Rupees in crore)

	1992-93	1993-94	1994-95	1995-96	1996-97
Expenditure					
(i) Non – plan	3169.15	3716.57	4384.80	4995.78	5663.04
(ii) Plan	901.98	1174.07	1415.98	1762.17	2088.62

Source : Finance Accounts.

The ratio of plan expenditure to non-plan expenditure which was 0.28 in 1992-93 marginally increased to 0.37 in 1996-97.

1.13. Indicators of financial performance of the state government

In the context of discussion of the financial position of the Government vide Paragraph 1.1 to 1.11 an attempt was made to examine the financial health of the government in the light of certain defined indicators.

A Government may either wish to maintain its existing level of activity or increase its level of activity. For maintaining its current level of activity, it would be necessary to know how far the means of financing are sustainable. Similarly, if Government wishes to increase its level of activity, it would be pertinent to examine the flexibility of the means of financing and finally, Government's increased vulnerability in the process. All the State Governments continue to increase the level of their activity principally through Five Year Plans which translate to Annual Development Plans and are provided for mostly in the State Budget. Broadly, it can be stated that Non-Plan expenditure represents Government maintaining the existing level of activity*, while Plan expenditure entails expansion of activity. Both these activities require resource mobilisation increasing Government's vulnerability. In short, financial health of a Government can be described in terms of sustainability, vulnerability and flexibility. These terms are defined as follows:

(a) Sustainability

Sustainability is the degree to which a Government can maintain existing programmes and meet existing creditor requirements without increasing the debt burden.

(b) Flexibility

Flexibility is the degree to which a Government can increase its financial resources to respond to rising commitments by either expanding its revenues or increasing its debt burden.

(c) Vulnerability

Vulnerability is the degree to which a Government becomes dependent on and therefore vulnerable to sources of funding outside its control or influence, both domestic and international.

* There are exceptions to this, notably transfer of Plan to the Non-Plan at the end of the Plan period.

(d) *Transparency*

There is also the issue of financial information provided by the Government. This consists of Annual Financial Statement (Budget) and the Accounts.

As regards the budget, the important parameters are timely presentation indicating the efficiency of budgetary process and the accuracy of the estimates. As regards accounts, timeliness in submission for which milestones exist and completeness of accounts would be the principal criteria.

Information available in Finance Accounts can be used to flesh out Sustainability, Flexibility and Vulnerability which can be expressed in terms of certain indices/ratios worked out from the Finance Accounts. A list of such indices/ratios and the method of working out the ratios are indicated in the Appendix 2.

The following table indicates the behaviour of these ratios over the period 1993-94 to 1997-98. The implications of these ratios for the state of financial health of the State Governments are discussed in the paragraphs that follow the table.

	1993-94	1994-95	1995-96	1996-97	1997-98
SUSTAINABILITY					
BCR (Rupees in crore)	(-)203	(-)231	128	142	248
Interest ratio	0.17	0.17	0.15	0.17	0.17
Capital outlay/Capital receipts	0.29	0.25	0.39	0.42	0.43
Total tax receipts/GSDP	0.14	0.13	0.14	0.14	0.13
State Tax receipts/GSDP	0.10	0.10	0.11	0.11	0.10
ROI	0.004	0.005	0.005	0.003	0.004
FLEXIBILITY					
Capital repayments/Capital borrowings	0.22	0.14	0.15	0.18	0.20
Total tax receipts/GSDP	0.14	0.13	0.14	0.14	0.13
State Tax receipts/GSDP	0.10	0.10	0.11	0.11	0.10
Debt/GSDP	0.34	0.34	0.33	0.33	0.33

	1993-94	1994-95	1995-96	1996-97	1997-98
VULNERABILITY					
RD (Rupees in crore)	372	400	403	643	1123
FD (Rupees in crore)	935	1109	1303	1542	2408
PD (Rupees in crore)	248	289	378	439	1122
RD/FD	0.40	0.36	0.31	0.42	0.47
PD/FD	0.27	0.26	0.29	0.28	0.47
Outstanding Guarantee/revenue receipts	0.59	0.69	0.38	0.32	0.46
Assets/liability	0.70	0.71	0.71	0.71	0.67

(BCR – Balance from current Revenue, GSDP – Gross State Domestic Product, ROI – Return on Investments, RD – Revenue Deficit, FD – Fiscal Deficit, PD – Primary Deficit)

(i) Balance from current revenues (BCR)

BCR is defined as revenue receipts minus plan assistance grants minus non plan revenue expenditure. A positive BCR shows that the State Government has surplus from its revenues for meeting Plan expenditure.

The State Government had positive BCRs from 1995-96 onwards which indicated that they had generated a surplus from its revenues for meeting plan expenditure. The surplus however, was insufficient to meet its increased size of Annual Plans.

(ii) Interest ratio

Interest ratio is defined as
$$\frac{\text{Interest payment}-\text{Interest receipts}}{\text{Total revenue receipts}-\text{Interest receipts}}$$

The higher the ratio the lesser the ability of the Government to service any fresh debt and meet its revenue expenditure from its revenue receipts.

The constant interest ratio over the years indicated that the interest payments on past borrowings continued to remain a constraint on the programme spending of the Government and it could not derive full benefit of the growth in revenue.

(iii) Capital outlay/Capital receipts

This ratio would indicate to what extent the capital receipts are applied for capital formation. A ratio of less than one is not sustainable in the long term inasmuch as it indicates that a part of the capital receipt is being diverted to unproductive revenue expenditure. On the contrary, a ratio of more than one would indicate that capital investments are being made from revenue surplus as well. The trend analysis of this ratio would throw light on the fiscal performance of the State Government. A rising trend would mean an improvement in the performance.

This ratio showed an increasing trend indicating that over the years higher amount of capital receipts were deployed for capital outlay. This positive trend however should be seen in the context of negligible rate of return (ROI) on investments and large number of incomplete works as discussed in Paras 1.6.3 and 1.11 respectively showing that capital was not effectively deployed to generate increased revenue.

(iv) Tax receipts vs Gross State Domestic Product (GSDP)

Tax receipts consist of State taxes and State's share of Central taxes. The latter can also be viewed as Central taxes paid by people living in the State. Tax receipts suggest sustainability. But the ratio of tax receipts to GSDP would have implications for the flexibility as well. While a low ratio would imply that the Government can tax more, and hence its flexibility, a high ratio may not only point to the limits of this source of finance but also its inflexibility.

The ratio of state tax receipts to GSDP for the years 1993-98 was stable at 0.10 except for 1995-97 when it was marginally higher at 0.11. Thus, although the State Government had the option to mobilise resources through taxation it preferred to choose the easy option of borrowing to meet its increasing fiscal deficit.

(v) Return on Investment (ROI)

The ROI is the ratio of the earnings to the capital employed. A high ROI suggests sustainability.

ROI was negligible and even showed a reducing trend. The low ROI suggests that the investments in the Public Sector Undertakings (PSUs) were used to finance their loss, rather than generate surplus as discussed in Para 1.6.4.

(vi) Capital repayments vs Capital borrowing

This ratio indicates the extent to which the capital borrowings are available for investment. The lower the ratio, the higher the availability of capital for investment.

This ratio decreased from 0.22 to 0.20 indicating a downward trend. The decreasing trend was attributable to increased borrowing while the repayments did not reduce.

(vii) Debt vs State Domestic Product (SDP)

The SDP is the total internal resource base of the State Government, which can be used to service the debt. An increasing ratio of Debt/SDP would signify a reduction in the Government's ability to meet its debt obligations and, therefore, represents increasing risk for the lender.

This ratio declined from 0.34 to 0.33 which was a positive trend.

(viii) Revenue Deficit/Fiscal Deficit

The revenue deficit is the excess of revenue expenditure over revenue receipts and represents the revenue expenditure financed by borrowings etc. Evidently, the higher the revenue deficit, more vulnerable is the State. Since fiscal deficit represents the aggregate of all the borrowings the revenue deficit as a percentage of fiscal deficit would indicate the extent to which the borrowings of the government are being used to finance revenue expenditure. Thus the higher the ratio, the worse off the State because that would indicate that the debt burden is increasing without adding to the repayment capacity of the State.

The ratio which was on the decline till 1995-96, went up sharply in 1996-97 and increased further in 1997-98. This indicated that a large part of the borrowing of the Government was applied towards revenue expenditure due to mounting revenue deficit and made the State's finances vulnerable to sources of funding outside its control or influence.

(ix) Primary deficit vs Fiscal deficit

Primary deficit is the fiscal deficit minus interest payments. This means that less the value of the ratio, the less the availability of funds for capital investment.

The ratio improved from 0.27 to 0.47 indicating that the quantum of borrowing increased at a faster rate relative to interest payment resulting in more

availability of borrowed funds. However, the borrowed funds were increasingly utilised to meet revenue deficit and less for capital projects, etc., indicating vulnerability of the Government.

(x) **Guarantees vs Revenue receipts**

Outstanding guarantees, including the letters of comfort issued by the Government indicate the risk exposure of a State Government and should therefore be compared with the ability of the government to pay viz., its revenue receipts. Thus, the ratio of total outstanding guarantees to total revenue receipts of the Government would indicate the degree of vulnerability of the State Government.

This ratio, after decline upto 1996-97 increased sharply in 1997-98 indicating vulnerability of the State finance to creditors.

(xi) **Assets vs Liability**

This ratio indicates the solvency of the Government. A ratio of more than 1 would indicate that the State Government is solvent (Assets are more than the liabilities) while a ratio of less than 1 would be contra indicator to solvency.

This ratio was less than 1 throughout 1993-98 and even declined from 0.70 to 0.67 indicating unsatisfactory financial management and a contra indicator to solvency.

(xii) **Budget**

As regards the budget, the important parameters are timely presentation indicating the efficiency of budgetary process and the accuracy of the estimates. In the case of Government of Kerala, there was no delay in the submission of the budget for 1997-98 and its approval. The details are given below:

Preparation	Month of submission	Month of approval
Vote on account	March 1997	March 1997
Budget	March 1997	July 1997
Supplementary I	July 1997	July 1997
Supplementary II	December 1997	December 1997
Supplementary III	March 1998	March 1998

The extent of variation in the budget estimates and revised estimates for 1997-98 is given in the following table:

Variation	Budget Estimate	Revised Estimate [*]	Percentage variation
	(Rupees in crore)		
Receipt			
Revenue	7553.36	7628.99	1
Capital			
Recovery of loans	35.66	35.54	(insignificant)
Public Debt	1948.88	1708.88	12
Total	9537.90	9373.41	1.7
Expenditure			
Revenue	8795.67	9203.87	5
Capital	654.00	737.16	13
Loans and advances	332.36	510.78	54
Public Debt	538.68	417.20	23
Total	10320.71	10869.01	5

It would be seen that estimates of capital were widely varying both in receipts and expenditure.

The final supplementary budgets were, however, presented to the Legislature during February/March of the respective financial years and were approved in the fag end of the year (i.e., on 28 February 1994 and 28 March 1994, 28 March 1995, 14 March 1996, 27 March 1997 and 31 March 1998) leaving a limited scope to either utilise or surrender the grant within the financial year.

(xiii) Accounts

Compliance with the milestones that exist for submission of accounts is an important indicator of the integrity of the accounting system.

It was observed that the treasuries were not rendering the accounts on due dates and the delays ranged upto 59 days during 1997-98. The number of accounts which were delayed by more than one month was 117. Delayed submission caused delay in finalisation of the accounts of the State Government.

* Source : Annual Financial Statement 1998-99

(xiv) Contingency fund

Corpus of the fund was Rs 15 crore in 1993-94 which was enhanced to Rs 25 crore by an Act in May 1994. The corpus had been temporarily enhanced many times during the period 1993-98.

The extent of operation of the Contingency Fund (during 1993-98) for meeting expenditure of emergent nature was as indicated below:

(Rupees in crore)

Year	Number of sanctions issued	Amount
1993-94	69	33.94
1994-95	46	37.91
1995-96	51	52.09
1996-97	38	71.48
1997-98	27	70.88

The average of the advances for the 5 year period being Rs 53.26 crore was on average 0.88 *per cent* of the total revenue expenditure of the 5 years.

Conclusion

The Government of Kerala exhibited fiscal imprudence by undertaking Plan investment well beyond its capacity to finance and thus compromised sustainability. In the result, there were large number of incomplete works, poor return on investment and low flexibility. Heavy reliance on borrowing and Central funds made its finances vulnerable to changes in the financial fortunes of Central Government.

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2.1. Introduction

Appropriation Accounts prepared every year indicated the details of amounts on various specified services actually spent by Government *vis-à-vis* those authorised by the Appropriation Acts. The primary objective of appropriation audit is to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Acts and that the expenditure required to be charged under the provisions of the Constitution is so charged.

This chapter contains findings on the audit of Appropriation Accounts prepared by the Accountant General (Accounts and Entitlements) for the year 1997-98.

2.2. Summary of expenditure

The summarised position of actual expenditure during 1997-98 against provision was as under:

Nature of expenditure	Original grant/appropriation	Supplementary grant/appropriation	Total	Actual expenditure	Variation Savings (-)/ Excess(+)
(Rupees in crore)					
1 Revenue					
Voted	7586.94	453.76	8040.70	7073.48	(-) 967.22
Charged	1347.70	2.43	1350.13	1315.14	(-) 34.99
2 Capital					
Voted	663.53	176.90	840.43	762.03	(-) 78.40
Charged	2.58	0.46	3.04	2.00	(-) 1.04
3 Public Debt					
Charged	538.68	0.55	539.23	522.72	(-) 16.51

Nature of expenditure	Original grant/appropriation	Supplementary grant/appropriation	Total	Actual expenditure	Variation Savings (-)/ Excess(+)
(Rupees in crore)					
4 Loans and Advances					
Voted	332.35	228.39	560.74	588.35	(+) 27.61
5 Transfer to Contingency Fund					
By Ordinance	-	-	50.00*	50.00*	-
Total	10,471.78	862.49	11,384.27**	10,313.72**	(-) 1,070.55

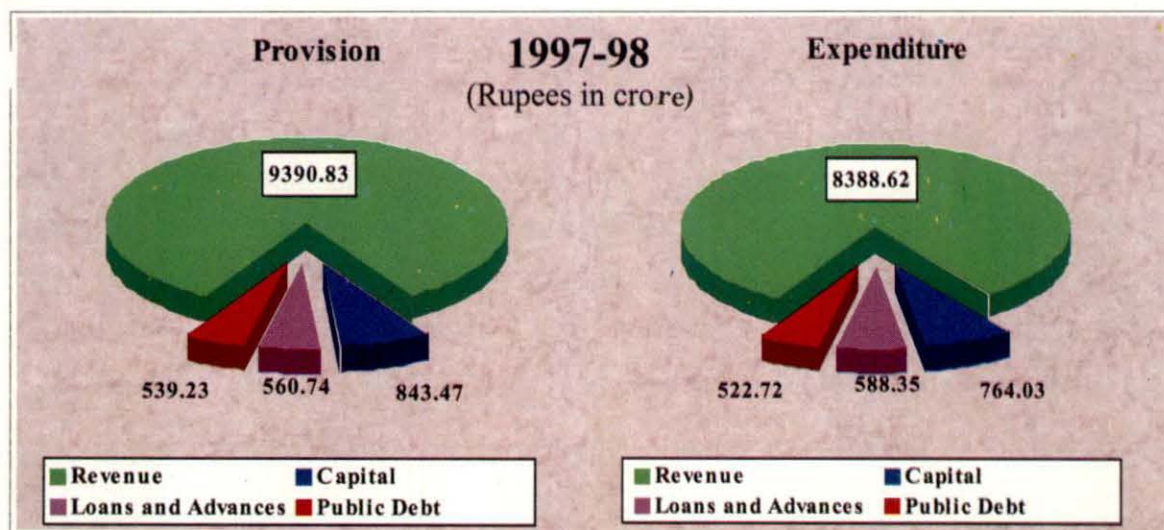
The total provision shown above is Rs 5,40,000 more than the total of sums specified in the Appropriation Acts for the year (Act Nos.11,12 and 18 of 1997 and 6 of 1998). This was due to an error in arriving at the total voted provision in the schedule appended to the Appropriation Act No. 6 of 1998 relating to Supplementary grant for March 1998 in which the total grant voted was shown as Rs 2,59,90,84,000 whereas the sum of the provisions included under individual grants worked out to Rs 2,59,96,24,000. Consequently, the amount authorised towards voted expenditure under this Appropriation Act was Rs 5,40,000 less than that voted under individual grants by the Legislature.

The actual expenditure included funds amounting to Rs 142.71 crore in 15 grants drawn from the Consolidated Fund in March 1998 and kept in the form of Demand Draft or deposited in Treasury Savings Bank/ Personal Deposit accounts. Some more details are given in paragraph 2.8 of this chapter.

The original budget provision obtained during 1997-98 was 19.74 *per cent* more than that in the preceding year. The supplementary provision (Rs 862.49 crore) provided during the year worked out to 8.2 *per cent* of the original provision. The year ended with an overall savings of Rs 1070.55 crore, which was 9.4 *per cent* of the total grant. The pie charts below depict the provision and expenditure during 1997-98.

* The corpus of the Fund was temporarily enhanced from Rs 25 crore to Rs 50 crore by ordinance no.3 of 1997 promulgated on 10 May 1997 which had lapsed with effect from 5 August 1997. Then the corpus was again enhanced from Rs 25 crore to Rs 50 crore by ordinance no.7 of 1998 promulgated on 17 February 1998 which had neither been replaced by an Act of the Legislature nor had lapsed as on 31 March 1998.

** Includes Rs 50 crore transferred to the Contingency Fund by the above mentioned ordinances.



2.3. Results of Appropriation Audit

The overall savings of Rs 1070.55 crore was the net result of savings in 58 grants and 30 appropriations and excesses in 10 grants and 3 appropriations as shown below:

	Voted		Charged		Aggregate Total
	Revenue	Capital	Revenue	Capital	
	(Rupees in crore)				
Savings (-)	(-) 986.47 (40)	(-) 96.62 (18)	(-) 35.05 (20)	(-) 17.55 (10)	(-) 1135.69
Excess (+)	(+) 19.25 (3)	(+) 45.83 (7)	(+) 0.06 (1)	... (2)	(+) 65.14
Net	(-) 967.22	(-) 50.79	(-) 34.99	(-) 17.55	(-) 1070.55

(Figures within parenthesis indicate number of grants/appropriations involved)

The broad results emerging from Appropriation Audit are set out in the following paragraphs:

2.3.1. Excess over grant/appropriation

In 10 voted grants (Revenue :3; Capital :7) and 3 appropriations (Revenue :1; Capital :2) there was an overall excess amounting to Rs 65.14 crore. Out of this, the excess of Rs 4,17,58,706 and Rs 12,710 disclosed under Capital voted and

* Actual amount is only Rs 21,869

charged sections respectively of Grant No. XII-Police and Rs 12 crore under Capital section of Grant No. XLII-Tourism were due to reclassification of expenditure under these grants to adopt authorised classification, the provision for which was made originally under another grant/same grant. As the excess in the above two grants occurred as a result of adoption of authorised classification, these do not require regularisation. Similarly, the excess of Rs 25 crore under Grant No XXXIX-Power also does not require regularisation as it occurred due to irregular presentation of an adjustment bill. The balance excess expenditure of Rs 23,97,05,592 detailed below requires regularisation under Article 205 of the Constitution.

Sl. No	Number and name of grant	Total grant or appropriation	Actual expenditure	Amount of excess
(In Rupees)				
REVENUE SECTION (Voted grants)				
1	I - State Legislature	9,29,12,000	9,40,47,995	11,35,995
2	V - Agricultural Income Tax and Sales Tax	33,31,72,000	33,39,36,552	7,64,552
3	XIX - Family welfare	50,36,87,000	69,42,97,499	19,06,10,499
REVENUE SECTION (Charged appropriation)				
4	XV - Public Works	37,52,000	43,70,778	6,18,778
CAPITAL SECTION (Voted grants)				
5	XIV - Stationery and Printing and Other Administrative Services	71,00,000	89,21,627	18,21,627
6	XVIII - Medical and Public Health	45,61,68,000	45,85,19,990	23,51,990
7	XXV - Social Welfare including Harijan Welfare	21,84,17,000	25,76,82,631	3,92,65,631
8	XXXI - Animal Husbandry	3,49,00,000	3,78,19,143	29,19,143
9	XLII - Tourism	10,79,91,000	22,81,99,218	12,02,08,218*
CAPITAL SECTION (Charged appropriation)				
10	XXXIV - Forest	1,17,000	1,26,159	9,159
	Total	175,82,16,000	211,79,21,592	35,97,05,592**

* Out of this, excess expenditure of only Rs 2,08,218 requires regularisation and the balance (Rs 12 crore) which occurred as a result of reclassification does not require regularisation.

** The total amount to be regularised is Rs 23,97,05,592 only vide footnote above.

2.3.2. Unnecessary/excessive/inadequate supplementary provisions

In 28 cases, the final savings was more than the supplementary provision obtained on 31 March 1998 (Appendix 3). Of this, the supplementary provision aggregating Rs 49.04 crore obtained in 22 cases were wholly unnecessary or could have been restricted to token amounts wherever necessary to meet the expenditure on new service items since the expenditure was even less than the original provision. The supplementary provision of Rs 5.47 crore obtained in other 5 cases (Sl.Nos. 2,11,16,22 & 25) were also unnecessary as the expenditure during the year was less than the aggregate of the original provision and supplementary grant already obtained in July 1997. In the remaining one case (Sl.No. 27), the supplementary provision of Rs 5.63 crore obtained also proved unnecessary as the expenditure was less than the aggregate of the original provision and supplementary grant obtained in July 1997 and December 1997.

In 14 cases, against the supplementary provision aggregating Rs 157.72 crore obtained on 31 March 1998, the actual utilisation was only Rs 75.46 crore (48 *per cent*) and the savings in individual cases ranged from Rs 0.30 crore to Rs 21.06 crore (Appendix 4).

In 3 cases, though supplementary provision aggregating Rs 3.00 crore was obtained during the year, the provision proved insufficient by more than Rs 25 lakh in each case, leaving an aggregate uncovered excess expenditure of Rs 23.28 crore (Appendix 5).

2.3.3. Major Savings

In the following voted grants/charged appropriations there was substantial non-utilisation of provision, the savings in each case was more than Rs 1 crore and also more than 10 *per cent* of the provision.

Sl. No.	Number and name of grant/appropriation	Amount of saving (Rupees in crore and percentage of saving)	Main reasons for savings
REVENUE (VOTED) SECTION			
1	II - Heads of States, Ministers and Headquarters staff	8.48 (15)	Non-formation of expert cell for arranging the Resource mapping (Rs 2.93 crore) and non-installation of computers in District Planning offices (Rs 0.30 crore)
2	VI - Land Revenue	23.69 (22)	Non-purchase of modern survey equipments (Rs 1.12 crore)
3	VIII - Excise	5.26 (19)	Not intimated
4	XIV - Stationery and Printing and Other Administrative Services	6.32 (11)	Non-filling up of vacancies of Firemen, Drivers, Mechanic, etc.(Rs 2.59 crore)non-purchase of machinery for Government Press, Kozhikode due to non- completion of building (Rs 0.69 crore), non-receipt of sanction for construction of fire station (Rs 0.55 crore)
5	XVII - Education,Sports,Art and Culture	291.08 (14)	Less payment of teaching grant due to non-finalisation of staff fixation and consequent non-filling up of posts (Rs 66.02 crore), reduction in expenditure on Government Lower Primary Schools (Rs 44.22 crore), and Upper Primary Schools(Rs 46.37 crore), non-receipt of assistance from Government of India (GOI) for Integrated Rural Energy Programme (Rs 5.70 crore), non-filling up of posts in Government polytechnics for want of qualified hands (Rs 2.46 crore), etc
6	XVIII - Medical and Public Health	70.93 (14)	Not intimated
7	XX - Water Supply and Sanitation	24.08 (14)	Less payment of grant in-aid to Kerala Water Authority (Rs 20 crore)
8	XXIV - Labour and Labour Welfare	14.24 (12)	Less payment of unemployment assistance (Rs 3.35 crore), non-filling up of vacant posts in Industrial Training Institute (Rs 3.26 crore), non-purchase of computers, micro processor kits, etc., for World Bank Project on vocational programmes (Rs 2.10 crore)
9	XXVII - Co-operation	6.72 (18)	Enforcement of economy measures (Rs 1.08 crore)

Sl. No.	Number and name of grant/appropriation	Amount of saving (Rupees in crore and percentage of saving)	Main reasons for savings
10	XXVIII - Miscellaneous Economic Services	7.08 (21)	Decision of Government to reclassify the expenditure on strengthening of Revenue machinery and updating of land records under Grant No. VI - Land Revenue (Rs 2 crore)
11	XXIX - Agriculture	42.88 (13)	Limiting of expenditure by GOI to the extent of release and non-receipt of sanction from GOI (Rs 16.24 crore), non finalisation of bid for purchase of computers and non-receipt of Government sanction for construction of building for Ground Water Department (Rs 2.23 crore)
12	XXX - Food	27.68 (15)	Lower offtake of rice under Ration subsidy scheme by ration card holders (Rs 27.54 crore)
13	XXXIII - Fisheries	13.44 (19)	Non-approval of scheme 'Integrated Fisheries Development Project-Phase II' by NCDC (Rs 8.96 crore), non-receipt of sanction from GOI for Inland Fish Marketing Scheme (Rs 1.96 crore)
14	XXXIV - Forest	22.89 (22)	Non-filling up of vacancies (Rs 1.29 crore), non-receipt of assistance from GOI for establishment of International Centre for Bio-diversity studies (Rs 2.73 crore)
15	XXXVI - Community Development	160.00 (61)	Erroneous provision of funds in the State budget for Central share of assistance towards Jawahar Rozgar Yojana, Employment Assurance scheme to the rural poor and supply of modern tool kits to the rural artisans which are directly released to District Rural Development Agencies (Rs 54.19 crore), less release of Central assistance for infrastructural support for TRYSEM and Million Well Scheme (Rs 60.85 crore), non-finalisation of project report for integrated and sustainable economic development of Attappady (Rs 39 crore)
16	XXXVII - Industries	33.25 (23)	Non-sanctioning of the scheme 'Tool Room at Kalamassery' by GOI (Rs 15 crore), change in the nature of assistance from grant to loan to apex and primary handloom societies (Rs 15 crore)
17	XXXVIII - Irrigation	11.98 (15)	Due to post-budget decision to transfer funds provided for assistance to District Panchayats to Irrigation Department to meet Capital expenditure (Rs 3 crore), non-filling up of vacancies in Irrigation Design and Research Board (Rs 1.07 crore)

Sl. No.	Number and name of grant/appropriation	Amount of saving (Rupees in crore and percentage of saving)	Main reasons for savings
18	XLII - Tourism	14.18 (38)	Not intimated
REVENUE(CHARGED) SECTION			
19	XVI - Pension and Miscellaneous	3.61 (33)	Less decretal payments for satisfaction of court decrees relating to land acquisition cases involving Government Departments/ Public Sector Undertakings/Local Bodies/Other institutions
CAPITAL (VOTED) SECTION			
20	XXI - Housing	3.96 (26)	Reclassification of expenditure on construction of Police quarters under 'Capital Outlay on Police' to adopt authorised classification (Rs 3.12 crore)
21	XXII - Urban Development	9.68 (49)	Not intimated
22	XXVII - Co-operation	14.41 (22)	Non-receipt of sanction from European Economic Community for extension of the Integrated Project for Coconut Development Processing and Marketing (Rs 6 crore), less release of assistance to KERALED (Rs 3 crore), non-sanction of proposals by NCDC for Co-operative processing units (Rs 1.30 crore), etc.
23	XXIX - Agriculture	10.87 (24)	Non-constitution of Agricultural Development Finance Company (Rs 5 crore)
24	XXX - Food	2.60 (14)	Non-receipt of sanction from NCDC for assistance to Kerala State Cooperative Rubber Marketing Federation Ltd (Rs 2 crore)
25	XXXIII - Fisheries	10.00 (20)	Resumption of savings due to erroneous inclusion of provision for 'Fisheries Road' and 'Water supply to fishermen houses' (Rs 5 crore) twice.
26	XLV - Miscellaneous Loans and Advances	6.61 (14)	Less receipt of applications for House Building Advance from employees.

2.3.4. Significant cases of savings in Plan expenditure

Due to non-implementation/slow implementation of the Plan schemes, substantial savings of more than Rs 1 crore each occurred in 61 cases; the entire provision remaining unutilised in 20 of these cases. Details are given in Appendix 6.

2.3.5. Significant cases of savings in Non-Plan expenditure

In the cases detailed in Appendix 7 the Non-Plan expenditure fell short of the provision by more than Rs. 1 crore in each case and by more than 10 *per cent*.

2.3.6. Persistent savings

Persistent savings exceeding Rs 25 lakh in each case noticed in the voted grants/charged appropriations are given in Appendix 8. It is pertinent to note that there was persistent non-utilisation of substantial funds voted by Legislature by major departments viz. Education, Health, Police and Community Development during the 3 years 1995-98 ranging between Rs 21 crore (Police : 1995-96) and Rs 291 crore (Education : 1997-98).

2.3.7. Persistent excess

In the following voted grant, expenditure exceeded the provisions persistently in all the three years from 1995-96.

Sl No	Number and name of grant	Amount of excess (Rupees in lakh)		
		1995-96	1996-97	1997-98
CAPITAL (VOTED) SECTION				
1	XIV - Stationery and Printing and Other Administrative Services	3.77	0.94	18.22

2.3.8. Surrender of savings

All anticipated savings should be surrendered as soon as the possibility of savings is envisaged. Against the total savings of Rs 1070.55 crore, Rs 944.03 crore only was surrendered during 1997-98 of which surrender of Rs 926.96 crore (98 *per cent*) was made only on the last working day of the financial year i.e. 31 March 1998.

In the following grants/appropriations, savings exceeding Rs 1 crore in each case remained unsurrendered.

Sl. No	Number and name of grant	Total grant	Actual expenditure	Savings	Amount not surrendered
(Rupees in crore)					
REVENUE (VOTED) SECTION					
1	II - Heads of States, Ministers and Headquarters Staff	57.36	48.88	8.48	4.38
2	VI - Land Revenue	105.77	82.08	23.69	22.24
3	VII - Stamps and Registration	26.75	24.65	2.10	1.64
4	VIII - Excise	28.13	22.87	5.26	5.07
5	XI - District Administration and Miscellaneous	94.39	90.00	4.39	3.99
6	XIV - Stationery and Printing and Other Administrative Services	60.30	53.98	6.32	1.67
7	XV - Public Works	272.26	251.20	21.06	20.99
8	XVIII - Medical and Public Health	490.54	419.61	70.93	43.67
9	XX - Water Supply and Sanitation	169.13	145.05	24.08	24.08
10	XXI - Housing	48.68	47.36	1.32	1.16
11	XXIV - Labour and Labour Welfare	120.18	105.94	14.24	2.49
12	XXV - Social Welfare including Harijan Welfare	341.28	324.56	16.72	15.05
13	XXVI - Relief on Account of Natural Calamities	143.92	130.11	13.81	13.81
14	XXVII - Co-operation	38.36	31.64	6.72	3.82

Sl. No	Number and name of grant	Total grant	Actual expenditure	Savings	Amount not surrendered
(Rupees in crore)					
15	XXIX - Agriculture	342.48	299.60	42.88	18.09
16	XXXIII - Fisheries	71.84	58.40	13.44	1.58
17	XXXIV - Forest	103.59	80.70	22.89	14.81
18	XXXV - Panchayat	703.05	693.54	9.51	5.45
19	XXXVIII - Irrigation	82.08	70.10	11.98	3.27
20	XLII - Tourism	37.68	23.50	14.18	12.88
21	XLIII - Compensation and Assignments	130.22	128.76	1.46	1.46
CAPITAL (VOTED) SECTION					
22	XV - Public Works	233.83	231.63	2.20	1.65
23	XVII - Education, Sports, Art and Culture	33.67	30.22	3.45	3.40
24	XXI - Housing	15.14	11.18	3.96	2.79
25	XXIX - Agriculture	44.57	33.69	10.87	4.39
26	XXXVII - Industries	275.77	257.61	18.16	17.60
27	XXXVIII - Irrigation	177.65	165.57	12.08	3.09
28	XLI - Transport	55.37	53.87	1.50	1.33
REVENUE (CHARGED) SECTION					
29	Debt charges	1315.97	1286.09	29.88	8.58

2.3.9. Injudicious surrender

(a) In the following cases, surrender of funds made in each case on 31 March 1998 was injudicious being in excess of final savings by Rs 25 lakh or more.

Sl. No	Number and name of grant	Total grant	Actual expenditure	Savings	Amount surrendered	Amount surrendered in excess
(Rupees in crore)						
REVENUE (VOTED) SECTION						
1	XII - Police	297.70	268.41	29.29	32.29	3.00
2	XVI - Pension and Miscellaneous	1,099.82	1,010.82	89.00	151.41	62.41
3	XVII - Education, Sports, Art and Culture	2,088.89	1,797.81	291.08	291.47	0.39
4	XXVIII - Miscellaneous Economic Services	33.50	26.42	7.08	7.34	0.26
5	XXXI - Animal Husbandry	72.45	70.90	1.55	3.18	1.63
6	XXXVI - Community Development	263.50	103.50	160.00	164.92	4.92
7	XXXVII - Industries	142.10	108.85	33.25	34.04	0.79
CAPITAL (VOTED) SECTION						
8	XXXIII - Fisheries	50.15	40.15	10.00	11.30	1.30

(b) In the following cases where surrender of savings exceeding Rs 25 lakh in each case was made on 31 March 1998, there were eventual excess indicating incorrect estimation of savings and surrender of funds.

Sl. No	Number and name of grant	Total grant	Actual expenditure	Excess	Amount surrendered
(Rupees in crore)					
REVENUE(VOTED) SECTION					
1	V - Agricultural Income Tax and Sales Tax	33.32	33.39	0.07	1.64
2	XIX - Family Welfare	50.37	69.43	19.06	2.33

2.3.10. Injudicious reappropriation of funds

Reappropriation is transfer of funds within a grant, from one unit of appropriation where savings are anticipated to another unit where additional funds are needed. Before withdrawal of funds from one head, it is to be ensured that there is definite or reasonable chance of saving under that head and that before additional funds are provided, it is to be ensured that there is likelihood of increased expenditure under that head. Details of cases where withdrawal of funds or additional provision proved excessive by over Rs 25 lakh in each case are mentioned in Appendix 9.

2.3.11. Trend of recoveries and credits

During 1997-98, recoveries to be adjusted in accounts in reduction of expenditure were estimated at Rs 151.08 crore (Revenue Section : Rs 138.97 crore, Capital Section : Rs 12.11 crore) against which the actual recoveries were Rs 172.67 crore (Revenue Section: Rs 147.50 crore, Capital Section : Rs 25.17 crore). In the Revenue Section though there were excess recoveries under 'Public Works' (Rs 11.85 crore) and 'Social Welfare including Harijan Welfare' (Rs 1.13 crore), there was major shortfall under 'Irrigation' (Rs 2.41 crore). In the Capital Section, there was major excess under 'Food' (Rs 12.43 crore).

2.3.12. Failure to furnish reasons for variation

After the close of each financial year, the detailed Appropriation Accounts showing the final grant/appropriation, the actual expenditure and resultant variation are sent to the controlling officers by the Accountant General (Accounts and Entitlements) for furnishing promptly the reasons for variations in general and those under important sub heads in particular. The number of heads for which reasons were not received as at the end of October 1998 was 523 representing 64 *per cent* of the total number of 815 heads for which explanations for variations were required to be furnished.

2.4. Budgetary Procedure and Control over Expenditure

Budgetary procedures and control over expenditure was reviewed in respect of 5* grants.

Some of the significant irregularities noticed during the review are detailed below:-

* (1) II. Heads of States, Ministers and Headquarters Staff, (2) VIII. Excise, (3) XVIII. Medical and Public Health, (4) XXIV. Labour and Labour Welfare, (5) XXV. Social Welfare including Harijan Welfare

2.4.1. Defective/inaccurate budgeting

According to the provisions in the Financial Rules and Manuals, the estimates of expenditure prepared by the department should be those necessary to meet the expenditure anticipated in the ensuing financial year with reference to the existing sanctions and actual requirements. Provision should be made only for schemes sanctioned by Government and not for schemes awaiting sanction. The estimates should neither be inflated nor under-pitched but should be as accurate as possible.

(a) In the following cases, provision made for schemes which were not sanctioned resulted in savings of the entire amount.

Sl. No.	Number and name of grant	Head of Account	Budget Provision (Rupees in lakh)	Purpose
1	XVIII - Medical and Public Health	2210-06-101-56 Infrastructure for care of AIDS patients	30.00	Renovation of Government Hospital, Iranimuttam
2	XXIV - Labour and Labour Welfare	2230-02-001-99 Employment Exchanges	10.00	Opening of 3 Town Employment Exchanges

(b) In the following cases, excess expenditure over the provision was cent *per cent* and above.

Sl. No.	Grant No.	Chief Controlling Officer	Head of Account	Original budget provision	Actual expenditure	Excess (Percentage)
(Rupees in lakh)						
1	II	Secretary to Government, General Administration Department	2052-00-090-99-Administrative Secretariat-04-Travel Expenses	18.90	37.73	18.83 (100)
2	II	Secretary to Government, Finance Department	2052-00-090-96-Finance Department-04-Travel Expenses	8.21	25.03	16.82 (205)
3	XXV	Director of Scheduled Castes Development	2225-01-191-50-Assistance to Village Panchayats under KPR Act 1994-(01) Block grant for Revenue Expenditure	16.71	79.37	62.66 (375)
4	XXV	Director of Social Welfare	2235-02-101-99-(01) Salaries	5.00	26.26	21.26 (425)

2.4.2. Lack of control over expenditure

There had been significant variations (excess or savings) between the final grant and the actual expenditure indicating that the control over expenditure was inadequate. Few examples are shown in the table below:-

Sl. No.	Grant No.	Head of Account	Final Grant	Expenditure	Variation Excess (+) Savings (-)
(Rupees in lakh)					
1	II	2052-00-090-99(01)	1155.15	1060.51	(-) 94.64
2	XVIII	2210-06-101-63	99.02	82.94	(-) 16.08
3	XVIII	2210-06-101-93	112.32	85.35	(-) 26.97
4	XXIV	2230-02-101-98(34)	17.65	3.58	(-) 14.07
5	XXV	2225-01-191-50-(01) NP	16.71	79.37	(+) 62.66
6	XXV	2225-01-191-49-(01) NP	98.91	286.97	(+) 188.06
7	XXV	2225-01-191-49-(01) P	5465.84	3225.96	(-) 2239.88
8	XXV	2235-02-102-98-(01)	2473.40	3004.42	(+) 531.02
9	XXV	2235-02-102-98-(34)	139.97	201.96	(+) 61.99

2.4.3. Delay in sending proposals for reappropriation

Proposals for reappropriation of funds and resumption of savings from the Chief Controlling Officers was to be received by Administrative Department latest by 15 February. However, in the following cases involving Rs 19.50 crore, proposals for reappropriation/resumption of funds were sent to Government during the last week of the financial year in a routine manner.

Sl. No.	Number and name of grant	Chief Controlling Officer	Date of sending proposals	Date of order of reappropriation/resumption
1	II - Heads of States, Ministers and Headquarters Staff	Secretary, General Administration Department	31.3.98	31.3.98
2	VIII - Excise	Secretary, Board of Revenue (Excise)	30.3.98	31.3.98
3	XVIII - Medical and Public Health	Director of Health Services	26.3.98	30.3.98
4	XVIII - Medical and Public Health	Director of Medical Education	24.3.98	30.3.98

Sl. No.	Number and name of grant	Chief Controlling Officer	Date of sending proposals	Date of order of reappropriation/resumption
5	XXIV - Labour and Labour Welfare	Director of Employment	30.3.98	31.3.98
6	XXIV - Labour and Labour Welfare	Director of Training	30.3.98	31.3.98
7	XXV - Social Welfare including Harijan Welfare	Director of Scheduled Castes Development	31.3.98	31.3.98
8	XXV - Social Welfare including Harijan Welfare	Director of Social Welfare	31.3.98	31.3.98

2.4.4. Injudicious reappropriation/surrender of funds

(a) In the following cases, reappropriations were unnecessary as either the anticipated savings did not materialise or the original provision was sufficient to meet the expenditure.

Sl. No.	Grant No.	Chief Controlling Officer	Head of Account	Original grant	Reappropriation	Final grant	Actual expenditure	Excess
(Rupees in lakh)								
1	XXV	Director of Scheduled Castes Development	2225-01-001-98-(01)	318.34	(-) 19.74	298.60	328.95	30.35
2	XXV	Director of Scheduled Castes Development	2225-01-191-50-(01)	125.52	(+) 12.33	137.85	108.84	29.01
3	XVIII	Director of Homoeopathy	2210-04-102-99-(01)	39.00	(-) 39.00	Nil	10.33	10.33

(b) Rules prescribe that the amounts voted by Legislature was to be surrendered only when savings under any item are foreseen with reasonable certainty. In the two cases mentioned below, funds were surrendered without assessing the actual requirement and expenditure exceeded the final grant.

Sl. No.	Grant No.	Chief Controlling Officer	Head of Account	Original grant	Resumption	Final grant	Actual expenditure	Excess
(Rupees in lakh)								
1	XXV	Director of Scheduled Castes Development	2225-01-191-46-(01)	949.57	909.00	49.57	79.01	29.44
2	XVIII	Director of Health Services	2210-06-101-61	55.50	47.10	8.40	16.75	8.35

2.4.5. Non-surrender/belated surrender of savings

In the following cases, savings were not surrendered or surrendered on the last day of the financial year:-

(a) Savings not surrendered

Sl. No.	Grant No.	Chief Controlling Officer	Head of Account	Final grant	Savings
				(Rupees in lakh)	
1	XXIV	Labour Commissioner	2230-01-103-85	40.00	25.56
2	XXV	Director of Scheduled Castes Development	2225-01-277-93-(01) Non Plan	28.69	23.24
3	XXV	Director of Scheduled Tribes Development	2225-02-191-49-(01) Plan	665.00	204.68
4	XXV	Director of Scheduled Tribes Development	2225-02-800-64 Plan	354.00	54.80
5	XXV	Director of Social Welfare	2235-02-101-99-(01)	168.96	66.19

(b) Surrender on the last day of the year

Sl. No.	Grant No.	Chief Controlling Officer	Head of Account	Provision	Amount surrendered on 31 March 1998
				(Rupees in lakh)	
1	XVIII	Director of Health Services	2210-06-101-59	1300.00	1293.33
2	XVIII	Director of Health Services	2210-06-101-61	55.00	47.10
3	XVIII	Director of Homoeopathy	2210-04-102-99-(01)	39.00	31.00
4	XXV	Director of Scheduled Tribes Development	2225-02-794-98	250.00	18.22
5	XXV	Director of Social Welfare	2235-60-200-83	10.00	9.38

2.4.6 Drawal of funds at the fag end of the year

Financial Rules prohibit drawal of any portion of appropriation remaining unexpended during the year in order to prevent it from lapsing and use it for expenditure after the end of the year. However, it is seen that Rs 225.91 lakh was drawn by the Director of Scheduled Caste Development under Grant No.XXV during February-March 1998 and credited to Treasury Public Account with a view to avoid

lapse of budget provision. Out of this, Rs 138.90 lakh remained unutilised as of August 1998 as indicated below:-

Sl No.	Head of Account	Amount drawn	Amount remaining unutilised in TP Account	Date of credit to TP Account
		(Rupees in lakh)		
1	2225-01-800-57	18.00	14.22	18.2.98
2	2225-01-800-57	10.00	4.17	26.3.98
3	2225-01-277-83	53.00	53.00	16.2.98
4	2225-01-277-83	50.00	50.00	31.3.98
5	2225-01-277-98	10.00	10.00	26.2.98
6	4225-03-190-99	40.00	Nil	9.3.98
7	2225-01-793-99-(06)	33.40	Nil	31.3.98
8	2225-01-800-79	7.51	7.51	27.3.98
9	2225-01-800-79	4.00	Nil	30.3.98
Total		225.91	138.90	

2.5. Contingency Fund

The Contingency Fund of the State is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances for meeting unforeseen expenditure pending authorisation by the Legislature. Advances from the Fund are to be made only for meeting expenditure of an emergent character, the postponement of which, till its authorisation by the Legislature would be undesirable.

The corpus of the Contingency Fund was Rs 25 crore. It was temporarily enhanced to Rs 50 crore by ordinance No.3 of 1997 promulgated by the Governor on 10 May 1997. As the ordinance was not replaced by an Act of the Legislature within the prescribed time limit, it had lapsed with effect from 5 August 1997. Consequently, the corpus of the Fund stood reduced to Rs 25 crore from that date. The corpus was again temporarily enhanced to Rs 50 crore by ordinance No.7 of 1998 promulgated by the Governor on 17 February 1998. This ordinance was neither replaced by an Act of the Legislature nor lapsed before 31 March 1998. Accordingly, the corpus of the Fund stood at the enhanced level of Rs 50 crore at the end of the year. Subsequently, the ordinance lapsed and the corpus reduced to its original size of Rs 25 crore with effect from 25 April 1998.

(i) *Advance from the Contingency Fund*

Twenty seven sanctions were issued during 1997-98 advancing a total amount of Rs 70.88 crore from the Fund. Out of this, one sanction for Rs 8 lakh for creation of new posts and purchase of jeeps in Vigilance and Anti-Corruption Bureau was cancelled, another sanction was enhanced by Rs 0.15 lakh and two other sanctions for an aggregate amount of Rs 1.32 crore were not operated upon. Instead of cancelling these non-operated advances, provision was obtained through Supplementary Demands for Grants (July 1997) for recoupment which was irregular.

As of March 1998, an advance of Rs 32 lakh remained unrecouped to the Fund.

(ii) *Avoidable advance from Contingency Fund*

In December 1997, Government accorded sanction to incur an expenditure of Rs 15 lakh being 50 *per cent* cost for procurement and installation of a mammogram unit in the General Hospital, Ernakulam. Government sanctioned (January 1998) an advance of Rs 15 lakh from the Contingency Fund. The advance was drawn and deposited in the TP Account.

In October 1998, the Superintendent, General Hospital, Ernakulam reported to Government that the Cancer Society, Kochi had submitted a proposal for purchase of the machine. Accordingly Government directed (October 1998) the Superintendent to transfer the amount of Rs 15 lakh deposited in the TP account to the account of Cancer Society, subject to the condition that the society shall execute an agreement to purchase the item within 4 months from the date of receipt of money and instal it in the General Hospital. As the modalities of purchase had not been finalised and the balance 50 *per cent* from other agencies was not collected, necessary funds could have been provided through the budget and there was no necessity to draw money from Contingency Fund.

2.6. Arrears in departmental reconciliation

Departmental figures of expenditure are required to be reconciled every month with those in the books of Accountant General (Accounts and Entitlements) in order to enable the departmental officers to exercise proper control over expenditure and to detect fraud and defalcations, if any, at an early stage. The reconciliation was in arrears in many departments. The number of controlling officers who had not

reconciled their expenditure up to the end of 1997-98 and the number of reconciliation certificates due from them as of October 1998 are indicated below:

Year	Number of controlling officers	Number of monthly reconciliation certificates due
1991-92	1	4
1992-93	2	24
1993-94	7	67
1994-95	14	143
1995-96	13	197
1996-97	20	271
1997-98	47	711
Total		1417

Of the 1417 certificates in arrears , 113 certificates were due from the Director of Health Services.

2.7. Excess expenditure awaiting regularisation

In terms of Article 205 of the Constitution of India expenditure in excess of grants/charged appropriations authorised by the Legislature is to be regularised in the manner prescribed by the Constitution. According to the procedure prescribed (February 1982) for the purpose, the notes seeking regularisation of excess expenditure should be furnished to the Public Accounts Committee, after getting them vetted by Audit, by 31 May of the second succeeding year of accounts or immediately after presentation of the Appropriation Accounts to the Legislature, whichever is later. In view of the persistent and inordinate delay in submission of the explanatory notes, the Public Accounts Committee (1993-95) observed in its 73rd Report presented to the Legislature on 11 February 1994 that the notes should invariably be furnished within the prescribed time limit and the Finance Department should watch over and keep the momentum in furnishing the notes.

As of October 1998, Government had not furnished the initial notes for the regularisation of excess expenditure aggregating Rs 255.87 crore in 53 voted grants (Rs 234.27 crore) and in 17 charged appropriations (Rs 21.60 crore) pertaining to the years 1983-84 , 1985 -86 and 1988-89 to 1996-97.

2.8. Audit of Personal Ledger Accounts

2.8.1. Introduction

Personal Deposit (PD) accounts form part of Civil Deposits and is intended mainly to accommodate certain funds like Devaswom Fund, Hindu Religious Charitable Fund , etc. Kerala Financial Code (Volume I) (KFC) provides that Government servants in their official capacity may also open PD accounts for specific purposes with specific sanction of Government.

Treasury Public (TP) accounts are in the nature of savings bank accounts. Autonomous bodies, local bodies, statutory companies and co-operative societies are allowed to open TP accounts in Treasuries. Individuals and institutions receiving grants from Government/Local bodies are also allowed to open TP account. Heads of educational institutions are allowed to open accounts to deposit fees collected by them towards extra curricular activities.

Government issues directions from time to time to autonomous bodies, local bodies, Government public sector undertakings, etc. to deposit with Government their surplus funds in PD/TP accounts to augment Government resources.

2.8.2. Audit Coverage

A test check of the transactions under PD/TP accounts in District Treasury, Thrissur and 12 sub treasuries thereunder and in selected Government departments, autonomous bodies and District Rural Development Agencies (DRDAs) during July-September 1998 brought out the following points.

2.8.3. Transactions under PD accounts

As on 31 March 1998 the balance held in PD accounts in treasuries in the State was Rs 194.97 crore. The balance held in TP accounts by Government Departments, Local Bodies and Autonomous Bodies in 130 out of 168 treasuries in the State was Rs 254.36 crore.

2.8.4. Non-closure of PD accounts

According to Codal provisions PD accounts administered by Government officials created by debiting the Consolidated Fund should be closed at the end of the financial year by minus debit of their balances to the relevant service heads in the Consolidated Fund. However, this provision was not followed and PD accounts were continued to be operated as an imprest account even after the close of the year.

Balances totalling Rs 73.46 crore were outstanding as on 31 March 1998 in PD/TP accounts relating to 4 Heads of departments as detailed below:

Sl. No	Head of the department holding PD/TP account	Balance as on 31 March 1997 (Rupees in crore)	Balance as on 31 March 1998 (Rupees in crore)	Percentage of increase over the balance as on 31 March 1997
1	Director of Agriculture	26.48	30.82	16
2	Director of Fisheries	6.45	12.90	100
3	Director of Handloom and textiles	11.67	26.81	130
4	Director of Scheduled Castes Development	1.06	2.93	176
	Total	45.66	73.46	

Further, balance amounting to Rs 176.33 crore was available as of 31 March 1998 in the TP accounts of 9 District Collectors (Rs 50.05 crore), 14 District Rural Development Agencies (Rs 40.67 crore), 6 Autonomous bodies (Rs 65.29 crore), 9 Assistant Directors of National Savings (Rs 13.69 crore) and 6 Principal Agricultural Officers (Rs 6.63 crore).

2.8.5. Drawal of funds at the fag end of the year

(a) In the following cases funds totalling Rs 63.55 crore were drawn from the Consolidated Fund during March 1998 and deposited in TP accounts as shown below:

Sl.No.	Name of Drawing Officer	Amount drawn and deposited in March 1998 (Rupees in crore)
1	Director of Agriculture	12.21
2	Director of Fisheries	7.86
3	Director of Handloom and Textiles	17.41
4	Director of Scheduled Castes Development	1.55
5	District Collector, Kozhikode	15.83
6	District Collector, Ernakulam	0.78
7	Deputy Director, National Savings, Kottayam	1.23
8	Deputy Director, National Savings, Kozhikode	0.52
9	Assistant Director, National Savings, Kannur	1.94
10	District Soil Conservation Officer, Thiruvananthapuram	0.51
11	District Soil Conservation Officer, Wayanad	0.62
12	Principal Agricultural Officer, Wayanad	1.74
13	Principal Agricultural Officer, Alappuzha	1.35
	Total	63.55

(b) In the following cases funds drawn for specific purposes from the Consolidated Fund and deposited into TP accounts remained unutilised for period ranging from 2 to 4 years.

Sl No	Departmental Officer holding the account	Account Number	Amount drawn (Rs in lakh)	Year/Date of drawal	Purpose for which drawn
1	Director of Scheduled Caste Development	TP 176	5.41	28/03/1996	Purchase of tools for Industrial Training Centres
2	-do-	-do-	6.82	06/10/1994	Training to Scheduled Castes in document writing
3	Director of Scheduled Castes Development	TP 176	8.49	30/03/1996	Purchase of photocopiers
4	Principal Agricultural Officer, Alappuzha	TP 1044	6.88	1993-94	Natural calamity relief
5	Assistant Director, National Savings Palakkad	TP 1170	70.00	1994-95	Cancer care fund
6	-do-	TP 1170	13.00	1993-94	District Development fund
7	Principal Agricultural Officer, Palakkad	TP 918	5.75	1995-96	Sugar cane Development Programme
8	Principal Agricultural Officer, Thrissur	TP 276	5.00	1995-96	Coconut Development Programme
9	Assistant Director of Agriculture, Puzhakkal	TP 1234	5.01	1994-95 and 1995-96	Group Farming Scheme
10	District Collector, Wayanad	TP 62	7.24	1994-95 and 1995-96	Health care & nutrition programme for adivasis
11	Principal Agricultural Officer, Wayanad	TP 195	78.65	1994-95 and 1995-96	Development of infrastructure facilities in padasekharams
12	Principal Agricultural Officer, Kannur	TP 689	15.94	1994-95	Natural calamity relief

2.8.6. Operation of more than one TP Account

Government had issued (July 1995) instructions to operate only one TP Account by an Officer for all the schemes and to maintain separate registers for recording transactions under each scheme. These instructions were not observed by the

Departmental Officers and several TP Accounts were operated simultaneously. It was noticed that 7 District Collectors were operating 35 TP Accounts and 2 Block Development Officers 6 TP Accounts. Further, substantial amounts credited in the TP Accounts of District Collectors since 1993-94 remained unspent as of August 1998 as detailed below:

Sl. No	Name of departmental Officer	PD/TP account	Amount drawn (Rupees in lakh)	Date of drawal	Purpose for which amount was drawn	Amount remaining unspent (Rupees in lakh)
1	District Collector, Kollam	TP 1383	30.00	March 1997	Repairs and restoration of damaged roads and bridges	163.02
			161.86	March 1998		
		TP 1807	141.51	1996-97	Accelerated Rural water supply scheme	79.85
				1997-98		
		TP 1523	4.50	1995-96	Strengthening of Revenue Administration and updating of land Records	50.05
			8.00	1996-97		
			10.10	1997-98		
			27.45	1997-98	Rehabilitation housing scheme	
2	District Collector, Thiruvananthapuram	TP 61	34.08	March 1994	Pozhiyoor Rehabilitation HS	18.21
3	District Collector Wayanad	TP 394, 395, 396 and 406	408.55	1996-97	MP's Local Area Development Fund	255.99
				1997-98		
		TP 62	76.30	March 1996	Rehabilitation of 218 adivasi families evicted from Karapuzha Irrigation Project	75.94
		-do-	75.52	1995-96	Rajiv Gandhi National Drinking Water Mission	140.40
		-do-	50.31	1996-97		
		-do-	117.20	1997-98		
		-do-	107.80	1997-98	Calamity relief works	82.20
		-do-	18.75	1995-96	Strengthening of Revenue Administration & updating of land records	38.05
		-do-	21.19	1996-97		
		-do-	8.71	1997-98		
		-do-	149.41	March 1996	Improving facilities in Government hospitals	56.41
4	District Collector, Alappuzha	NA	39.37	1995-96 to 1997-98	Implementation of "Fresh water prawn culture" in Kuttanad	35.72

* Government have entrusted (March 1998) the administration of the scheme to Agency for the Development of Aquaculture.

2.8.7. Non – reconciliation of balances

The administrators of PD Accounts was to furnish to the treasury officer at the close of each financial year a certificate of acceptance of balance in the treasury accounts after reconciliation of differences, if any, between the treasury accounts and the administrators accounts and no withdrawals from the treasury was to be allowed by the Treasury Officer after 31 May unless the certificate is received. However, no such reconciliation was done in a majority of cases test checked and withdrawals were allowed by the Treasury Officer even after 31 May 1998 in violation of Codal provisions. A few cases where reconciliation was not done are indicated below:

Sl. No.	Name of Officer operating	Closing balance on 31 March 1998	
		As per treasury accounts	As per departmental records
		(Rupees in lakh)	
1	Assistant Director of Agriculture, Irinjalakuda	44.92	39.52
2	Assistant Director of Agriculture, Chalakudy	42.35	41.75
3	Block Development Officer, Chalakudy	19.50	14.19
4	Assistant Director of Agriculture, Mala	55.63	60.22
5	Assistant Director of Agriculture, Kalpetta	61.60	73.14

2.8.8. Diversion of funds

In the following cases, amounts deposited in TP accounts for specific purposes were diverted for meeting other items of expenditure.

(a) Out of the funds deposited in TP account (No. 1383) held by the District Collector, Kollam for repairs and restoration of damaged roads and bridges on account of natural calamities, Rs 1.56 lakh was spent (March 1998) on construction of a room and attached toilet in the District Collector's bungalow.

(b) The Principal Agricultural Officer, Kollam spent Rs 4.27 lakh in March 1998 from his TP account (No.1273) at District Treasury, Kollam even though funds available for the scheme was only Rs 2.79 lakh. The excess expenditure was met by diversion from the funds for other schemes.

(c) Rs 0.30 lakh deposited in the TP account (No. 19) by the Assistant Director of Agriculture, Kollam in the Sub Treasury, Kollam in March 1996 for payment of awards to Panchayats achieving highest productivity in rice was diverted for the Onam Vegetable Marketing Programme in September 1997.

2.8.9. Interest on balance in TP account

The State Government had directed (July 1995) that no interest was to be paid on balances in TP accounts. It was, however, noticed that interest was paid in the following cases even after the issue of the above directions.

Sl. No	Name of Officer holding the account	TP Account Number	Amount of interest	Period
			(Rupees in lakh)	
1	Director of Animal Husbandry	1074	10.24	1988-89 to 1997-98
2	Director of Industries & Commerce	1402	12.74	1989-90 to 1997-98
3	Director of Sports & Youth Affairs	123	7.10	1991-92 to 1996-97
4	District Collector, Kozhikode	984	12.94	1989-90 to 1996-97
5	District Collector, Kozhikode	604	6.65	Upto 1995-96
Total			49.67	

2.8.10. Central assistance remaining unutilised in PD/TP account

Central assistance of Rs 2.26 crore for various Centrally sponsored schemes was received by 3 departments between 1994-95 and 1997-98. As of August 1998, Rs 5 lakh only (2 per cent) had been utilised. The details were as under:

Sl. No.	Name of departmental officer	Year of receipt of Central assistance	Amount	Funds utilised	Purpose for which the funds were received
			(Rupees in lakh)		
1	District Collector, Kasaragod	1994-95	16.00	5.00	Special Central Assistance to Special Component Plan
2	Director of Fisheries	1997-98	50.00	Nil	Development of Coastal Marine Fisheries through motorisation of traditional crafts. (Amount paid to MASTYAFED for implementation).
3	Director of Municipal Administration	1997-98	160.00	Nil	National Slum Development Programme to be implemented through Urban local bodies. (The amount had not been disbursed as terms and conditions for payment was finalised only in September 1998).

2.8.11. Non-refund of unutilised balance in PD/TP accounts.

In the following cases, unutilised balances were not refunded to Government.

- (a) Deputy Labour Officers, Alappuzha, Malappuram and Kottayam were holding Rs 43.84 lakh as on 31 March 1998 in their PD accounts towards Agricultural Workers' Pension. Though the payment of pension was entrusted with District Panchayats since December 1996, the balance was still retained in PD account.
- (b) Rs 18.73 lakh pertaining to 'National Rural Employment Programme' was retained by Assistant Conservator of Forests, Social Forestry Division, Kollam in PD account for the past 9 years.
- (c) The outstanding balance of Rs 76.76 lakh in TP Account No.380 held by the Principal Agricultural Officer, Malappuram at District Treasury included Rs 48.20 lakh refunded by the Krishi Bhavans and Assistant Directors of Agriculture during 1997-98 out of funds provided to them. The funds have not been credited to the Consolidated Fund so far.

CHAPTER III

CIVIL DEPARTMENTS

AGRICULTURE (ANIMAL HUSBANDRY) DEPARTMENT

3.1. Livestock census produced obsolete data

Government of India (GOI) issued (January 1992) instructions to State Government to conduct the fifteenth Livestock census during 1992 with reference date as 15 October 1992. The work was to be completed by 31 December 1993. The

Fifteenth Livestock census 1992 with reference date as 15 October 1992 was conducted only in 1996. Rs 71.46 lakh spent on the work did not serve the purpose of National Census.

expenditure on the census was to be shared equally by GOI and the State Government. The State Government failed to issue orders in this regard till March 1995 when they decided to conduct the Livestock census during April 1995 alongwith Socio-Economic census engaging school teachers. However, the State Government subsequently decided (October 1995) to put off the Socio-Economic census indefinitely due to administrative reasons and conduct Livestock census with reference date as 15 February 1996. GOI opined (December 1995) that by the time the results of the fifteenth census would be made available, sixteenth census would become due and therefore advised the State Government not to take up the fifteenth census and to concentrate on sixteenth census adhering to the prescribed date of reference (15 October 1997).

Government could not even furnish the estimated/projected figures for completing the fifteenth National Livestock census within the stipulated date. The fifteenth Livestock census was however conducted in the State during February 1996 with 15 February 1996 as reference date as decided by the Government, at an expenditure of Rs 71.46 lakh and the report was under print (August 1998). The GOI had so far released Rs 13.23 lakh and the balance share of Rs 22.50 lakh was still due (August 1998).

Government stated (August 1998) that by the time GOI's instructions in December 1995 was received, action was in full swing to conduct the census and hence it was decided to go ahead with census work in February 1996 as per schedule.

Thus, failure of the Government to conduct the fifteenth Livestock census during 1992 resulted in exclusion of figures relating to Kerala from the National

Livestock census. Further, Rs 71.46 lakh spent on conducting census with a different reference date did not serve the national purpose as it produced obsolete data.

ELECTION DEPARTMENT

3.2. Election expenses

(i) Introduction

During 1996-97 and 1997-98 simultaneous general election to Lok Sabha and State Legislature (1996), general election to Lok Sabha (1998), one bye-election to Lok Sabha, five bye-elections to State Legislature and 208 bye-elections to local bodies were conducted. The number of voters in the State as of 1 January 1996 was 2.07 crore.

The Chief Electoral Officer (CEO) is the nodal officer for the conduct of elections to the Lok Sabha and State Legislature and the State Election Commissioner (SEC) for the conduct of elections to the local bodies.

Election expenses for the years 1996-97 and 1997-98 were reviewed during July-September 1998 by test check of records in the office of the CEO, the SEC, Thiruvananthapuram, 9 out of the 14 District Collectorates and 30 out of 63 Taluk Offices. The results of the review are included in the following paragraphs:

(ii) Budget provision and expenditure

The budget provision and the expenditure for elections during 1996-97 and 1997-98 were as follows:

	1996-97		1997-98	
	Budget provision	Expenditure	Budget provision	Expenditure
	(Rupees in lakh)			
Electoral Officers	71.28	73.02	83.30	79.48
Preparation and printing of electoral rolls	627.06	131.68	1129.29	308.86
Simultaneous elections to Lok Sabha and Legislative Assembly	384.06	999.97	234.48	234.41
Election to Lok Sabha	Nil	2.32	1003.68	197.38
Elections to Legislative Assembly	Nil	15.68	0.92	0.92
Issue of Photo identity cards	750.00	3.78	Nil	725.21
State Election Commission	389.01	380.11	345.39	141.23
TOTAL	2221.41	1606.56	2797.06	1637.49

(iii) *Sharing of election expenditure and receipts*

GOI released its share of election expenses on provisional basis and final settlement was made later, on the basis of the audit certificate of the expenditure issued by the Accountant General (AG). Expenditure statements for the period from 1977-78 to 1994-95 were furnished by the CEO to AG only in June 1997 and the audit certificate was issued in December 1997.

Expenditure statement of election from 1977-78 was furnished to AG only in June 1997.

The expenditure reimbursable upto 1994-95 was Rs 21.12 crore against which GOI had released Rs 22.53 crore resulting in excess release of Rs 1.41 crore. Excess release by GOI for the years 1995-96, 1996-97 and 1997-98 was Rs 1.11 crore.

Out of the receipts of Rs 95.04 lakh on account of sale proceeds of election forms, documents, fees, fines, forfeiture, etc., for the period 1977-78 to 1997-98, the share due to GOI had not been remitted so far.

Government stated (January 1999) that excess release of GOI's share would be adjusted during the current financial year and the District Collectors had been directed to furnish the statement of receipts for the year 1997-98 for adjustment of the election receipts.

(iv) *Non realisation of election expenses from Panchayats*

According to Kerala Panchayat Raj Act, 1994 expenditure incurred by State Government initially in connection with the elections to Panchayats including expenses for the preparation of electoral rolls should be got reimbursed from Panchayats in such manner as may be prescribed. The State Government spent Rs 15.30 crore in connection with the elections to Panchayats during 1995-96 to 1997-98. No amount was realised from Panchayats so far (October 1998) due to non-finalisation of the norms for recovery.

Cost of election expenses amounting to Rs 15.30 crore was pending realisation from Panchayats.

The SEC stated (December 1998) that the observation of Audit had been brought to the notice of Government.

(v) *Extra expenditure on issue of identity cards with photographs to electorates*

The Election Commission of India (ECI) issued (December 1993) orders to prepare and distribute identity cards with photographs to all electorates by 30 November 1994 which was extended up to 31 December 1995. Tenders were not invited and offers were obtained from Kerala State Electronics Development Corporation Limited (KELTRON), a Government of Kerala commercial undertaking and Centre for Development of Imaging Technology (C-DIT), an autonomous body. KELTRON demanded Rs 14.50 per card and C-DIT, Rs 8 per card. The technical committee opined that the system of KELTRON was not void of flaws and there was scope for improvement whereas C-DIT being a small organisation would not be able to complete the work within the specified time frame. After negotiation, the entire work was entrusted (19 October 1995) to KELTRON at the rate of Rs 9.86 per card as per the decision of Council of Ministers as a measure of support to the company which was running at a loss.

Enhancement over agreed rates allowed to KELTRON would result in extra payment of Rs 7.44 crore.

KELTRON was paid advance of Rs 6.45 crore (Rs 2.45 crore in March 1996 and Rs 4 crore in December 1997). Though the work was to be completed within 180 days, KELTRON started the work in January 1997 and issued identity cards to nearly 43 *per cent* of the electorates as of August 1998.

KELTRON demanded (May 1997), Rs 14 per card and the enhanced rate was accepted by Government (October 1997) without detailed assessment of estimated expenditure.

The enhancement of Rs 4.14 per card over the agreed rate allowed to KELTRON would result in extra liability of Rs 7.44 crore out of which Rs 1.85 crore had been paid as of May 1998.

(vi) *Purchase of paper for printing of ballot papers*

SEC placed orders (October 1994) for supply of 500 MT (75 gsm) of paper on Tamil Nadu Newsprint and Papers Limited (TNPL), a Tamil Nadu Government enterprise for a total value of Rs 1.33 crore for printing ballot papers for election to local bodies. The supply was to be completed within 30 days and 90 *per cent* of the cost was to be paid in advance to the firm on receipt of proof of despatch. The firm also agreed to allow a special discount of 3.5 *per cent* on the total invoice value for the advance payment.

Advance payment of cost of paper in contravention of agreement condition resulted in loss of Rs 9.46 lakh by way of interest. There was excess purchase of paper costing Rs 54 lakh.

The SEC made advance payment of Rs 1.33 crore to TNPL in November 1994 as cost of paper and Rs 2.35 lakh in December 1994 towards freight charges. The firm supplied the paper only in July and August 1995 with a delay of 234 to 277 days. It was noticed in Audit that:

(a) The advance payment was made to the firm even before receiving proof of despatch in contravention of the agreement. Thus, the firm retained Rs 1.35 crore for a period of 9 months. The loss to Government, on account of this undue benefit to the firm, by way of interest worked out to Rs 9.46 lakh.

(b) The paper required for printing ballot papers during the 1995 elections to local bodies was 246 MT and the estimated quantity required till 2000 AD was 53 MT. Thus, 201 MT of paper costing Rs 54 lakh was purchased in excess of requirement. Besides, Rs 2.09 lakh was spent towards handling charges and rent of godown hired for stocking the excess paper.

(c) Rupees 40.89 lakh being cost of 150 MT of paper supplied by SEC to State Election Department in connection with election to Lok Sabha and Legislature and Rs 20.55 lakh towards cost of 73.93 MT of paper transferred (February 1998) to Stationery Department had not been adjusted as of September 1998.

(vii) *Wasteful expenditure on printing and supply of electoral rolls*

ECI ordered (August 1997) summary revision of electoral rolls as on 1 January 1998. The State Government decided (October 1997) to include 'House Name' also in the electoral rolls which was approved by the ECI on 2 January 1998.

Printing of electoral rolls without house name resulted in wasteful expenditure of Rs 11.88 lakh.

ECI decided (November 1997) to computerise the electoral rolls and to print the rolls using computer database in offset press. Accordingly, the printing and supply of electoral rolls was entrusted (December 1997) to three firms for completion by 31 December 1997. The firms supplied (January 1998) the electoral rolls without 'House Name' and they could not be put to use. The CEO requested the firms on 6 January 1998 to supply the electoral rolls with the 'House Name' also.

Since the matter of indicating the 'House Name' in the electoral rolls was pending with GOI, the orders for printing and supply of electoral rolls should have

been issued only after obtaining final orders from GOI. Failure to do so resulted in the wasteful expenditure of Rs 11.88 lakh in 4* districts.

Paper required for the work by one of the firms for which details were available was 4935 reams. As per norms, the wastage for offset printing was 1 per cent. As such the firm was to be supplied only 4985 reams of paper. However, 5839 reams were issued by CEO allowing 904 reams as wastage (18 per cent). This resulted in a loss of Rs 3.62 lakh on 854 reams of paper issued in excess to one firm.

Government stated (January 1999) that the account of paper issued used and wastage, etc., would be checked by the Superintendent of Government presses while scrutinising final bills and payment to printing firms would be made only after deducting the cost of excess paper, if any, consumed.

(viii) *Avoidable expenditure on hiring of KSRTC buses*

The CEO was hiring buses owned by Kerala State Road Transport Corporation (KSRTC), Government Statutory Corporation and private parties for election duty. It was noticed that the maximum hire charges paid to the private buses for elections was Rs 3506 (for 2 days), whereas, the average amount paid to the KSRTC buses for the general elections varied from Rs 10013 in 1996 to Rs 15246 in 1998. In Thiruvananthapuram only KSRTC buses were hired whereas in Kollam, Kottayam and Thrissur districts both KSRTC and private buses were hired. Compared to the maximum hire charges paid to private buses, the avoidable expenditure incurred on hiring of 656 KSRTC buses amounted to Rs 56.03 lakh in respect of the 3 elections.

Hiring of KSRTC buses at higher rate as compared to private buses resulted in avoidable expenditure of Rs 56.03 lakh.

(ix) *Advances pending adjustment*

(a) *Delay in adjustment of advances*

The advances drawn in connection with elections are required to be settled immediately after the election is over. However, it was noticed that advances drawn by Tahsildars from 1987 to 1998 for meeting cost of fuel for vehicles, TA and DA to poll personnel, etc., amounting to Rs 54.70 lakh were pending adjustment in respect of 12 Taluk offices as of March 1998. Adjustment of advances was not monitored either by District Collector or CEO.

Advances amounting to Rs 54.70 lakh drawn from 1987 were pending adjustment.

* Malappuram, Thiruvananthapuram, Thrissur and Wayanad

(b) Delay in claiming of telephone deposits

The deposits made by the Election Department to the Telecommunication Department for getting temporary telephone connections during elections conducted in 1995 (Local Bodies), 1996 (Lok Sabha and Legislature) and 1998 (Lok Sabha) amounting to Rs 8.73 lakh in respect of 8 offices test checked were yet to be got refunded (August 1998).

Government stated (January 1999) that all District Collectors and Tahsildars had been directed to adjust the pending advances and claim refund of deposits made to the Telecommunication Department.

(x) *Other topics of interest*

(a) Purchase of stationery items

The stationery articles required for use in polling stations were procured and supplied by the Stationery Department. Realistic assessment of the requirement was not made and stationery articles (canvas bags- 22356 nos., stamp pads- 5289 nos., and voting compartments – 33480 nos.) costing Rs 6.48 lakh were purchased in excess of requirement for elections in 1996 and 1998.

(b) Payment of honorarium

SEC sanctioned (February 1997) an honorarium of Rs 500 per month to all the Deputy Collectors (Election) and Rs 300 per month to all Assistants posted at the Collectorate for election duties to local bodies from January 1997. As per rules, honorarium was payable as remuneration for work of occasional nature which was so laborious or which justified special reward and as such the sanctioning of a monthly honorarium from 1997 onwards and that too without the sanction of the Government was not in order. The total payment made as honorarium from January 1997 to August 1998 worked out to Rs 2.24 lakh.

SEC stated (December 1998) that bye-elections to local self Government institutions and election to the post of Chairperson and Deputy Chairperson of these institutions were frequent and that the Deputy Collector and Assistant were always busy with election work on a day to day basis. He also added that as the election work to local bodies was a continuing process, payment of honorarium had also to be on a continuing process. The reply of SEC is not tenable. During the 20 months from January 1997 to August 1998, only 206 bye-elections were conducted to the local bodies in the 14 districts at an average of one election per month in a district.

(xi) *Internal inspection*

Kerala Election Manual enjoins the CEO or his deputies to periodically inspect the election sections in the Collectorates and the Taluk Offices. The District Collectors are to inspect election sections in the Taluk offices once in six months and forward copies of the inspection reports to the Election Department.

No records were available to show that local inspections were carried out by CEO. It was also noticed that the reports of inspection by the District Collectors were also not obtained and reviewed.

Government stated (January 1999) that the inspections could not be carried out promptly as the election branches were busily engaged with election matters since 1995. Government added that all district collectors had since been instructed to conduct inspection as provided in the Kerala Election Manual and the department had already started inspection on a regular basis.

FINANCE DEPARTMENT

3.3. Irregular fixation of pay on the basis of Pay Equalisation Orders 1992

Based on the recommendations of the Pay Equalisation Committee constituted (January 1992) for bringing State Government employees, teaching and non-teaching staff of aided educational institutions on Central scales

Irregularities in fixation of pay were detected in 3622 cases out of 45600 cases test checked in audit. Excess payment yet to be recovered in 1334 cases amounted to Rs 54.09 lakh.

of pay, the pay scales of State Government employees and the staff of aided educational institutions were revised from 1 March 1992.

A test check of fixation of pay on the basis of 1992 Pay revision was conducted between November 1994 and October 1997 in respect of 45600 service books in the State. Irregularities were noticed in 3622 cases (8 per cent) in 94 departments.

In 2741 cases in 43 departments major irregularities such as reckoning of incorrect pay in pre-revised scale, adoption of wrong scales, irregular options, grant of inadmissible personal pay/increments, sanction of inadmissible grade promotions, etc, were noticed. Excess payment yet to be recovered in 1334 cases, where such payments could be quantified amounted to Rs 54.09 lakh towards basic pay alone. Excess payment to the tune of Rs 22.78 lakh was recovered in 628 cases in 41 departments at the instance of Audit.

The matter was referred to Government in June 1998; reply had not been received (October 1998).

FISHERIES AND PORTS DEPARTMENT

3.4. Functioning of Fisheries Department

3.4.1. Introduction

Kerala has a coastline of 590 Km extending almost to its entire length on the western side and fisheries sector has a crucial role to play in the State's economy. Fisheries sector contributed about 2 *per cent* of the State's annual income and more efforts were being made to exploit the fisheries wealth. Three *per cent* of State's population depended on this sector for their livelihood through employment in harvesting, processing and distribution of fish and fishery products.

3.4.2. Organisational set up

The Fisheries Department functions under the administrative control of the Secretary to Government (Fisheries and Ports) with the Director of Fisheries as the Head of the Department. He is assisted by three zonal Joint Directors (JD) at Thiruvananthapuram, Ernakulam and Kozhikode, JD, Malampuzha and a Superintendent of Police (Marine Engineering and Vigilance).

3.4.3. Audit coverage

A review of the functioning of some aspects of the department during 1993-98 was conducted by Audit during January to April 1998 with reference to the records of the Fisheries and Ports Department in the Government, Directorate and 10 District Offices. The results of the review are discussed in the succeeding paragraphs:

3.4.4. Highlights

- Details of sanctioned strength of each category of staff of the department were not available with the Director of Fisheries. Periodical review of actual requirement of staff with staff in position was not conducted resulting in payment of salaries amounting to Rs 2.56 crore to staff without work in 3 cases.

(Paragraph 3.4.5)

- Rupees 326.44 crore shown as total expenditure for the years 1993-94 to 1997-98, included Rs 44.67 crore deposited in Treasury Public Accounts (TPA). Huge savings (Rs 61.74 crore) during 1993-94 to 1997-98 were mainly due to lack of proper scrutiny in preparing budget estimates and slippages in the developmental works.

(Paragraph 3.4.6(a))

- Control over expenditure and reconciliation of receipts and expenditure of the department were not effective. Reconciliation of departmental receipts with treasury figures had not been done from 1993-94. Reconciliation of departmental figures of expenditure with those booked by the Accountant General was in arrears from 1994-95. The unreconciled expenditure and receipts amounted to Rs 284.65 crore and Rs 5.57 crore respectively. Substantial portion of savings was surrendered only on the last day of the financial year during 1993-94 to 1997-98.

(Paragraph 3.4.6(b) (i), (ii) and (iii))

- Director of Fisheries had drawn (March 1998) Rs 15 lakh in an incorrect bill form and Rs 35 lakh from capital head without budget provision for setting up of District Fishermen Co-operative Banks.

(Paragraph 3.4.6(b)(iv))

- Contravening the codal provisions, huge sums out of funds provided in the budget were drawn by the Director and deposited in TPA. The balance in TPA was Rs 12.24 crore as of 31 March 1998 which included funds drawn from treasury prior to 1992-93.

(Paragraph 3.4.6(c))

- Out of Rs 241.79 crore spent on State Plan and Centrally sponsored schemes, about 54 *per cent* was incurred by the Director of Fisheries and the rest through Harbour Engineering Department and three autonomous bodies. Department was not exercising proper control over the utilisation of funds and monitoring the physical progress of the schemes implemented through autonomous bodies.

(Paragraph 3.4.7)

- Against the target of 1.50 lakh fishermen to be covered under Savings cum Relief Scheme for Marine Fishermen, only 0.83 lakh could be covered as of March 1997. There was no machinery to ensure that the assistance was paid only to eligible beneficiaries.

(Paragraph 3.4.7.A(a))

- As against Rs 5.33 crore due from Government of India (GOI) as Central Share for implementation of schemes under 'National Welfare Scheme for Fishermen', only Rs 1.42 crore had been received so far. Out of Rs 10.65 crore drawn from treasury funds ranging from Rs 16.19 lakh to Rs 85.15 lakh remained unspent with implementing officers during 1992-93 to 1996-97. Out of 3843 houses sanctioned, only 2404 houses were completed as of March 1998.

(Paragraph 3.4.7.A.(b))

- Department failed to select a suitable private firm for joint venture for implementing the Scheme for conversion of fish into value added products and Rs 49.84 lakh remained locked up for the last 3 years.

(Paragraph 3.4.7.A.(c))

- The scheme for introduction of prawn culture with an outlay of Rs 276 crore sanctioned by Government in July 1995 had not been started so far. Out of Rs 1.90 crore drawn during 1994-95 to 1996-97, Rs 1.88 crore were kept in TP Account.

(Paragraph 3.4.7.B.(a))

- Out of Rs 19.93 lakh released during 1996-97 in 7 districts under Theerajyothi Scheme for electrification of 3000 houses of fishermen, utilisation certificates were received only for Rs 5.50 lakh. Number of houses actually electrified was not known as this was not monitored by the District Fisheries Officers.

(Paragraph 3.4.7.B.(b))

- During 1992-93 to 1997-98, Director of Fisheries established Vanitha Banks in eleven districts without approval of Government and drew Rs 1.19 crore without sanction and provision of funds for the purpose. Functioning of the Vanitha banks had not been evaluated.

(Paragraph 3.4.9)

- Government repaid the loan of Rs 2.70 crore on behalf of 2 co-operative societies for whom the Government stood guarantee for the loans availed by them from Banks. Delay in repayment of loan resulted in avoidable payment of penal interest amounting to Rs 35.05 lakh.

Adjustment of assets of one society amounting to Rs 1.26 crore had not been made so far.

(Paragraph 3.4.10)

- Rs 2.60 crore was released to Kerala State Co-operative Federation for Fisheries Development Limited (MATSYAFED) during 1985-97 for enhancing the borrowing capacity and strengthening the infrastructure facilities of MATSYAFED and primary co-operative societies. Out of this, Rs 82.27 lakh was diverted for other purposes and Rs 1.04 crore retained without any purpose.

(Paragraph 3.4.11)

- Construction of speed boats with a speed of 20 knots against 14 knots prescribed by GOI resulted in extra burden of Rs 2.50 crore on the State Government. The 5 boats taken delivery in November 1996 had not been put to use.

(Paragraph 3.4.12)

3.4.5. Human Resource Management

A. Data base of personnel in Fisheries Department

In order to have a detailed analysis of the deployment and management of personnel in the Fisheries Department, data base was prepared by Accountant General. Analysis of the data revealed the following:

- (i) Staff strength of the department and salary payments

The Directorate did not have records of sanctioned strength of each category of staff. Even though the department is required to furnish along with their budget proposals, the sanctioned strength and actual strength in respect of each category of staff, the department was furnishing only the actual strength (men in position). While salary expenditure for April 1998 was Rs 72 lakh (including DA arrears Rs 16 lakh) funds provided under 'salaries' during 1998-99 was as much as Rs 10 crore. As against 1517 and 1383 non-gazetted employees, there were 136 and 120 gazetted staff during 1996-97 and 1997-98 respectively. Thus, the ratio of gazetted to non-gazetted staff worked out to 1:11.

B. Idle staff

Periodical review of the actual requirement of staff against the work load was not conducted by the Director of Fisheries, to locate idling of staff and consequent extra expenditure on salaries. Three such cases are detailed below:

(a) Iceplants and cold storages

The department established 21 ice plants and cold storages between 1957 and 1988 for preserving fish catches properly. 19 out of these 21 cold storages became defunct and were closed down between 1983 and 1990. However, 48* members of staff attached to these ice plants and cold storages were continued without adequate work and Rs 1.57 crore was spent on their salaries, etc. during the last 8 years.

19 out of 21 Government run ice plants were not working.

(b) Brackish water and Training centre

The office of the Deputy Director of Brackish Water and Training was established at Ernakulam in 1966 for imparting training to departmental officers. 416 Officers were trained in 30 batches till 30 September 1992. Since all the departmental staff had been given training, no training programme was held thereafter. As at the end of April 1998, there was a complement of 23 members of staff in the office. Rs 70.61 lakh was spent on their salaries, etc., during October 1992 to January 1998. No action had been taken to redeploy the staff.

(c) Boat crew

During November 1996, 5 speed boats were got constructed at a cost of Rs 8.80 crore at Cochin Shipyard for enforcement of Marine Fisheries Regulation Act, 1980. Government sanctioned in July 1996, 40 number of staff and 31 number of staff joined the department. However, the boats could not be operated as of September 1998 on account of defects in manufacturing and non-receipt of Marine Survey Report from Mercantile Marine Department. Idle wages paid to the staff from January 1997 to September 1998 attached to 3 boats worked out to Rs 28.32 lakh. The details in respect of the remaining 2 boats were not furnished.

* Manager -3, Mechanic - 12, Freezing Supervisor - 2, Operator - 9, Iceman - 11, Driver - 1, Peon -3, Sweeper -3 and Watchman - 4

3.4.6. Budgetary procedure and control over expenditure

(a) Budget provision and expenditure

Grant Number XXXIII Fisheries is controlled by the Secretary to Government (Fisheries and Ports). The budget provision, expenditure and savings under Plan and Non-plan in Revenue and Capital (Revenue Major Head – 2405, Capital Major Head – 4405) sections under Fisheries sector from 1993-94 to 1997-98 were as under:

Year	Section	Budget provision		Expenditure		Savings(-)/ Excess(+)		Percentage of savings to budget provision	
		Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
(Rupees in crore)									
1993-94	Revenue	18.07	8.92	16.11	8.80	(-) 1.96	(-) 0.12	10.85	1.34
	Capital	18.20	0.48	16.37	0.51	(-) 1.83	(+) 0.03	10.05	-
1994-95	Revenue	17.05	10.45	16.64	10.01	(-) 0.41	(-) 0.44	2.40	4.21
	Capital	28.62	0.20	27.84	0.20	(-) 0.78	-	2.72	-
1995-96	Revenue	21.84	11.94	22.62	11.56	(+) 0.78	(-) 0.38		3.18
	Capital	42.04	0.09	40.05	0.09	(-) 1.99	-	4.73	-
1996-97	Revenue	22.72	19.68	18.76	12.76	(-) 3.96	(-) 6.92	17.43	35.16
	Capital	45.89	-	25.57	-	(-) 20.32	-	44.28	-
1997-98	Revenue	50.21	21.63	39.18	19.22	(-) 11.03	(-) 2.41	21.97	11.14
	Capital	45.15	5.00	40.15	-	(-) 5.00	(-) 5.00	11.07	100
TOTAL		309.79	78.39	263.29	63.15	(-) 46.5	(-) 15.24	15.01	19.44

Total expenditure during 1993-94 to 1997-98 (Rs 326.44 crore) included Rs 44.67 crore shown as disbursed but actually deposited in Treasury Public Account (TPA).

The huge savings (Rs 61.74 crore) were as a result of provision of funds without getting approval of schemes from Government of India (GOI), non-finalisation of works, non-availability of land for commencement of works, etc. and

indicated lack of proper scrutiny in preparation of budget and slippages in development works. A few significant cases are detailed below:

Sl No.	Scheme	Savings (Rupees in crore)	Reasons for savings
1	Inland fish marketing (100 per cent CSS)	1.96	Non-sanctioning of the scheme by GOI.
2	Assistance for purchase of speed boats for Marine Engineering Wing (100 per cent CSS)	1.76	Non-receipt of sanction from GOI for purchase of two boats.
3	Establishment of landing centres for traditional fishermen (50 per cent CSS)	0.73	Non-arrangement of work of fish landing centres.
4	Conversion of fish into value added products (50 per cent CSS)	0.50	Want of GOI sanction. No proposal was forwarded so far (November 1998).
5	Fisheries Road	2.60	Sanction from GOI not received.

(b) Control over expenditure

According to Kerala Budget Manual (KBM), the responsibility of enforcing control over expenditure rests with the Administrative department. The department discharges this responsibility through the Chief Controlling Officer (CCO), subordinate controlling officers and Drawing and Disbursing Officers (DDOs). CCO has to keep a constant watch over current and anticipated expenditure and ensure that the expenditure does not exceed the appropriation at any time. To facilitate this, the DDOs are required to submit to their controlling officers monthly statement of expenditure after reconciliation with the Treasury figures. These are to be consolidated and got reconciled with the books of the Accountant General (Accounts and Entitlements) (AG, A&E) by the CCO.

Test check of expenditure control mechanism in the department revealed the following:

(i) Monthly expenditure statements not furnished by the DDOs

Nine DDOs did not even maintain the required details of expenditure as per KBM during 1993-98. Scrutiny of records in the Directorate also revealed that none of the 34 DDOs had furnished the monthly statements during 1994-95 to 1997-98 and no action had been taken by the Director of Fisheries who was the CCO against the DDOs for this lapse.

The Director was maintaining only an Allotment Register for recording the monthly allocations made by him to the various DDOs. This Register did not contain details such as monthly expenditure against the allocations, schematic expenditure, etc. These details were neither demanded by the Director nor were submitted by the DDOs. Thus, the Director failed to ensure proper upkeep of records and exercise effective control over expenditure against various schemes.

(ii) Absence of departmental reconciliation of receipts and expenditure

1. Receipts

According to Kerala Financial Code (KFC), every controlling officer should exercise a close watch over the receipt of quarterly reports of reconciliation of receipts accounted for by the JDs with those booked by the treasury and furnish a certificate to the Finance department every six months regarding the reconciliation of figures of receipts.

Scrutiny revealed that the quarterly reports on the progress of reconciliation of departmental receipts from the JDs were not received by the Director and no certificate as contemplated in KFC was forwarded to Finance department by him during the period from 1993-94 to 1997-98. The unreconciled receipts of the department during the period worked out to Rs 5.57 crore.

2. Expenditure

According to the provisions of KBM, CCO would be responsible for reconciliation of departmental figures with the books of AG, A&E. In Fisheries department, the work of reconciliation by the Director had been delegated to the 3 JDs. The DDOs were to intimate the departmental figures duly reconciled with treasury, to the JDs concerned every month and the JDs were to forward the reconciliation certificates after reconciliation with the books of AG to the Director who was to forward the same to AG, A&E.

It was noticed in audit that no reconciliation certificates were forwarded by JDs to the CCO from 1994-95 onwards. The JD, Ernakulam and Kozhikode attributed non-completion of reconciliation work to delay in getting the expenditure statements from DDOs. The extent of arrears in submission of such statements by 14* DDOs (under 3 JDs) ranged from 1 to 6 years.

* Under JD, Thiruvananthapuram – DD, Thiruvananthapuram, Alappuzha and ADs of Kottayam, Pathanamthitta upto 1996-97; DD, Kollam upto 1993-94. Under JD, Ernakulam – AD, Idukki (1996-97), DD, Thrissur (1995-96), DD, Ernakulam (1992-93) and DD, Palakkad (1994-95). Under JD, Kozhikode – DDs of Kozhikode, Kasaragod and AD, Wayanad upto 1996-97 and DD, Kannur upto 1997-98 and AD, Malappuram (1995-96).

The Director of Fisheries had not also furnished the reconciliation certificates for the period from 1994-95 to AG, A&E eventhough the fact was brought to his notice every year. The unreconciled expenditure for the period from 1994-95 to 1997-98 worked out to Rs 284.65 crore.

According to the directions issued (October 1995) by Government, the Treasury Officer (TO) should not pay salary of DDO from 3rd month onwards if the reconciliation is not consecutively done for 3 months. However, no action had been taken against any of the defaulting officers by the TOs.

(iii) Surrender of savings

According to KBM, all anticipated savings should be surrendered to the Finance Department, immediately as they were foreseen, without waiting till the end of the year. However, substantial portion of the savings was surrendered only on the last day of the financial year during 1993-94 to 1997-98. Amount surrendered on 31 March was Rs 3.38 crore (86 per cent), Rs 0.94 crore (58 per cent), Rs 2.15 crore (91 per cent), Rs 30.03 crore (96 per cent) and Rs 14.87 crore (63 per cent) respectively. Besides, there were unsurrendered savings ranging between Rs 11 lakh and Rs 68 lakh.

Substantial portion of savings was surrendered only on the last day of the financial year.

(iv) Drawal of funds without budget provision

Government sanctioned (March 1998) Rs 50 lakh towards formation of District Fishermen Co-operative Banks in all the districts for providing sufficient credit facilities to the needy fishermen to free them from the grip of money lenders and middlemen. As ordered by Government, Rs 15 lakh was drawn by debit to revenue minor head 'Sea rescue operations and safety measures' and Rs 35 lakh by debit to a capital head (4405-800-69) which was not included in the budget for 1997-98 and Rs 50 lakh was deposited (April 1998) in the savings bank account in a nationalised bank by the JD, Thiruvananthapuram who was the Managing Director of the Vanitha Bank. On 19 June 1998, the amount was withdrawn from SB account and deposited in fixed deposit in the same bank.

Rs 15 lakh were drawn irregularly in a miscellaneous bill form from revenue head relating to another scheme and Rs 35 lakh from a capital head not included in the budget.

It was also noticed that the amount of Rs 15 lakh was drawn in a bill for miscellaneous payments intended for drawal of Motor Conveyance Advance, House Building Advance, etc., to avoid detection of absence of provision in the budget, up to

date expenditure, etc., which was irregular. The TO should not have honoured the claim since it was not drawn in the prescribed bill form.

(v) Non-detection of irregularity

It was noticed in audit that the Director of Fisheries obtained a supplementary grant of Rs 75 lakh under the head of Account "2405 -800-86" Housing Scheme assisted by National Fishermen Welfare Fund (50 per cent CSS) during 1995-96. Against this, the Director allocated Rs 1.50 crore to 9 District Officers. Out of this 6 District Officers drew Rs 1.20 crore from the treasury.

(vi) Substantial re-appropriations

It was noticed that the re-appropriations ordered in respect of 8 Heads of Account during 1993-94 to 1995-96, ranged between 100 and 375 per cent of the original provision which indicated that the estimates were wide of the actuals.

(c) Treasury Public Accounts

A Treasury Public Account (TPA 1334) was opened in 1989 in the name of the Director of Fisheries for depositing the huge amounts drawn from the provisions made for various schemes/programmes in the budget of the department each year. During the period 1989-90 to 1997-98, Rs 57.76 crore had been deposited against which Rs 45.52 crore was withdrawn. Balance available in the account as of March 1998 as per Treasury Pass Book was Rs 12.24 crore as under:-

Huge amounts of budgetted funds were drawn and kept in TP Account and spent through it.

Year	Opening Balance	Deposits	Withdrawal	Balance
(Rupees in lakh)				
1989-90	Nil	95.61	47.75	47.86
1990-91	47.86	405.83	238.12	215.57
1991-92	215.57	468.60	478.63	205.54
1992-93	205.54	338.89	424.25	120.18
1993-94	120.18	485.35	664.27	(-)58.74
1994-95	-58.74	124.00	156.50	(-)91.24
1995-96	-91.24	1279.79	993.94	194.61
1996-97	194.61	1406.17	1053.00	547.78
1997-98	547.78	1171.85	495.28	1224.35
TOTAL		5776.09	4551.74	

The following discrepancies/omissions were noticed.

(i) According to Codal provisions, every officer receiving money on behalf of Government should maintain a cash book. However the transactions under the TPA were neither routed through the Cash book nor subsidiary register. Hence the correct balance in the account could not be ascertained from the departmental records. The reconciliation by the department with treasury figures was in arrears since 1989-90. As a result, Director could not explain the reason for the minus balances at the end of the years 1993-94 and 1994-95.

Transactions in TPA not reflected in cash book or recorded in subsidiary registers.

(ii) As per the books maintained by the Director of Fisheries closing balance as of 31.3.1998 was Rs 12.82 crore though the balance as per Treasury pass book worked out to Rs 12.24 crore.

3.4.7. Programme implementation

Total fish landing in the State during the years 1992-93 to 1996-97 was 5.96 lakh, 6.05 lakh, 5.97 lakh, 5.82 lakh and 7.05 lakh tonnes respectively of which marine fish landing contributed more than 91 per cent.

The schemes under Fisheries Sector were implemented jointly by Fisheries Department, Harbour Engineering Department (HED), and 3 autonomous bodies under Government of Kerala, viz., Kerala State Co-operative Federation for Fisheries Development Limited (MATSYAFED), Kerala Fishermen Welfare Fund Board (KFWFB) and Agency for Development of Aquaculture, Kerala (ADAK). The number of schemes implemented by these agencies and the expenditure incurred from 1993-94 were as under.

(Rupees in crore)

Sl. No.	Year	Implementing departments/Agencies							Centrally sponsored scheme out of the total scheme
			Fishe-ries Department	HED	MAT-SYA-FED	KFW-FB	ADAK	Total	
1	1993-94	No. of schemes	37	9	8	2	2	58	19
		Expenditure	17.08	6.59	3.73	2.31	2.11	31.82	15.18
2	1994-95	No. of schemes	39	9	9	2	2	61	21
		Expenditure	19.88	8.56	6.16	2.28	1.25	38.13	18.59

Sl. No.	Year	Implementing departments/Agencies							Centrally sponsored scheme out of the total scheme
			Fishe-ries Department	HED	MAT-SYA-FED	KFW-FB	ADAK	Total	
3	1995-96	No. of schemes	38	11	8	3	2	62	22
		Expenditure	31.43	12.90	7.63	3.69	1.99	57.64	33.15
4	1996-97	No. of schemes	40	11	6	3	2	62	22
		Expenditure	24.06	14.13	3.07	3.52	2.57	47.35	26.56
5	1997-98	No. of schemes	41	11	9	3	2	66	21
		Expenditure	37.06	13.80	11.91	3.18	0.90	66.85	25.76
TOTAL			129.51	55.98	32.50	14.98	8.82	241.79	119.24

During the period from 1993-94 to 1997-98, only 5 schemes costing Rs 2.20 crore had been completed and the remaining schemes were being continued.

About 54 *per cent* of the expenditure on schemes was incurred directly by the Fisheries department and the balance released to HED and three autonomous bodies without ascertaining requirements. Utilisation certificates from these institutions were also not obtained. The department was not monitoring the physical progress of schemes implemented by them.

A. Central Plan Schemes

(a) Savings cum Relief Scheme for Marine Fishermen

The scheme implemented from 1992-93 onwards as part of National Welfare Scheme for Fishermen, envisaged payment of financial assistance of Rs 1080 to fishermen who were members of Co-operative societies, during the lean months of March to June, at the rate of Rs 270 per month by collecting Rs 360 from fishermen at the rate of Rs 45 per month during 8 fishing months in a year and Rs 360 each from Government of India(GOI) and the State Government. The total expenditure incurred on the scheme from 1992-93 to 1997-98 was Rs 33.69 crore. Expenditure upto 1996-97 (Rs 28.63 crore) exceeded the total Government releases by Rs 0.75 crore. The Director of Fisheries was the nodal officer for implementing the scheme in the 9 coastal districts of the state.

Though 1.5 lakh fishermen were to be covered under the scheme, only 0.83 lakh were covered while the expenditure under the scheme exceeded the funds allotted.

(i) Against the target of 1.50 lakh out of 1.61 lakh active fishermen proposed to be covered under the scheme, the achievement as of March 1997 was only 0.83 lakh and in Kannur and Thrissur districts the achievement was only 26 and 36 per cent respectively.

(ii) According to the scheme the beneficiaries were to be selected by the Director of Fisheries after giving wide publicity through various media such as local dailies, AIR etc. The applications in the prescribed form were to be received and the list of beneficiaries finalised by the DD. An inspection conducted in October 1994, in two villages in Ponnani by the JD, Kozhikode revealed that payments were made to 51 ineligible fishermen.

(iii) It was not ensured, during selection of beneficiaries that they/their family members had no income from Government/private sources which was a pre-requisite of the scheme. Correctness of the information furnished by the applicants was not verified to ensure that assistance was paid only to eligible fishermen.

(iv) According to the scheme contributions from the beneficiaries were to be collected by the President/Secretary of the Co-operative/Welfare Society where the beneficiary is a member. But the system was not followed and there was no centralised system to monitor the collection from the fishermen to ensure that the beneficiaries contributed their due share.

(v) The Superintendent of Police (Marine Enforcement and Vigilance) reported (July 1993) about bogus beneficiaries under the scheme. However, no action was taken to identify and remove ineligible beneficiaries.

(vi) 3 officials in Thiruvananthapuram and one in Kollam were placed under suspension between September 1995 and July 1996 for defalcation of Rs 3.60 lakh intended for payment to the beneficiaries under the scheme. Investigation of the charges against the officials was still not complete.

(b) Development of Model Fishermen Village

The scheme initially implemented in the state from 1992-93 under 'National Welfare Scheme for Fishermen' envisaged development of model fishermen villages having 10 to 100 houses with

infrastructure facilities such as drinking water, community hall/ work shed, etc.,. According to scheme each house with a maximum ceiling of 35 sq. metres should be constructed at a maximum cost of Rs 35000 to be shared equally by GOI and

Against Rs 5.33 crore to be received as Central assistance, the amount received was only Rs 1.42 crore.

State Government. The State Government was responsible for fixing of different plots/houses etc. Against the total expenditure of Rs 10.65 crore during 1991-92 to 1996-97, GOI release was only Rs 1.42 crore. Reasons for non-reimbursement of balance share (Rs 3.91 crore) was not on record.

It was seen that the funds allocated in the budget were drawn and disbursed to the implementing officers who deposited the same in interest earning bank accounts/TPA. The unspent balance at the end of the year in banks/ TPAs4 ranged from Rs 16.19 lakh to Rs 85.15 lakh during 1992-93 to 1996-97.

(i) Sanction for construction of houses was issued by the Director of Fisheries based on the scheme drawn by the beneficiary committee with District Collector as chairman. Against construction of 3843 houses sanctioned during 1992-93 to 1996-97, only 2404 houses were completed as of March 1998. Construction of 837 houses was in progress and work on 602 houses was yet to be taken up (March 1998).

Against 3843 houses sanctioned only 2404 houses were completed as of March 1998.

(ii) Though the beneficiaries themselves were to construct the houses through the beneficiary committees, the construction work was entrusted to Nirmithi Kendra, a registered society. Rs 10 lakh paid to Nirmithi Kendra, Kannur in December 1993 by DD, Kannur was refunded with interest of Rs 0.37 lakh in August 1994, on the plea that Rs 35000 was insufficient to meet the cost of construction of house with a plinth area of 35 sq.m. Out of Rs 10.37 lakh refunded, Rs 70000 was paid (September 1994) to 10 beneficiaries as first instalment. No further instalments had been paid to these beneficiaries so far (April 1998).

Contrary to guidelines, work of construction of houses was entrusted to Nirmithi Kendra which hampered the progress of implementation.

(iii) Though the scheme provided for construction of one community hall/work shed in model village with a minimum of 75 houses, 2 community halls were constructed in 2 villages with 20 houses each in Kasaragod district. Though the scheme provided for one tube well in each village having 10 to 20 houses, no tube well had been constructed in 36 villages.

Tube wells were not constructed as prescribed, whereas community halls were constructed in excess of norms.

(c) Scheme for conversion of fish into value added products

In 1991-92, GOI released (31 March 1992) an assistance of Rs 45 lakh for setting up public/joint sector units for utilisation of trash fish into value added

products. The scheme failed to take off for no obvious reason and Rs 45 lakh was remitted to the revenue head of the Fisheries department. The scheme was revived in 1994-95 when GOI agreed to assist the implementation of the same by providing contribution to equity capital to the tune of 100 per cent for public sector units and 50 per cent for joint sector units. A firm in Thiruvananthapuram was selected by Director of Fisheries for setting up of joint sector unit and the proposal was sent to Government for acceptance. MATSYAFED was also recommended as counterpart from Government side for the joint venture project. Government approved the scheme in March 1995 and sanctioned Rs 49.84 lakh to MATSYAFED. The amount was drawn by the Director of Fisheries on 31 March 1995 and released to MATSYAFED which kept the money in TPA.

However, no amount had been spent on the scheme as of March 1998 as the credibility of the private firm selected for joint venture became doubtful and the

Failure to identify a proper firm for setting up joint venture led to non-implementation of a scheme and locking up of Rs 49.84 lakh for the last 3 years.

Government ordered in October 1996 stoppage of all steps to form joint venture with the firm. Further developments were awaited (April 1998).

The following irregularities were noticed.

(i) The financial assistance of Rs 45 lakh received by the Director of Fisheries in March 1992 was not refunded to the GOI or adjusted against any of the assistance receivable from GOI for other schemes. There was no sanction from State Government for crediting Rs 45 lakh as revenue of the State.

(ii) The failure on the part of the department to identify and select a suitable private firm for the joint venture resulted in non-implementation of the scheme and locking up of Rs 49.84 lakh for the last 3 years (1995-96 to 1997-98).

B. State Plan Schemes

(a) Introduction of Prawn culture in Pokkali fields

Based on the proposals of the department (February 1995), Government approved (July 1995) the scheme for scientific prawn culture in 5000 hectares of Pokkali fields in Ernakulam District over a period of 10

Failure to implement the scheme for prawn culture resulted in locking up of Rs 1.88 crore and wasteful expenditure of Rs 1.76 lakh.

years in a phased manner at an outlay of Rs 276 crore to be implemented with finance from nationalised banks. Kerala Industrial and Technical Consultancy Organisation (KITCO) was entrusted (December 1994) by the Director with the preparation of

project report (interim report within 3 months and final report within one month from the date of receipt of comments of the department). However, KITCO submitted the report after 17 months and Rs 1.30 lakh was paid by the Director of Fisheries to KITCO between August 1995 and February 1996. Department however, held that the project report needed a thorough revision and in June 1997, the Director of Fisheries intimated Government that the scheme could not be implemented due to lack of manpower and infrastructure.

Even though the scheme failed to take off, funds provided in the budget to the extent of Rs 1.90 crore during 1994-95 to 1996-97 had been drawn by the Director of Fisheries and kept in the TPA in violation of financial rules. The failure of the department to implement the scheme resulted in locking up of funds to the tune of Rs 1.88 crore and wasteful expenditure of Rs 1.76 lakh spent on consultancy and seminar as of September 1998.

(b) Theerajyothi scheme

For electrification of 10000 fishermen households in five year period, a scheme titled 'Theerajyothi' was launched by State Government in 1996-97 by providing 100 *per cent* assistance (Rs 1000 per house hold). Target for 1996-97 was fixed as 3000 houses. As per the guidelines, the scheme was to be implemented through the local bodies under the supervision of the District Fisheries Officer. The success of the scheme was dependent on power supply by Kerala State Electricity Board (KSEB).

A test check of implementation of the scheme revealed the following.

(i) The District Fisheries Officers were to collect utilisation certificates from local bodies within the prescribed period and forward them to the Director of Fisheries. Against Rs 19.93 lakh released during 1996-97 to 7 districts, utilisation certificates were received only for Rs 5.50 lakh as of September 1998.

Utilisation certificates were received only for Rs 5.50 lakh against Rs 19.93 lakh released. Number of houses electrified under the scheme could not be ascertained.

(ii) Progress of electrification was not monitored by the District Fisheries Officer and hence the number of houses electrified could not be ascertained.

(iii) There were complaints from many local bodies that the beneficiaries were experiencing difficulties as no priority was given for electric connection by KSEB.

The matter was taken up (December 1997) with the Government and KSEB had since issued instructions (October 1998) to provide electric connection on priority basis.

3.4.8. Ice plants and cold storages

(i) Wasteful expenditure on defunct iceplants

The department had established 21 ice plants and cold storages between 1957 and 1988 for preserving fish catches properly till they reach the marketing point. Between 1983 and 1990, 19 out of these 21 ice plants and cold storages were shut down. The department attributed this to the advent of large scale private parties in the field as well as the failure to meet the demand for ice and heavy maintenance charges. In April 1988, the Director of Fisheries proposed to Government to dispose off all closed plants including machinery and to re-deploy the surplus staff elsewhere usefully. However, no action on the recommendation of the Director had been taken even after 10 years. The annual expenditure on maintenance of 9 out of 19 defunct ice plants for which information was available worked out to Rs 13.02 lakh. Even though a decision to hand over the ice plants to MATSYAFED was taken in June 1997, no such transfer had taken place as of September 1998.

Between 1983 and 1990, 19 out of 21 ice plants were shut down or remained closed.

(ii) Avoidable payment of electricity charges

A 750 KVA transformer with 400 KVA electric line was installed in May 1988 for providing electric supply to the Ice plant at Valapatanam. The Ice plant had remained completely idle from September 1991. The power supply to the plant was cut off by KSEB in December 1992.

The agreement made with the KSEB for payment of minimum charges at the rate of Rs 1.62 lakh per annum, was terminable by the department by issue of 3 months notice. But, the department paid (January to July 1995) Rs 7.46 lakh including penal interest for the period from January 1993 to January 1995 which could have been avoided had the department terminated the agreement in time.

3.4.9. Irregularities in running Vanitha Matsya Thozhilali Vividhoddhese Sevana Bank (Vanitha Bank)

Between 1992-93 and 1997-98, department established Vanitha Banks in eleven districts for creating awareness in savings, self sufficiency and thrift among fisherwomen and extending financial assistance to them for seeking self employment. To co-ordinate the activities of these Banks, an Apex-bank was established in

January 1994 with the Director of Fisheries as Chairman and JD, Thiruvananthapuram as Managing Director(MD).

During 1993-94 to 1997-98, Rs 1.19 crore was drawn and Rs 2 lakh was received from Small Industries Development Bank of India. Against this, Rs 80.06 lakh was retained with the Apex bank as of March 1998 and Rs 38.44 lakh paid to the vanitha banks was utilised for payment of managerial grant, transportation of fish, establishment of fish stall, fish wending, fishing implements, out board motor engine, etc.

Out of the amount retained by the Apex Bank, Rs 2.89 lakh was spent for purchase of a motor car for the MD and Rs 1.88 lakh for computer for MD's office. Scrutiny of the records relating to the scheme revealed the following points:

(i) There was no sanction from Government for establishment of the Vanitha Banks except one at Neendakara.

(ii) No funds were provided by State Government for establishment of the banks. The moneys were drawn by Director of Fisheries, without Government sanction by diverting the funds provided for modernisation of ice plants and establishing marketing outlets.

(iii) The Apex bank decided in July 1996 to treat the amounts paid to Vanitha Banks as loan carrying 12.25 *per cent* interest. No repayment was made to Apex bank as of January 1998.

(iv) A subcommittee was formed (May 1994) for evaluation of the programme but no evaluation was conducted.

3.4.10. Loss to Government due to liquidation of two co-operative societies

The State Government had guaranteed loans aggregating Rs 80.45 lakh raised by Regional Fish Marketing Co-operative Society (RFMCS), Anjengo in December 1974 and RFMCS, Pudiappa in July 1970 for intensive development of fisheries. But the schemes failed and the societies were liquidated in April 1984 and April 1988 respectively. Being the guarantor for the loans, the Government had to repay (June 1995) the loan with interest aggregating Rs 1.77 crore in respect of RFMCS, Anjengo, and Rs 0.93 crore

Liquidation of two societies for which Government had guaranteed loans resulted in loss of Rs 2.70 crore to Government.

in respect of RFMCS, Pudiyappa. However, as ordered by Government the adjustment of the assets of RFMCS, Anjengo amounting to Rs 1.26 crore had not taken place. Details in respect of RFMCS, Pudiyappa were awaited as of September 1998.

Even though specific schedule of payment was fixed (January 1983 and February 1984) by Government for repayment of loan with interest and

Delay in payment of loan necessitated avoidable payment of penal interest of Rs 35.05 lakh.

funds for the purpose were provided in the Budget, there was delay ranging from 5 to 1027 days in repayment of loan, which resulted in avoidable payment of penal interest of Rs 35.05 lakh. The department attributed (May 1998) the delay in repayment to administrative delays.

3.4.11. Share Capital assistance to MATSYAFED and primary co-operative societies

With a view to enhancing the borrowing capacity as well as strengthening the infrastructure facilities of MATSYAFED and primary co-operative societies, Government had been providing funds as share capital contribution. MATSYAFED was to provide the share capital contribution received from Government to the primary co-operative societies registered with it. From 1985-86 to 1990-91, Rs 90.47 lakh had been paid to the MATSYAFED. But no society had been affiliated with MATSYAFED. Rupees 82.27 lakh was spent for its own purpose and the balance of Rs 8.20 lakh retained by it. MATSYAFED was paid a further amount of Rs 1.70 crore between 1993-94 and 1996-97. Out of this, only Rs 74.47 lakh had been disbursed to the affiliated co-operative societies till September 1997. Against this, the societies had issued in favour of Government share certificates worth Rs 72.36 lakh till September 1997.

Government's failure to spell out the details of distribution of the share capital contribution between MATSYAFED and primary societies resulted in diversion by MATSYAFED of Rs 82.27 lakh for other purposes and retention of Rs 1.04 crore. In December 1997, MATSYAFED requested Government to treat Rs 1.04 crore as share capital contribution. Further developments were awaited. (September 1998)

Out of Rs 260.47 lakh released towards share capital contribution for Matsyafed and primary societies, Rs 82.27 lakh was diverted and Rs 103.73 lakh retained without any purpose.

3.4.12. Speed boats costing Rs 8.80 crore lying unused since December 1996

The scheme for construction of speed boats was fully financed by GOI. Tenders were invited by the department in May 1993 for supply of 5 speed boats conforming to GOI specifications for enforcement of Marine Fisheries Regulation Act, 1980. Since there was no response, a quotation was obtained (October 1993) from Cochin Shipyard, with quoted rate of Rs 99 lakh per boat. However, a revised tender was invited (January 1994) for boats with 20 knots speed against a speed of 14 knots stipulated by GOI. The tender of Cochin Shipyard to supply the boats at a cost of Rs 1.18 crore each with validity period up to 24 May 1994 was accepted by Government and supply orders issued in July 1994. In November 1994 Cochin Shipyard requested the department to include a price variation clause in the agreement. Government issued sanction revising the cost of each boat from Rs 1.18 crore to Rs 1.72 crore. Agreement was executed in July 1995 and boats were handed over to department in November 1996.

Though GOI had released (March 1994 and 1995) Rs 6.30 crore for the construction of 6 boats, the State Government got constructed 5 boats at a cost of Rs 8.80 crore. While rejecting the claim for reimbursement of the balance cost, GOI had remarked that there was no need to increase the speed of the boats to 20 knots as the speed boats operating in Kerala coast had a speed of 8-10 knots only. The revision of speed of boats ignoring the stipulation of GOI, as well as delay in issue of supply orders resulted in extra expenditure of Rs 2.50 crore.

Though the boats were allotted to the fishing harbours at Neendakara, Kannur, Vizhinjam and Kochi in January 1997 they had not been put to use as of September 1998 as these boats were taken back to

Cochin Shipyard for repairs and could not be brought back as of March 1998 due to non-completion of annual and mandatory survey by Mercantile Marine Department, GOI. Meanwhile, private boats had to be hired for patrolling during 1997-98 and the hire charges paid for 2 boats was Rs 2.02 lakh. Details in respect of other three boats were not furnished.

Five speed boats constructed at a cost of Rs 8.80 crore were not put to use as they required repairs.

3.4.13. Audit of MATSYAFED and Fisheries Co-operative Societies

MATSYAFED, set up in 1984 had been receiving share capital contributions and funds from the State Government from the budget allocation for Fisheries Department for

The accounts of MATSYAFED had not been audited by the department though substantial funds to the tune of Rs 21.90 crore had been released.

implementation of various fisheries schemes. During the period from 1993-94 to 1996-97, funds to the tune of Rs 21.90 crore had been paid to MATSYAFED as grant.

According to bye-laws of MATSYAFED, Director of Fisheries is the Registrar conferred with the powers of the Registrar of Co-operative societies. In terms of the Kerala Co-operative Societies Act 1969, the Registrar (Director of Fisheries) should have audited the accounts of the MATSYAFED once in a year. MATSYAFED was also to pay to Government, audit fee as fixed by the Registrar. However, the accounts of MATSYAFED had not been audited so far since its inception. The Director of Fisheries stated (April 1998) that the audit could not be done due to paucity of staff.

As per orders issued in 1981 and 1982, Government had conferred on the Director and JDs of the Fisheries department all the powers of the Registrar of Co-operative societies in respect of all co-operative societies under the control of Fisheries department. There were 394 co-operative societies under the control of the JD (South Zone) and they were to furnish annual accounts to JD for audit. However the JD had not obtained the accounts and audited them. Instead the audit was being conducted by the Registrar of Co-operative Societies.

3.4.14. Outstanding Inspection Reports/Paragraphs

167 Inspection Reports containing 428 paragraphs pertaining to the period 1983-84 onwards were pending with the Fisheries Department. In respect of 54 Inspection Reports, which included 4 reports relating to the Directorate of Fisheries, even first replies were not received (September 1998). The main objection raised in the Inspection Reports include comments on TP accounts, Ice plants, share capital assistance to Co-operative societies, purchase and service matters. Though a meeting was held at Government level in September 1996 for settlement of outstanding paragraphs, substantial progress was not achieved.

The points mentioned above were referred to Government in July 1998; reply had not been received (October 1998).

3.5. Under-utilisation of a mobile crane

The Director of Ports purchased (March 1995) a mobile crane at a cost of Rs 29.99 lakh for the smooth and efficient handling of cargo at Vizhinjam Port. The hire

A mobile crane purchased in March 1995 at a cost of Rs 29.99 lakh for the Vizhinjam port was operated only for 217 hours as against projected use of 3200 hours.

charges of the crane, initially fixed (May 1995) by the Director of Ports as Rs 3800 plus establishment charges, was revised (October 1996) as Rs 6100 per day on the assumption that the crane would be in operation for 200 days (1600 hours) in a year and fetch an annual revenue of Rs 12.20 lakh.

However, it was noticed that during May 1995 to April 1997, the crane was operated only for 217 hours and Rs 1.75 lakh was earned as hire charges against the projected revenue of Rs 24.40 lakh for the period and most of the revenue was from non-port activities. The crane was not operated since April 1997 due to an accident while it was leased out to Kerala Water Authority. Proposals for repairs of the crane at a cost of Rs 6 lakh had been pending with Government since July 1997. No claim for insurance compensation could be preferred as the crane was covered by third party insurance only.

Thus, the mobile crane procured at a cost of Rs 29.99 lakh was largely under-utilised upto April 1997 and remained out of order thereafter. The purchase of crane lacked justification as it was operated for 217 hours only against the projected use of 3200 hours since May 1995. The Director of Ports stated (June 1998) that the crane could not be put to optimum use as the trade in the port was just picking up.

The matter was referred to Government in May 1998; reply has not been received (November 1998).

3.6. Nugatory expenditure on staff

The development of the port at Alappuzha was stunted on account of its proximity to the Cochin Port and the high cost of port operations due to obsolete pier system necessitating multiple handlings. The shipping operations at the port came to a standstill since October 1989. At that time the port was having a sanctioned strength of 63 staff under 32 categories of posts. According to the Director of Ports (March 1998) retention of 38 staff under 22 categories of posts

Rupees 26.56 lakh spent as salaries on excess staff retained without any work in Alappuzha Port.

were necessary to carry out the essential works such as inspection and licensing of harbour crafts plying within port limits, affording assistance for signalling, rendering assistance in sea rescue operations, etc.

Scrutiny revealed that the department did not take necessary steps to effectively deploy or transfer the staff rendered surplus due to stoppage of port operations. There were surplus staff ranging between 19 and 5 during 1990-98. The salaries paid to the surplus staff who did not have adequate work from November 1989 to April 1998 worked out to Rs 26.56 lakh.

Government stated (July 1998) that ports at Vizhinjam, Kodungalloor, Beypore, etc., were expected to be developed and there was scope for re-deployment of the staff. However, Government had not fixed any time frame for the re-deployment.

GENERAL ADMINISTRATION DEPARTMENT

3.7. Foreign Travel by Ministers and bureaucrats

Expenditure on foreign tours undertaken by Ministers/Government officials/Executives of Public Sector Undertakings (PSUs)/Autonomous Bodies (ABs) for the period 1996-97 and 1997-98 was reviewed with reference to the records made available by the General Administration Department (GAD) and State PSUs. The following points were noticed:

(i) *Foreign travel undertaken by Ministers, Government officials and Executives of PSUs/ABs*

The details of foreign tours undertaken by Ministers, Government officials and Executives of PSUs/ABs indicating the period of tour, countries visited, purpose of tour, expenditure incurred out of Government funds and expenditure borne by PSUs /AB were given in Appendix 10.

Out of the total expenditure of Rs 81.59 lakh, Rs 51.20 lakh were met out of State funds and the balance Rs 30.39 lakh by the PSUs/ABs.

(ii) *Non-production of files on foreign travel*

Out of 19 cases of foreign tours mentioned in Appendix 10, the orders issued by the State Government in 6 cases (serial numbers 4,8,9,10,11 and 13 of

Appendix 10) did not contain any mention about the approval of tour by Government of India (GOI). The files containing proposals from State Government to GOI, sanction from GOI for the foreign travel, reports regarding the achievement of the Mission, etc., had not been produced to Audit by GAD. The matter was brought to the notice of Chief Secretary (October 1998).

(iii) *Foreign tour of Transport Minister to Chicago*

By virtue of the contribution of Rs 5 lakh made by Kerala State Road Transport Corporation (KSRTC) to Association of State Transport Undertakings (ASTU) towards a corpus fund created

Foreign tour of the Minister of Transport and a Director of the KSRTC to Chicago was not for any specific purpose.

by them, KSRTC was entitled to nominate one officer to participate in International Conference/Seminar relating to transport industry organised by ASTU every year. However, the Minister of Transport (serial number 14 of Appendix 10) along with Managing Director(MD) and Executive Director (ED) of KSRTC visited Chicago to attend the International Seminar organised by American Public Transport Association, in September/October 1997 eventhough ASTU had invited only one delegate from KSRTC for the seminar. The delegation also went to Germany for discussion regarding starting of a bus-body building unit and Netherlands and Sweden for visiting the Institute for Road Safety Research.

As KSRTC was entitled to nominate only one delegate to the international seminar at Chicago, the visit of the Minister and one member of the delegation was not in order. The expenditure of Rs 6 lakh (Minister : Rs 3.11 lakh; ED: Rs 2.57 lakh and MD: Rs 0.32 lakh excluding air fare) on the tour of the Minister and ED to Chicago and Europe and the MD to Europe was avoidable. Further, stopover Daily Allowance (DA) claimed (US \$ 225) for the stay at Dubai at the rate of US \$ 75 by the Minister, MD and ED was also not admissible.

According to State Government orders (August 1997), the tour expenses of the MD and ED were to be met by KSRTC. An advance of Rs 4 lakh was drawn by the MD from Kerala Transport Development Finance Corporation, a Government Company, without any authority. Out of this Rs 2.82 lakh were spent by MD and the balance (Rs 1.18 lakh) was refunded to Kerala Transport Development Finance Corporation. However, Rs 2.82 lakh had not been paid by KSRTC to Kerala Transport Development Finance Corporation so far (October 1998).

(iv) *Foreign tours of Managing Director of Bekal Resorts Development Corporation Limited*

The project of the Corporation envisaged development of Bakel in Kasaragod District as an international tourist destination by acquiring 265 hectares of land at an estimated cost of Rs 61.62 crore and providing infrastructural facilities like water supply, sanitation, roads, etc., at a cost of Rs 75.06 crore by the year 2005. After development of infrastructure the plots were to be sold to private investors for establishment of star hotels. The Project Report did not stipulate the manner in which the sale of plots would be made. By August 1997 the Corporation had acquired only 53 acres of land. But the MD undertook three foreign tours to various countries (Serial numbers 7, 18 and 19 of Appendix 10) during March to November 1996. The Commissioner and Secretary to Government of Kerala, Tourism Department who was also a Director of the Corporation during February to August 1996 accompanied the MD on the tour to New York. The total expenditure incurred on the tours was Rs 7.63 lakh. Scrutiny of reports of the first and second tours revealed that no major achievements had accrued to the Corporation. No report regarding the third tour was submitted by the MD.

Foreign tours undertaken by the Managing Director of Bakel Resorts did not benefit the project.

Thus, the expenditure of Rs 7.63 lakh on foreign tours did not in any way benefit the project.

(v) *Non presentation of TA claims in proper form*

According to the provisions of Kerala Financial code, the settlement of final TA was to be made monthly in the prescribed bill form (TR 47). It was, however, noticed that the final TA claim in respect of 9 foreign tours undertaken by 4 Ministers were not preferred in their final TA bills for the relevant months or subsequently. Though the Secretary, GAD was addressed (March 1998) for the details of adjustment of TA claims of foreign tour of these Ministers, no reply had been received and hence the final TA claim of these Ministers could not be verified by Audit.

(vi) *Incurring of expenditure in excess of entitlement*

The Minister for Electricity undertook a tour of Canada, Switzerland, Sweden, Norway, USA and UK from 30 September 1995 to 23 October 1995 (serial number 17 of Appendix 10). Scrutiny of final TA bill of the Minister for October 1995 revealed that the final claim in respect of the foreign travel had not been

included in the bill. On this being pointed out by Audit (January 1998), it was informed that the final claim was settled by the Minister by presenting a statement of expenditure to GAD. On verification it was seen that an amount of Rs 1 lakh was given as advance. Out of the claim of Rs 6.45 lakh (including Air-fare), only Rs 4.17 lakh (including Air-fare) was admitted by Government. The details of claim preferred by the Minister and those admitted by Government were as under:

Particulars	Amount in US Dollars
Claim preferred by Minister	
Daily allowance	11500 (500 x 23 days)
Entertainment allowance	2000
Total	13500
Claim admitted by Government	
Daily allowance	1577
Hotel charges	4250
Personal incidentals	1150
Total	6977
Net excess	6523

As no hotel bills were furnished along with the statement of expenditure it could not be verified as to how the claim of US \$ 4250 towards hotel charges was admitted by Government. Also, it was not ascertainable from records as to how the foreign exchange to the tune of US \$ 13500 was paid against an advance of Rs 1 lakh (US \$ 3000). The files containing orders of GOI sanctioning foreign exchange for the tour were not made available to audit.

(vii) *Excess drawal of daily allowance*

(a) According to the directions issued (February 1993) by GOI, where the expenditure on the foreign travel of a Government official was borne by PSU he was entitled to draw DA and

other allowances as per the norms applicable to him as Government official and not those applicable to the Executives of PSUs. Sri. John Mathai, Principal Secretary to Government, Industries Department accompanied the Chief Minister and the Minister for Education and Works on their foreign tour to Dallas, USA from 29 June to 8 July 1996 (serial number 2 of Appendix 10). The tour expense of Sri. John Mathai who was holding the post of Chairman, Malabar Cements was ordered by State

The Principal Secretary, Industries drew excess daily allowance and entertainment allowance amounting to US \$ 6000.

Government to be borne by the PSU. His hotel charges for the period of stay in USA amounting to US \$341.62 were met by the Indian Mission. Sri. John Mathai had drawn an advance of US \$ 10000 (US \$ 8000 towards DA and US \$ 2000 towards entertainment expenses). He claimed total amount of US \$ 7000 (US \$ 5000 at the rate of US \$ 500 for 10 days towards DA and US \$ 2000 towards entertainment expenses) and refunded US \$ 3000. According to GOI guidelines he was not eligible for any entertainment expenses and his total claim should have been limited to payment of DA of US \$ 1000 (at the rate of US \$ 100 per day applicable to Government official). The excess amount claimed by him worked out to US \$ 6000 (US \$ 4000 as DA and US \$ 2000 as entertainment expenses). Expenditure of Rs 15748 incurred on hotel charges debited to State Government by the Indian Embassy had not been passed on to Malabar Cements as of November 1998.

(b) Sri. G. Vijaya Raghavan, Chief Executive officer of Technopark also accompanied the Chief Minister and Minister for Education and Works to Dallas, USA from 3 July 1996 to 8 July 1996 (serial number 1 of Appendix 10). He was entitled to draw only the composite rate of DA of US \$ 500 per day and no entertainment allowance was admissible vide GOI guidelines (September 1995) as this was included in the composite rate. However, it was noticed that he had claimed US \$ 2000 towards entertainment allowance which was irregular.

Chief Executive Officer of Technopark drew entertainment allowance of US \$ 2000 which was not admissible.

The matter was reported to Government in November 1998; reply had not been received (February 1999).

3.8. National Malaria Eradication Programme

(i) Introduction

National Malaria Eradication Programme (NMEP) was launched by Government of India (GOI) in April 1953 with the object of reducing malaria morbidity in the country. In 1958 the strategy was shifted from control to eradication of malaria. From 1977 onwards a modified plan of operation was under implementation for the effective control and prevention of deaths due to malaria. The following are the main activities under the modified plan of operation.

- Active surveillance, passive surveillance and mass and contact survey for collection of blood smears for examination and detection of the disease,
- Treatment on detection of positive cases,

- Focal spray operations,
- Entomological studies to determine the resistance developed by the parasites to various insecticides

The Director of Health Services (Medical and Public Health) (DHS) is responsible for the implementation of the programme in the State. He is assisted by the Deputy Director of Health Services (Malaria) who is the State Programme Officer, a Zonal Malaria Officer, Assistant Director of Health Services (Entomologist), 14 District Medical Officers of Health (DMOH), 145 Primary Health Centres (PHC) having laboratory facilities and 60 Community Health Centres. Field work is got done through multipurpose workers. There is also a Central Malaria Laboratory (CML) at Thiruvananthapuram.

A review of NMEP was conducted during November 1997 to March 1998 with reference to the records in the Directorate of Health Services, 5 district offices*, 23 PHCs and 6 Community Health centres pertaining to the period 1992-93 to 1997-98.

(ii) *Budget provision and expenditure*

The Budget provision and expenditure on the programme for the period from 1992-93 to 1997-98 were as under:

Year	Budget Provision			Expenditure			Short-fall	Percentage of shortfall to budget provision
	Plan	Non-plan	Total	Plan	Non-plan	Total		
	(Rupees in crore)							
1992-93	0.30	3.90	4.20	0.20	3.47	3.67	0.53	12.62
1993-94	0.30	4.69	4.99	0.22	3.45	3.67	1.32	26.45
1994-95	0.80	5.79	6.59	0.62	3.82	4.44	2.15	32.63
1995-96	0.80	6.47	7.27	1.06	4.03	5.09	2.18	29.99
1996-97	1.00	7.54	8.54	1.20	4.72	5.92	2.62	30.68
1997-98	1.00	8.47	9.47	0.90	5.20	6.10	3.37	35.59
Total	4.20	36.86	41.06	4.20	24.69	28.89	12.17	

* Alappuzha, Kannur, Kollam, Thiruvananthapuram and Thrissur

The shortfall in expenditure mainly under non-plan was attributed (October 1998) by the DHS to non-filling up of vacancies of multipurpose workers.

(iii) *Pattern of Central assistance*

Expenditure on materials, equipment, insecticides, drugs, microslides, larvicides, microscopes, etc., required for the implementation of the scheme was shared equally by GOI and State Government. As per the records of GOI, materials, equipment, insecticide etc., costing Rs 2.37 crore were provided to the State during 1992-93 to 1997-98. However, records relating to the details of Central assistance received was not available with the DHS.

(iv) *Failure to collect blood smears to the required level*

As per the guidelines, blood smears to be collected annually was 6 per cent of the population under active surveillance and 4 per cent under passive surveillance. However, actual collection ranged from 1.73 to 2.33 per cent and from 1.32 to 1.63 per cent for active and passive cases respectively as shown below:

Substantial shortfall in achievement under active and passive surveillance due to non-filling of vacancies of multi purpose workers.

(Number in lakh)

Year	Total population	Active surveillance			Passive surveillance		
		Number of blood smears to be collected	Number of blood smears collected	Percentage of population covered	Number of blood smears to be collected	Number of blood smears collected	Percentage of population covered
1992	294.91	17.69	6.88	2.33	11.80	4.80	1.63
1993	298.88	17.93	6.20	2.07	11.96	4.26	1.43
1994	302.91	18.17	5.36	1.77	12.12	4.01	1.32
1995	306.99	18.42	5.31	1.73	12.28	4.45	1.45
1996	311.12	18.67	6.39	2.05	12.44	4.90	1.57
1997	315.31	18.92	6.82	2.16	12.61	4.57	1.45

The DHS attributed the poor coverage to non-filling up of vacancies of multipurpose workers. According to the DHS, as against the sanctioned strength of

4406 multipurpose workers, the men in position as on January 1998 was 3391 only. However, it was noticed that the coverage was not even proportionate to the staff deployed. As against 10.17 lakh blood smears to be collected annually under active surveillance by 3391 multipurpose workers (at the rate of 300 blood smears per year per worker) the blood smears collected during 1992 to 1997 ranged from 5.31 to 6.88 lakh only.

(v) *Non-examination of blood smear slides*

According to the instructions issued by the Directorate of NMEP, New Delhi, each Laboratory Technician attached to the PHC was to examine a minimum of 60 blood smear slides a day. The examination of slides was to be conducted within 10 days of its collection. During 1992 to 1997, number of blood smear slides not examined was in the range of 0.07 lakh to 0.31 lakh as shown below:

(Number in lakh)

Year	Number of blood smears collected	Number of blood smears examined	Number of blood smears not examined	Percentage of unexamined slides
1992	14.04	13.73	0.31	2.21
1993	12.66	12.44	0.22	1.74
1994	11.17	10.91	0.26	2.33
1995	12.56	12.45	0.11	0.88
1996	13.92	13.74	0.18	1.29
1997	13.85	13.78	0.07	0.51

The non-examination of blood smear slides was more acute in the districts of Kasaragod (11.49 *per cent*), Malappuram (3.54 *per cent*), Palakkad (1.69 *per cent*), Thrissur (1.46 *per cent*) and Kannur (1.22 *per cent*).

According to the DHS non-examination was due to non-filling up of vacancies of Laboratory Technicians. This was not tenable as according to norms 453 Laboratory Technicians in position should have examined 74.74 lakh slides per year. However, the number of slides examined during 1992 to 1997 ranged from 10.91 lakh to 13.78 lakh only *i.e.*, 15 to 18 *per cent* of the norm.

(vi) *Delay in transmission of blood smear slides*

Blood smear slides were to be sent for examination within three days of the date of collection. Delay in transmission beyond three days involved the risk of failure in detection of positive cases. In the 11 PHCs test checked, there was delay of 10 to 43 days in transmission of 509 slides.

Delay ranging from 10 to 43 days was noticed in transmission of slides as against the prescribed three days.

The delay was attributed by the DHS to non-availability of service postage stamps for sending slides to PHCs situated in distant places. No action was taken by the Medical Officers to obtain the stamps.

(vii) *Shortfall in radical treatment of positive malaria cases*

On confirmation (through blood smear examination) of malaria, the patient was to be given radical treatment to avoid the possibility of relapse of the disease. It was, however, seen that during 1992 to 1997, radical treatment was not given in 2404 cases as shown below:

Radical treatment was not given in 2404 positive cases.

Year	Number of positive cases detected	Number of cases in which radical treatment was given	Number of cases in which radical treatment was not given
1992	8255	7450	805
1993	9277	8386	891
1994	9075	8809	266
1995	11878	11647	231
1996	11653	11512	141
1997	8265	8195	70
Total	58403	55999	2404

The number of positive cases increased from 8255 in 1992 to 11878 in 1995 but declined to 8265 in 1997. The incidence of positive cases of malaria was higher in the following districts during 1992-97 as under:

District	Number of positive cases detected	Number of cases in which radical treatment was not given
Thiruvananthapuram	9375	123
Alappuzha	7660	580
Thrissur	7249	76
Kollam	5878	316
Malappuram	4576	341
Kannur	4374	157

The DHS stated that these patients might have undergone treatment in private hospitals, even though their blood smears were sent to PHCs for examination. Since malaria is a notifiable disease, the report regarding the treatment was to be sent by private hospitals to DMOH. In the absence of any monitoring by the DHS, it could not be ascertained whether these patients really got radical treatment.

(viii) *Increasing incidence of indigenous positive cases of malaria*

The malaria epidemiological data for the period 1992 to 1997 indicated a rising trend in the occurrence of indigenous positive cases. The percentage of indigenous cases detected, showed a steep rise from 0.4 in 1992 to 28.22 in 1996 as shown below:

There was steep increase in the occurrence of indigenous positive cases of malaria.

Year	Number of positive cases	Number of indigenous cases	Percentage of indigenous cases
1992	8255	33	0.40
1993	9277	102	1.10
1994	9075	381	4.20
1995	11878	2780	23.40
1996	11653	3288	28.22
1997	8265	795	9.62

The DHS stated (January 1998) that out of 6068 indigenous positive cases detected during 1995 and 1996, 5140 cases were from Valiyathura in Thiruvananthapuram. The Malaria Action Plan 1995 had recommended setting up of Urban Malaria Units in towns having more than 50000 population and 5 per cent slide positive rate but no unit had been set up in Thiruvananthapuram so far. A Filaria

Survey unit from Thrissur was shifted in January 1996 to Valiathura to function as a Malaria Control Unit.

(ix) *Annual Parasitic Index based on samples from less than 5 per cent of the population*

The API is considered as the yard stick for deciding whether any area is malaria prone or not. API represents the number of malaria cases per 1000 population in a year. The API was arrived at by the collection and examination of blood smears annually. The Annual Blood Examination Rate (ABER) reflects the efficiency and adequacy of case detecting mechanism. A minimum ABER of 10 *per cent* of the total population per year was fixed as the target under the Programme. However, scrutiny of the epidemiological data for the period 1992 to 1997 revealed that the API of the State ranged between 0.26 and 0.38 which was based on a lower ABER of 3.23 to 4.59 *per cent* of the population as indicated below:

Year	ABER (per cent of the total population covered)	API
1992	4.59	0.28
1993	4.28	0.32
1994	3.23	0.30
1995	4.10	0.37
1996	3.60	0.38
1997	4.37	0.26

Since the API was arrived at based on samples from less than 5 *per cent* of the population, there was no assurance of its reliability regarding the incidence of malaria in the State. DHS did not take adequate action to ensure ABER at the prescribed level. On this being pointed out, the DHS stated (January 1998) that steps were being taken to arrive at the API correctly in future.

(x) *Shortfall in focal spray operations*

In areas with API less than 2, focal spray operations had to be conducted on detection of positive cases of malaria. The focal spray (within 21 days after detection and within 10 days after confirmation of the cases of malaria) was to be conducted in 50 houses around each detected case during the transmission season. However, it was found that during the period 1992 to 1997 out of 9402 positive cases

Focal spray operations were not conducted in majority of the cases detected.

of malaria detected in 23 PHCs in 5 districts*, focal spray operations were conducted only in 1055 cases leaving the area around the remaining 8347 cases uncovered. The percentage of coverage in the PHCs was in the range of 0 to 46.5 only. Non-supply of insecticides by GOI during 1992 to 1994 and the failure of DHS to provide sufficient funds to the PHCs for payment of wages to the labourers were the reasons for the shortfall in focal spray operations. Failure to conduct focal spray operations could expose the people of the area to malaria risk and result in a spurt in the incidence of disease. The increase in incidence of malaria during 1992 to 1997 was attributable to failure to conduct focal spray operations at the required level.

(xi) *Shortfall in mass and contact survey*

According to the guidelines mass and contact survey should be conducted in and around 50 houses in the area from where positive case of malaria was reported. However, the records of PHCs test checked revealed that there was heavy shortfall in conducting mass and contact survey during 1992 to 1997 mainly due to dearth of multipurpose workers. In the case of 19 PHCs against 7045 positive cases detected during 1992 to 1997, mass and contact survey was conducted only in 2541 cases. The shortfall was 16 to 99 per cent.

(xii) *Unproductive expenditure on laboratory*

Considering the large number of imported cases of malaria reported in the State from Gulf countries, a permanent Malaria Testing Laboratory with six personnel was set up in 1979 in the Airport at Thiruvananthapuram.

No work was turned out by the staff of Malaria Testing Laboratory in the Airport at Thiruvananthapuram from July 1994 and the expenditure of Rs 5.71 lakh on salary was unproductive.

Blood smears were not collected and examined by the staff from July 1994 and the idle wages paid to the 3 staff during the period from July 1994 to October 1998 amounted to Rs 5.71 lakh. The non collection of blood smears was attributed by DMOH to restrictions imposed (July 1994) by the Director of Airports following objection from passengers in usage of non-disposable syringe. The DMOH requested (December 1997) Government to take up the matter with Director of Airports. Further developments were awaited (November 1998).

* Alappuzha, Kannur, Kollam, Thrissur and Thiruvananthapuram

(xiii) *Functioning of Central Malaria Laboratory, Thiruvananthapuram*

Blood smears of 10 *per cent* of the negative cases and all positive cases in the State had to be sent to CML, Thiruvananthapuram for examination and confirmation. However, during 1992-93 to 1996-97 only 2.5 *per cent* of negative cases and 78 *per cent* of positive cases were sent to CML by the PHCs and other institutions.

The reason for the shortfall in this regard called for from the DHS was awaited.

Out of 27 PHCs and other institutions test checked 6 PHCs/hospitals had not sent any negative slides to the CML for examination.

(xiv) *Entomological studies to determine the resistance developed by the parasites to various insecticides*

Under the modified plan of operation introduced in 1977, entomological studies were considered necessary to assess the required change

In respect of 46 investigations, susceptibility status of vectors were determined in two cases only.

in technical approach by determining the resistance developed by the malaria parasites to various insecticides. For intensification of entomological studies, one Zonal Malaria Organisation was established in the State in 1977. On scrutiny of the records relating to entomological investigation, it was seen that out of 46 investigations conducted during 1992 to 1997, vectors were identified in 23 cases only. However, susceptibility status of vectors had been determined in 2 cases only. The shortfall was attributed by the DHS to non-availability of insecticide impregnated paper and short collection of adequate number of vector mosquitoes. Reasons for the non-supply of insecticide impregnated paper by DHS were not given (November 1998).

(xv) *Monitoring*

There was no machinery in the department to monitor the implementation of the various activities under the programme. Though 10 *per cent* of the population was to be covered under active and passive surveillance, the actual coverage was below 5 *per cent* during 1992-97. As a result, the API arrived at did not indicate the true picture of the incidence of malaria in the State. The low out-turn of work by the multipurpose workers and the laboratory technicians, idling of staff in the laboratory at Thiruvananthapuram Airport, shortfall in radical treatment and mass and contact survey, failure to conduct focal spray operations, etc, would indicate lack of monitoring by the DHS.

The points mentioned above were referred to Government in July 1998; reply had not been received (October 1998).

3.9. Unjustified purchase of absolute alcohol in Medical College

The Principal, Medical College, Thrissur placed (August 1997) orders with a GOI firm for supply of 9725 litres (21611 bottles of 450 ml) of absolute alcohol for use in various departments in the College. Advance of Rs 9.89 lakh being the cost of entire quantity was paid to the firm in August 1997. The firm supplied (September 1997) 4500 litres of absolute alcohol valued Rs 4.77 lakh.

Principal, Medical College, Thrissur ordered purchase of 9725 litres of absolute alcohol when average consumption was only 275 litres per year.

The total demand for alcohol received from various departments of the college was 973 litres. The Principal applied for issue of permit for 9725 litres and the Assistant Excise Commissioner (AEC), Thrissur issued (August 1997) permit for the whole quantity without ascertaining the justification for the huge quantity compared to the average consumption of 275 litres per year. When the mistake was brought to notice during local audit (September 1997), the Principal issued (September 1997) telegraphic instructions to the firm to stop further supply and refund the balance amount of Rs 5.12 lakh. The firm had refunded only Rs 3 lakh so far (July 1998). It was noticed that the average consumption of absolute alcohol in the college during the last 10 years was 275 litres per year and hence there was no justification for ordering for purchase of such huge quantity of the material. Further, the Principal had no powers to order purchase exceeding Rs 5 lakh.

The procurement of unjustifiably huge quantity of absolute alcohol valued Rs 4.47 lakh indicated lack of adequate safeguard in Health Department and Excise Department against unjustified purchase of alcohol which was prone to misutilisation for preparation of illicit liquor, etc. The issue of permit without proper assessment of requirement by AEC was brought to the notice of the Excise Commissioner in November 1998.

Government stated (May 1998) that a detailed enquiry was being conducted to find out the persons responsible for the purchase of absolute alcohol far in excess of the actual requirement. Further developments are awaited (October 1998).

HIGHER EDUCATION DEPARTMENT

3.10. Extra expenditure due to delay in finalisation of tender

The Controller of Stationery (Controller) invited (July 1994) tenders for the purchase of 246.41 tonnes of Azurelaid paper*. The lowest tender of Rs 21029.26 per tonne was from a Tamil Nadu firm with validity upto 20 October 1994, subsequently

Failure to accept the tender for purchase of Azurelaid paper within the validity period resulted in extra expenditure of Rs 13.67 lakh.

extended upto 20 November 1994. The proposal for acceptance of the lowest tender which was lower than the DGS&D rate (Rs 23228 per tonne) for Azurelaid paper was sent by the Controller to Government on 18 August 1994. The Departmental Purchase Committee (DPC) which met on 1 September 1994 decided to obtain fresh samples from all tenderers. The samples were sent by the Controller on 18 October 94. The DPC met on 10 November 1994 and directed the Controller to collect copies of rate contracts for all paper items from DGS&D. The details were submitted by the Controller on 22 November 1994. However, the Tamil Nadu firm refused to extend the period of validity of the tender further and the Controller procured (October 1995) 100.78 tonnes of Azurelaid paper from a Delhi firm under DGS&D rate contract at Rs 34500 per tonne. Thus, failure on the part of DPC to finalise the favourable tender within the period of its validity, resulted in extra expenditure of Rs 13.67 lakh.

The matter was referred to Government in June 1998; reply had not been received (October 1998).

HOME DEPARTMENT

3.11. Manpower management in Police Department

3.11.1. Introduction

Police Act, 1861 (Central Act) and the Kerala Police Act, 1960 govern the organisation, structure and functions of the Police force in the State. Prevention of crime, maintaining of law and order, detection and bringing up of offenders to justice, collection and communication of intelligence, control of riot, providing security to VIPs, VVIPs and institutions, assisting State and citizens during natural calamities, etc., are the duties of Police Force.

* Special bond paper generally used for printing service books, ledgers, etc.

3.11.2. Organisational set up

Administrative control of the department is vested with the Secretary to Government, Home . The Director General of Police (DGP) is the Head of the Department. He is assisted by three Additional Director Generals of Police (ADGP) and six Inspector Generals of Police (IGP).

3.11.3. Audit coverage

The manpower management in Police department was reviewed during the period May 1998 to October 1998 with reference to the records in the office of the DGP at Thiruvananthapuram, 6 District Police offices (DPO) at Thiruvananthapuram (Rural), Kollam, Pathanamthitta, Ernakulam(Rural), Thrissur and Malappuram, Commissionerate of Police, Kochi City, 2 Armed Police Battalions viz., Kerala Armed Police Battalion, Thrissur and Malabar Special Police at Malappuram, Police Training College, Crime Branch Headquarters, Forensic Science Laboratory, and Crime Records Bureau, Thiruvananthapuram covering the period from 1995-96 to 1997-98.

3.11.4. Highlights

- Provision was made in the Budget for salary of 46810 employees though men in position was only 39423 indicating that the Budget estimates were overpitched. Budget estimates for salaries were prepared on the basis of sanctioned strength instead of actual strength resulting in savings of Rs 89 crore during 1995-98.

(Paragraph 3.11.5)

- Number of crimes against women increased nearly 100 *per cent* during 1995-97 but 986 posts of women police were not filled up. In 3 districts, which registered 30 *per cent* of total crimes against women there was no women police station.

(Paragraph 3.11.5(iv))

- Computers and accessories purchased at a cost of Rs 28.83 lakh mainly for preparation of salary bills of employees were not put to proper use. The pay bill system did not have the required security and documentation standards.

(Paragraph 3.11.6)

- Overall shortage of police personnel in the state increased from 6.67 per cent in 1997 to 17.27 per cent in 1998. The shortage in essential cadres directly responsible for control of crime, law and order, etc., was of the order of 18.26 per cent.

(Paragraph 3.11.7)

- After initial induction training of 9 months at the time of recruitment as Police Constable in the armed battalion, no training was imparted to the constables throughout their career, though they get promoted as Sub-Inspectors.

(Paragraph 3.11.9)

- Deployment of Police personnel was not related to crime rate and most crime prone districts were having less police personnel per lakh population than districts where the crime rate was comparatively low.

(Paragraph 3.11.10(i))

- Police personnel were not being given duty off. In Thrissur district, 34 weekly off were denied to 1929 personnel in 1997.

(Paragraph 3.11.11)

- There was inordinate delay in issuing posting orders to the officers transferred/promoted. In 95 cases, delay ranged from 11 to 126 days resulting in payment of idle wages amounting to Rs 12.50 lakh.

(Paragraph 3.11.12)

- Norms for transfer of police officers were not being followed. 133 officers were transferred before completing 6 months of service at a place and 104 officers before completing 3 months of service.

Functioning of crime branch was affected due to frequent transfer of officers.

(Paragraphs 3.11.13 and 17)

- Narcotic control wing with 21 personnel registered and investigated only 6 cases during 1995-97 and acquitted all whereas the local police initiated 869 cases and secured conviction in 216 cases. 17 Narcotic cells created since November 1995 with 17 Deputy SPs incurring expenditure of Rs 15 lakh during 1997-98 failed to start functioning due to non-posting of supporting staff.

(Paragraph 3.11.14)

- In 12 police units, 263 police personnel were engaged in non-police activities. In 124 police stations, 199 police personnel were engaged in copying of documents and serving them to accused and witnesses.

(Paragraph 3.11.15)

- As the system of supplying stitched uniform to police personnel was dispensed with from April 1991, 19 tailors had no work and idle wages paid to them upto December 1997 worked out to Rs 31 lakh.

(Paragraph 3.11.16)

3.11.5. Staff strength of the Department

As against the sanctioned staff strength of 47650, the men in position was only 39423 as on 1 January 1998. However, as per the Budget documents (1998-99), the strength of staff was 46810.

According to the computerised data base prepared by the Accountant General, Accounts and Entitlements from the paid vouchers received from treasuries, salary of 38771 personnel for the month of April 1998 was drawn and disbursed in May 1998 for Rs. 17.78 crore excluding Dearness Allowance arrears of Rs 0.71 crore paid during the month. This was 6.08 *per cent* of the total provision for salaries for the year 1998-99 which would lead to savings of 14 to 16 *per cent* at the end of the year.

(i) *Budget provision and expenditure*

The budget provision and expenditure on salaries of the personnel in the department during the period 1995-96 to 1997-98 were as under:

Year	Budget proposal prepared by the department	Budget provision	Expenditure	Savings	Percentage of savings to Budget provision
(Rupees in Crore)					
1995-96	181.04	197.99	176.64	21.35	10.78
1996-97	212.40	240.54	209.53	31.01	12.89
1997-98	292.35	265.82	228.87	36.95	13.90

Analysis of the savings under salaries revealed that the inflated provision under salaries was reappropriated to other sub heads, viz., travel expenses, office expenses, motor vehicles, etc.

(ii) *Pay scales in operation*

According to the departmental records, the personnel were borne on 29 scales of pay. Scrutiny of vouchers revealed that there were 13 unapproved scales of pay in operation. The DGP was addressed to reconcile the difference and reply was awaited.

(iii) *Employees not subscribing at the prescribed rates to GPF.*

As per GPF (Kerala) rules, employees who had completed one year of service were to subscribe at least 6 per cent of the basic pay towards GPF. As per the database 392 employees had subscribed to GPF at less than 6 per cent of basic pay.

(iv) *Deployment of women Police*

As on 31 December 1997, no posts of armed women police were filled up, though 892 such posts were sanctioned. Though, total number of crimes* against women in the State increased significantly during 1995 to 1997 (from 430 to 837), 94 posts of women constables and one post of woman SP and woman Dy.SP each were lying vacant in civil police.

There were only 3 women police stations in the State. During 1997, crimes against women were registered in 837 cases, of which 245 cases were in 3 districts, viz., Palakkad, Malappuram and Thrissur where no women police stations were functioning.

* Rape, kidnapping and abduction.

3.11.6. Computerised pay bill system in Police Department

The pay bills of the employees of Police Department were prepared through computer in 14 DPOs and 17 other establishments since 1995. For this purpose, 31 computers and accessories costing Rs 28.83 lakh were supplied to these offices. The software for preparation of pay bills was developed and supplied by the State Crime Records Bureau. A test check of the operation of the pay bill software in two DPOs revealed that

(a) the system developed for preparation of pay bill did not have any user manual and documentation manual and programme developed in d-base was not utilised for generating the pay bill.

(b) a master pay bill register was not available in the computer.

(c) the data was changed every month by the officials concerned without any specific authorisation from earmarked officials thus rendering the system vulnerable to unauthorised changes in the master data.

3.11.7. Strength of police personnel

The sanctioned strength of police personnel and the men in position as on 1 January of the years from 1995 to 1998 were as under.

Year	Sanctioned strength	Men in position	Shortage	Percentage of shortage
1995	40283	36717	3566	8.85
1996	41431	37938	3493	8.43
1997	44548	41577	2971	6.67
1998	47650	39423	8227	17.27

Overall vacancy increased from 6.67 *per cent* in 1997 to 17.27 *per cent* in 1998.

The shortage in the essential cadres viz., Circle Inspector/Sub Inspector/Assistant Sub Inspector/Head Constable/Police Constable, which are directly related to the crime control, law and order was more pronounced. As against the sanctioned strength of 42667, the men in position in these cadres was 34875, the shortage being 18.26 *per cent*.

3.11.8. Manpower planning and recruitment

Direct recruitment was made in the force only for Armed Police Constables and 50 per cent of the strength of Sub Inspectors (SI). There was only a single point recruitment to the cadre of Police Constables. There was no machinery in the department

Despite annual cadre reviews conducted by department, large number of vacancies remained unfilled indicating lack of manpower planning.

to assess the annual requirement of manpower and arrange for recruitment of Constables. Government had issued (March 1992) directions to conduct annual cadre review in respect of Police Personnel and take advance action for recruitment so that vacancies in Local and Armed Reserve were not kept unfilled. However, despite annual cadre reviews conducted by the department 2171 vacancies remained unfilled during 1997.

The vacancies of SIs in Local Police were filled in through direct recruitment and promotion in the ratio of 1:1. It was, however, noticed that as of November 1995 out of 954 SIs, the number of direct recruits was only 246 (26 per cent) against a required number of 477. Thus the cadre of SI had a disproportionate number of promoted officers.

3.11.9. Training

(i) Induction Training to police constables

There was no institution for imparting State level training to police constables. The newly recruited constables were given induction training for 9 months in the respective Armed Police Battalions.

Police constables on promotion to the cadre of Sub Inspectors were not given adequate training to acquire skills required for dealing crimes in the changing environment.

No mandatory training other than the induction training was given to constables throughout their career. The constables, through various stages of promotion, were promoted as SIs. Though the SIs recruited directly were given one year basic training in Police Training College before their induction into the department, adequate training to acquire skills required for dealing crimes in the changing environment was not imparted to those promoted to SI cadre from the ranks. Further, no training was being imparted to them on their subsequent promotions.

3.11.10. Incidence of crime

The district wise analysis of the incidence of crimes under Indian Penal Code (IPC) with reference to the population and the deployment of police personnel in the police stations were as under.

Police Districts	Estimated population in 1996 based on census 1991(in lakh)	Number of Police Stations	Strength of Police personnel in Police Stations	Number of Police Personnel per lakh population	Average number of crimes (IPC) registered during 1995-97	Crime per lakh population	Police Crime ratio
Thiruvananthapuram (City)	31.46	17	809	61	4505	330	1:5.57
Thiruvananthapuram (Rural)		31	1123		5876		1:5.23
Kollam	25.37	30	1170	46	7763	306	1:6.63
Pathanamthitta	12.21	20	741	61	4459	365	1:6.01
Alappuzha	20.74	30	1333	64	6768	326	1:5.08
Kottayam	18.98	28	1194	63	6904	364	1:5.78
Idukki	11.38	27	1024	90	3594	316	1:3.51
Kochi(City)	29.74	18	879	67	4598	378	1:5.23
Ernakulam (Rural)		29	1112		6645		1:5.98
Thrissur	29.04	35	1323	46	6824	235	1:5.16
Palakkad	25.67	31	1241	48	5527	215	1:4.45
Malappuram	35.44	29	1151	32	6006	170	1:5.22
Kozhikode (City)	28.39	13	615	47	3405	272	1:5.54
Kozhikode (Rural)		19	718		4317		1:6.01
Wayanad	7.44	14	512	69	2179	293	1:4.26
Kannur	24.41	30	1168	48	5801	238	1:4.97
Kasaragod	11.94	14	523	44	3106	260	1:5.94
Railway Police		12	94		164		
CBCID		1	37		201		
TOTAL	312.21	428	16767	786	88642	284	

Districts with the highest crime rate and deployment of police per lakh population in those districts were indicated below.

District	Crime rate per lakh population	Number of police personnel deployed per lakh population
Ernakulam	378	67
Pathanamthitta	365	61
Kottayam	364	63
Thiruvananthapuram	330	61
Alappuzha	326	64
Idukki	316	90
Kollam	306	46
Wayanad	293	69

It was noticed that the deployment of Police personnel was not regulated based on crime rate and the most crime prone districts in the State viz., Ernakulam and Pathanamthitta were having less police personnel per lakh population than Idukki and Wayanad where the crime rate was comparatively low.

Deployment of Police personnel was not related to crime rate.

(ii) *Recovery of stolen property*

The recovery of stolen property ranged from 30.2 *per cent* (2516 cases out of 8327 cases) to 33.24 *per cent* (3023 cases out of 9095 cases) only during the years 1993 to 1997.

The low rate in recovery of stolen properties was attributed (April 1995) by the DGP to the deficiency of manpower.

(iii) *Strength of police personnel in police stations*

Government fixed (March 1982) the strength of Police Stations on *ad hoc* basis at the rate of not less than 25 Police Constables, 5 Head Constables and 1 Sub Inspector and this was adopted in respect of all Police Stations in the State. While there was 63 *per cent* increase in crime cases during 1987-97, the increase of police personnel was only 28 *per cent* during this period. Though there was substantial increase in crime cases since 1982, the strength of personnel in Police Stations fixed on an *ad hoc* basis had not been revised so far.

(iv) *Custodial death*

According to the Annual Report of the National Human Rights Commission for 1996-97, the number of cases of death in police custody increased from 2 in 1995-96 to 6 in 1996-97 and the State Government paid Rs 3.50 lakh as compensation to the dependents of five persons who died in police custody. However, no training was imparted to the police constables for creation of awareness of human rights.

Death in police custody increased to 6 during 1996-97 as against 2 in 1995-96.

3.11.11. Denial of weekly off to police personnel

The police personnel up to the rank of SI were entitled to one day off in a week to ensure that they got rest from the strenuous work. As a result of vacancies in different wings of police, constant increase in law and order problems and crime cases, the weekly off was not allowed to the police personnel. Though DGP had issued (September 1996) directions that the police personnel be allowed at least two weekly off in a month, this was not being adhered to. During 1997, 1929 personnel were deprived 34 weekly offs and were paid compensation allowance of Rs 55.62 lakh in DPO, Thrissur for which details were available.

Despite specific directions, the policy of giving duty off to police personnel was not followed.

3.11.12. Delay in issuing posting orders to Police Officers

There was inordinate delay in issuing posting orders to Officers on transfer, promotion, etc. Test check revealed that during 1993-94 to 1997-98, the delay ranged from 11 to 126 days in 95 cases (17 IPS Officers, 12 Dy. SPs and 66 Circle Inspectors of Police) and the mandays lost due to delay in issuing posting orders was 4390. The wages paid computed at the minimum of the scale of pay applicable worked out to Rs 12.50 lakh.

Delay in issue of posting orders resulted in payment of idle wages amounting to Rs 12.50 lakh.

3.11.13. Non-observance of norms for transfer of police personnel

According to the Police Manual, police personnel should not normally be transferred unless they had served in the same place for about 3 years. It was, however, seen that the norm was not being followed. A test check of transfers of Circle Inspectors, Dy. SPs and IPS Officers during 1996-98 revealed, transfer of 133 officers before completing 6 months of service in a place and 104 officers before completing 3 months of service. This included 21 IPS Officers.

3.11.14. Working of Narcotic control Wing and Cells

A Narcotic Control Wing with State-wide jurisdiction was formed in 1988 under the IGP, CBCID to deal with crimes under Narcotic Drugs and Psychotropic Substances (NDPS) Act. The Wing was manned by 21 personnel (1 Superintendent of Police (SP), 3 Deputy Superintendents of Police (Dy. SP), 2 Circle Inspectors (CI), 7 Head Constables (HC) and 8 Police Constables (PC). The Wing registered and investigated only 6 cases during 1995 to 1997 and all the accused in these cases were acquitted. However, during this period, the Local Police had registered 1110 cases and prosecution was initiated in 869 cases out of which the accused were convicted in 216 cases. Compared to the work of Local Police, the performance of the special wing was poor.

The formation of Narcotic Control Wing in 1988 and Narcotic Cells in 1995 lacked justification due to poor performance.

Government sanctioned (November 1995) a Narcotic Cell under the control of a Dy. SP in each of the 17 Police Districts under the control of SPs/Commissioners and 17 posts of Dy. SPs were created for the purpose. Even though 3 years had elapsed, the Cells did not function as supporting staff such as Circle Inspectors, Sub Inspectors, Constables, etc., were not posted. The expenditure on salaries of the 17 Dy.SP.s calculated at the minimum of the scale of pay worked out to Rs 16 lakh during 1997-98.

Since the crimes under the NDPS Act were registered and investigated by Local Police, the formation of a separate Narcotic Control Wing and Narcotic Cells lacked justification as their achievement in controlling crimes was negligible.

3.11.15. Engagement of police personnel for other duties

(i) Ministerial and other works

According to the information collected from 12 police units, 67 police personnel were being engaged on computer operation, 82 for clerical work in District Offices, 90 for driving Police Vehicles, 8 for work relating to housing co-operative societies and 16 for other miscellaneous work such as photo copying, roneo operation, etc. Special allowance applicable for the police personnel amounting to Rs 265 per month were also being paid to these personnel who were engaged for non-police activities. Diversion of police personnel for other duties was unjustified as this would affect the regular duties of police.

(ii) *Copying of records*

Services of Police personnel were being utilised for copying of documents to be given to the accused, witnesses, etc. In 124 Police Stations in 4 police districts viz., Alappuzha, Kollam, Kottayam and Thiruvananthapuram(Rural), 199 police personnel were deployed for this work. Diversion of trained police personnel would directly affect the working of Police Stations .

(iii) *Police personnel on non-Government duties*

Services of 12 police personnel (1 ASI, 2 Havildars and 9 Police Constables) were being utilised in Kerala Police Housing Construction Corporation Ltd. Deployment of police personnel for duty in non-governmental institution was irregular as they were being paid from State Government funds.

3.11.16. Wages to staff without work

Test check in 90 offices revealed payment of idle wages amounting to Rs 38.30 lakh to the staff who did not have any work as under.

Sl. No.	Number and name of post	Amount paid (Rupees in lakh)	Remarks
1	19 Tailors	31.00	Supply of stitched uniforms to policemen was discontinued from April 1991
2	1 Boat syrang	2.29	Boat was not available for operation from May 1993.
3	10 Para medical staff	3.48	Owing to non-filling up of vacancies of medical officers in the police hospitals at Kollam and Kottayam the para medical staff were idling from February 1994 to November 1994 and from August 1997 .
4	Assistant Director of Polygraph and Technical Attender	1.53	Assistant Director idling since his posting in February 1998 for want of training in operating the machine. Also the Technical Attender attached to the wing was idling from August 1995 till date as the machine was not put to use.
Total		38.30	

3.11.17. Functioning of Crime Branch affected due to frequent transfers

The Crime Branch Wing (CBCID) was under the control of ADGP(Crime). The wing is manned by a DIG, and 181 officers and 540 constables including Head Constables. During 1993 to 1997, 1361 cases were registered directly by the Wing and 1070 cases were transferred to this wing. Out of these cases, 996 cases were pending investigation in the CBCID as of June 1998. Out of this, 31 cases were pending for more than 10 years, 264 cases between 5 and 10 years and 222 cases between 2 and 5 years.

The delay in investigation of cases was attributed (August 1998) by SP(CBCID) Headquarters to frequent transfers of investigating officers before completion of investigation of cases handled by them. During 1998, 22 Dy. SPs and 34 Inspectors were transferred to/from this wing. It was also noticed that during 1996 to 1998 one SP, one Dy.SP and 13 Inspectors were transferred within 3 months of the posting and 7 Dy. SPs and 12 Inspectors were transferred within 6 months of posting in the wing.

3.11.18. Armed Police Battalion

There were 7 Armed Police Battalions with a total strength of 4889 as of January 1998. Government accorded (August 1995) sanction for the formation of 4 companies of State Rapid Action Force (SRAF), with a total strength of 941 with the objective of having a specially trained and equipped force to deal with communal disturbances. However, even after the expiry of three years only one company of SRAF with a strength of 366 personnel had been formed.

In July 1998, the DGP forwarded to Government a proposal for the formation of three new Armed Police Battalions (APB) under the name "Kerala Rifles" with a total strength of 4424. The total proposed financial commitment for a year was Rs 15.54 crore. The Kerala Rifles had not been formed so far (October 1998).

According to the DGP the main reason for the proposed formation of new APBs was to avoid requisition of Central para military forces and police personnel from outside the State to deal with crisis situations, general elections, etc., involving huge financial commitment. However, it was noticed that the expenditure incurred on Central para military forces and police from outside the State was only Rs 2.78 crore during the period from 1993-94 to 1997-98.

The matter was referred to Government in November 1998; reply had not been received (January 1999).

3.12. Procurement of vehicles in Police Department

(i) Idling of "Jonga" vehicles

To cover shortage of vehicles in Police Department, Government sanctioned (August 1995) purchase of 9 Tata Mobile vehicles at a cost of Rs 24.50 lakh. In the meanwhile, after witnessing a demonstration of 'Jonga' vehicles manufactured by the Defence Vehicles Factory, Jabalpur, the Director General of Police (DGP) requested (January 1996) Government to issue revised sanction for purchase of 9 *Jonga* vehicles at a cost of Rs 29.16 lakh as these vehicles were better suited for police purpose. Based on revised sanction issued (February 1996) by Government, 9 *Jonga* vehicles were purchased in May 1996 at a cost of Rs 28.11 lakh. No agreement was executed with the supplier specifying guarantee/warranty period, etc. The Commissioner of Police, Kochi, Kozhikode and Thiruvananthapuram reported in June/November 1996 that all the 9 vehicles allotted to them in May 1996 could not be used as they were having some major manufacturing defects and required constant repairs. Though the suppliers repaired the vehicles in November/December 1996, the vehicles could not be put to regular use due to frequent repairs. According to the information furnished by the DGP (October 1998) 7 vehicles were off road and the manufacturer/dealer had not responded to the request made by the department (June 1997) to repair/replace the vehicles. Further developments are awaited (October 1998). Thus, 7 *Jonga* vehicles purchased at a cost of Rs 21.86 lakh remained largely idle.

7 'Jonga' vehicles purchased at a cost of Rs 21.86 lakh remained largely idle.

(ii) Administrative delay resulting in extra expenditure.

In two cases, Government accorded sanction for purchase of 34 Ambassador Nova Cars and 30 Mahindra jeeps in the last week of March 1995. As a result, the purchase could not be made during the year 1994-95. By the time revised sanction was issued, the prices of cars were raised and excess expenditure of Rs 18.77 lakh had to be incurred for the purchase.

Administrative delays resulted in extra expenditure of Rs 18.77 lakh.

3.13. Unsuitable land acquired for construction of quarters for judicial officers

The District Judge, Alappuzha selected (November 1986) a site for the construction of quarters for the judicial officers at Alappuzha after conducting a

Land acquired for construction of quarters for judicial officers at Alappuzha at a cost of Rs 20 lakh was found unsuitable for construction of quarters.

local inspection of the site together with the Chief Judicial Magistrate, Alappuzha. According to him, the site was located in an important and convenient locality, only 3 furlongs away from District Court and no other suitable site was available for the purpose within a reasonable distance from the court premises. Accordingly 38.46 ares of land was acquired in Alappuzha village in June 1992 at a cost of Rs 20 lakh. Government accorded (October 1994) administrative sanction for the construction of 10 quarters at an estimated cost of Rs 40 lakh. However, a successor District Judge reported to the Registrar of High Court of Kerala (October 1994) that the site was more than 3 kilometres away from the District Court and was not suitable for construction of quarters as it was a water logged marshy area with a drain in the middle. He also suggested (March 1995) acquisition of an alternative suitable site located less than one kilometre away from the District Court. Government had neither taken a decision in the matter nor conducted any site survey (March 1998).

Though there were conflicting reports about the suitability of the site selected for construction of quarters, Government did not take any decision in the matter. Also, no further action was taken for the implementation of the administrative sanction issued in October 1994 for the construction of quarters in the acquired land. Due to indecision on the part of Government, Rs 20 lakh spent on the acquisition of land remained unfruitful for six years and the judicial officers were deprived of the facility of residential quarters.

The matter was referred to Government in April 1998; reply had not been received (October 1998).

3.14. Unproductive expenditure on salary of staff

The Fire Services Training school at Fort Kochi was established in 1960 for imparting training to the personnel in the Fire Services Department. The school was also functioning till October 1992 as a fire station for the Fort Kochi area.

During the period of 5 years from May 1993 to April 1998, only 9 training programmes of various durations were conducted in the school and the staff were idling for periods ranging from 21 days to 12 months. The idle wages paid to the 18 staff members including 5 firemen and 2 leading firemen for 31 months during the 5 years amounted to Rs 10.59 lakh.

The matter was referred to Government in May 1998; reply had not been received (October 1998).

INDUSTRIES DEPARTMENT

3.15. Financial assistance for Harijan women not provided

Financial assistance of Rs 10.51 lakh under Special Central Assistance to Special Component Plan was released by Government (Rs 4.92 lakh in April 1988 and Rs 5.59 lakh in April 1989) to Palakkad Harijan Vanitha Readymade Garment Making Industrial (Workshop) Co-operative Society Limited for setting up a garment making unit. As of May 1998, the Society had spent only Rs 1.42 lakh for the purchase of sewing machines, furniture, tools, etc., and the balance with interest (Rs 16.48 lakh) was kept in a Co-operative bank. The financial assistance sanctioned to the society remained locked up for more than 9 years depriving the benefits of the scheme to Harijan women.

The matter was referred to Government in June 1998; reply had not been received. (October 1998).

LOCAL ADMINISTRATION DEPARTMENT

3.16. Failure of the scheme for providing employment to the rural people through decentralised planning

To generate additional gainful employment in rural areas under agriculture sector and create assets that could provide benefits to the participant farmers, a scheme was sanctioned by Government in August 1989. The areas of activity identified were soil

Expenditure of Rs 4.40 crore for implementation of the special programme for providing employment to the rural people was not monitored.

conservation and land development works, development of irrigation infrastructure, etc., which should be labour intensive. The works on the above were to be organised and executed by the local panchayats based on the project reports prepared by the Agriculture Department. During the period 1989-90 to 1991-92, Rs 4.40 crore was

sanctioned under the scheme. The Director of Panchayats (DP) had drawn the amount and deposited it in a Treasury Savings Bank Account in March 1990 (Rs 1.50 crore), in March 1991 (Rs 1.50 crore) and in March 1992 (Rs 1.40 crore). There was inordinate delay ranging from 10 to 62 months in disbursement of the amount by the DP to the local panchayats. According to the DP (March 1992) there were practical difficulties in utilisation of funds based on the guidelines issued by the Agriculture Department and the local panchayats had also expressed their inability to spend the amount.

A scrutiny of the records in the Directorate of Panchayats revealed that during the period 1990-91 to 1996-97, the DP had spent Rs 22 lakh including Rs 21.10 lakh for purchase of 10 jeeps which was not envisaged in the scheme and disbursed Rs 4.08 crore to the local panchayats.

Information about the utilisation of the funds released to the local Panchayats was not available with the DP and the details of employment generated and the assets created could not be verified. The DP thus failed to monitor the implementation of the scheme and achievement of the objectives of the scheme could not be assessed.

The matter was referred to Government in June 1998; reply had not been received. (October 1998).

SCHEDULED CASTES/SCHEDULED TRIBES DEVELOPMENT DEPARTMENT

3.17. Special Central Assistance to Tribal Sub-plan

The guidelines on Special Central Assistance to Tribal Sub-plan (SCA to TSP), a cent per cent Centrally sponsored scheme, issued by the Government of India (GOI) and the State Government

Funds of Rs 1.09 crore for SCA to TSP were diverted for other purposes in violation of Government guidelines.

(March 1996) envisaged that the schemes undertaken should be viable, income generating, job oriented and assisting economic development. The guidelines prohibited utilisation of SCA funds for construction of houses to Scheduled Tribe(ST) families. The Secretary to Government, Scheduled Caste and Scheduled Tribes (SC/ST) Development Department was to ensure proper utilisation of the assistance through the Director of Scheduled Tribe Development (DSTD). The DSTD, in turn, had to forward to the Secretary to Government consolidated progress reports and

utilisation certificates for onward transmission to GOI. A scrutiny of the records of SC/ST Development Department at the Secretariat, Office of the DSTD, Thiruvananthapuram, Integrated Tribal Development Projects at Attappady, Idukki and Wayanad and Tribal Development Office, Sulthan Bathery showed that Rs 1.09 crore provided for SCA to TSP during 1992-93 to 1997-98 was diverted by various Government authorities for purposes not covered under SCA as shown below:

(i) In the Integrated Tribal Development Projects at Attappady and Wayanad and in the Tribal Development Offices at Mananthavady and Sulthan Bathery, Rs 74.18 lakh was spent during 1992-93 to 1996-97 for construction of houses under 'Hamlet Development' and 'Development of Primitive Tribe'.

(ii) Girivikas programme for providing residential tutorial coaching to SSLC failed tribal students was being conducted in Palakkad town from 1993-94 onwards at an average cost of Rs 11000 per student. Since residential tutorial coaching was not an income generating scheme, Rs 25.20 lakh spent for the above purpose out of SCA to TSP funds during 1993-94 to 1997-98 was irregular.

(iii) Based on the direction of the task force on Cheengeri Tribal Extension Colony, the DSTD accorded sanction (June 1996) to the Tribal Development Officer, Sulthan Bathery to fence the agricultural farm at Cheengeri colony at a cost of Rs 7.25 lakh out of funds from SCA to TSP.

(iv) In September 1993, Government accorded sanction to the DSTD for the purchase of a new Ambassador car and to meet the expenditure from the provision under SCA to TSP. The vehicle was purchased at a cost of Rs 2.39 lakh during 1993-94 though such purchase was not authorised under the scheme.

The State Government forwarded utilisation certificates (UC) from 1992-93 to 1996-97 to GOI based on the report of the DSTD. However, it was seen in audit that DSTD had furnished UC for the entire assistance, though the implementing officers had not furnished UC for 52 to 66 *per cent* of the funds drawn by them.

The matter was referred to Government in June 1998; reply had not been received (October 1998).

TAXES DEPARTMENT

3.18. Excess payment of Special discount to lottery agents

The State Lotteries department was conducting four weekly lotteries viz., Kairali, Kerala Soubhagya, Maveli and Periyar and Bumper and Super Bumper lotteries during festival seasons by converting the weekly draw of Kairali. The tickets for the various lotteries were sold by the department through agents registered with the department allowing 25 per cent commission at source of sales.

Special discount paid to lottery agents based on the entire tickets purchased by them instead of at rates applicable to different slabs resulted in excess payment of Rs 1.33 crore.

Government introduced (October 1991) the scheme for payment of special discount at source to the agents, at varying rates for the different slabs depending on the number of tickets purchased by them, over and above 25 per cent commission being allowed.

During the audit of the accounts of District Lottery Office, Kasaragod, it was noticed (July 1996) that instead of allowing special discount at rates applicable to the respective slabs, the agents were paid discount at the enhanced rates taking into account the entire tickets purchased by them. On this being pointed out by Audit, Government clarified (July 1997) that the different rates of special discount were applicable only to the tickets coming within the respective slabs and not to the entire tickets purchased by an agent.

The Director of Lotteries was allowing special discount to the agents at enhanced rates for the entire tickets purchased by them from 1991-92 onwards. Detailed scrutiny (July 1998) of the accounts of 610 draws of four lotteries covering all districts for the period from April 1995 to November 1997 revealed that the department had paid excess special discount to the agents to the tune of Rs 1.33 crore during this period. Out of this, Rs 66.59 lakh was paid to one agent, while Rs 55.23 lakh was paid to 3 other agents.

The matter was referred to Government in September 1998; reply had not been received (October 1998).

GENERAL

3.19. Outstanding Inspection Reports

Audit observations on financial irregularities and defects noticed during local audit but not settled on the spot are reported to the Heads of Offices as well as to next higher authorities through Inspection Reports. More important irregularities are reported to the Heads of Departments and Government. Provisions in the Kerala Financial Code enjoin that the reply to the Inspection Reports should be furnished to the Accountant General within four weeks of their receipt.

The year wise break-up of the Inspection Reports/paragraphs outstanding as of December 1997 is given below:

Year	Number of Inspection Reports	Number of paragraphs
Upto 1993-94	6832	17690
1994-95	1532	4516
1995-96	2147	6348
1996-97	2066	7706
1997-98 (Upto December 1997)	1977	8032
TOTAL	14554	44292

During the year 1997-98, there were 58 sittings (5 at Government level and 53 at Department level) of the audit committees as a result of which 1145 paragraphs in 236 reports were got settled.

A review of the position of Inspection Reports issued to various offices under Animal Husbandry Department and Directorate of Medical Education revealed the following:

Of the Inspection Reports issued till the end of December 1997, 238 reports involving 543 paragraphs in Animal Husbandry Department and 200 inspection reports containing 1124 paragraphs in Directorate of Medical Education remained to be settled at the end of June 1998.

The nature of irregularities and monetary effect of the paragraphs in the outstanding Inspection Reports are given below:

Sl. No.	Nature of irregularity	Animal Husbandry Department		Directorate of Medical Education	
		Number of paragraphs	Amount (Rupees in lakh)	Number of paragraphs	Amount (Rupees in lakh)
1	Drawal of amount at the fag end of the financial year to avoid lapse of fund, unnecessary/unauthorised retention of fund in TP/PD/Bank Accounts, Diversion of funds and excess/unauthorised expenditure.	72	227.98	-	-
2	Idle machinery/equipment/vehicle/Building.	79	106.18	192	664.42
3	Loss on working of departmental farms, non-functioning of feed units, idle staff, etc.	37	320.64	-	-
4	Irregularities in implementation of various schemes.	69	821.72	59	955.77
5	Excess payment/over payment of personal claims/establishment matter	67	5.87	336	78.10
6	Pending recovery of loans and advances	20	46.00	80	673.89
7	Misappropriation, theft and non-collection/short collection/delay in remittance of Government revenue/arrears pending recovery.	93	300.40	72	45.37
8	Irregularities in purchase/procurement	-	-	212	217.93
9	Others	106	111.48	173	280.80
TOTAL		543	1940.27	1124	2916.28

No audit committee meeting of the departments was held during the year 1997-98.

3.20. Misappropriations, losses, etc.

As reported to Audit, 130 cases of misappropriations, losses, etc., involving Government money (Rs 158.16 lakh) which took place till the end of March 1998 were pending finalisation at the end of June 1998. This included 6 cases where monetary value of loss/misappropriation had not been assessed. Department-

wise details of cases are given in Appendix 11 . Year wise details of the outstanding cases are given below.

Year	Number of cases	Amount (Rupees in lakh)
1992-93 and prior years	75	93.95
1993-94	20	5.84
1994-95	11	12.83
1995-96	6	2.36
1996-97	7	8.83
1997-98	11	34.35
Total	130	158.16

A broad analysis of the reasons for pendency is furnished below.

SL No.	Particulars	Number of cases	Amount (Rupees in lakh)
1	Awaiting departmental and Criminal Investigation	41	40.96
2	Departmental action started but not completed	46	95.98
3	Awaiting orders for recovery/write off	30	7.35
4	Pending in Courts of Law	13	13.87
	Total	130	158.16

3.21. Writes off and waivers

According to information received by Audit, sanctions for write off of Rs 32.07 lakh in 91 cases and waivers amounting to Rs 2.11 lakh in 15 cases were issued by various authorities during 1997-98. Department-wise details are given in Appendix 12. Information for 1997-98 sought for in May 1998 had not been received (October 1998) from 22 departments of Government and 19 Heads of departments.

3.22. Follow up action on Audit Reports

Government have to finalise remedial action on all audit paragraphs within a period of two months of the presentation of the Reports of the Comptroller and Auditor General of India to the Legislature. The Administrative Departments concerned were required to furnish notes explaining the remedial/corrective action

taken (ATNs) on the audit paragraphs to the Public Accounts Committee (PAC)/Committee on Public Undertakings (COPU)* as well as to the Accountant General within the prescribed time limit.

The position of pendency, as of November 1998, in furnishing ATNs on paragraphs included in the Reports of the Comptroller and Auditor General of India, Government of Kerala (Civil) pertaining to the years 1986-87 to 1995-96, was as indicated below:

Reference to Report (year and number)	Number of paragraphs included	Number of paragraphs for which ATNs have been furnished by Government	Number of paragraphs on which ATNs were due from Government
1986-87 (No.3)	52	51	1
1987-88			
(No.5 of 1989)	19	17**	2
(No. 6 of 1989)	29	28	1
1988-89 (No.4)	57	55	2
1989-90 (No.3)	41	40	1
1990-91 (No.3)	38	35	3
1991-92 (No.3)	41	34	7
1992-93 (No.3)	53	37	16
1993-94 (No.2)	73	55	18
1994-95 (No.3)	65	56	9
1995-96 (No.3)	62	32	30
1996-97 (No.3)	47	-	47
TOTAL	577	440	137

The department-wise details of the ATNs pending have been furnished in Appendix 13.

* Paragraphs relating to Kerala Water Authority (KWA) are examined by COPU.

** 16 paragraphs related to KWA.

CHAPTER IV

WORKS EXPENDITURE

FISHERIES AND PORTS DEPARTMENT

4.1. Extra expenditure on account of undue enhancement of rates

A contract for construction of breakwater at Thangassery was awarded in September 1991 to a firm in Kollam at 21 *per cent* above the estimate of Rs 9.53 crore. Seaward breakwater 1685 metre long and a leeward breakwater 450 metre long, were to be completed by 7 November 1994. The firm could complete only 51 *per cent* of the work by November 1994 and requested (November 1994) for extension of time as well as enhancement of rates. The Superintending Engineer (SE) concerned granted (November 1994) extension up to November 1995 after imposing a fine of Rs 0.10 lakh for slow progress. The Chief Engineer (CE) rejected (March 1995/ May 1995) the claims for enhancement of rates except for 75 *per cent* increase in the rates for the work of leeward breakwater. Subsequently, CE suggested to Government to constitute a High Level Committee (HLC) as required by the firm to consider increased rates. Accordingly, Government constituted the HLC which recommended (September 1995) 75 *per cent* enhancement over 1990 Schedule of Rates (SOR) for balance work after the original due date of completion i.e., 7 November 1994 involving financial commitment of Rs 2.78 crore (main breakwater : Rs 2.01 crore; leeward breakwater : Rs 0.77 crore). The basis for this recommendation of 75 *per cent* increase, accepted by Government in December 1995, was not indicated by HLC. The work has since been completed and expenditure up to September 1997 amounted to Rs 16.24 crore.

Though the contractor delayed completion of seaward breakwater, enhanced rates were allowed causing extra expenditure of Rs 2 crore.

The following observations were made:

- (i) According to the contract, the leeward breakwater should start from sea shore at Vaddy Mudhakkara area, about 1.25 km from the main breakwater. However, Government changed (March 1994) the location to Pallithottam at the request of local people to increase the area of harbour basin. The change to enlarge the basin under public pressure indicated that the project report was not prepared taking all factors into account.
- (ii) However, irrespective of the merits of the decision regarding change of location, the increased compensation to the contractor was valid only for the leeward breakwater whereas upward revision was given for the value of

the entire work. The CE informed (March 1995) Government, that strictly as per the terms of the contract, contractor's claims for upward revision of rates were acceptable only for leeward breakwater.

Thus, enhancement of rates for the whole breakwater without confining to the work on leeward breakwater alone, led to extra expenditure of Rs 2 crore. The HLC was constituted primarily to consider revision of rates on account of departmental delays in handing over the site for the leeward breakwater. They recommended enhanced rates for the works on both the breakwaters executed after 7 November 1994 without limiting it to the work relating to leeward breakwater. This amounted to unjustifiably favouring the contractor as the contractor was responsible for the delays in completion of the seaward breakwater though many extensions were granted.

The matter was referred to Government in January 1997; reply had not been received (October 1998).

4.2. Unjustified extra payment to a contractor for conveyance of earth

The work 'construction of a quay wall, auction hall and gear shed' forming part of Vizhinjam Fishery Harbour Project was awarded by Superintending Engineer, Harbour Project

Faulty preparation of estimate for earthwork resulted in huge extra work of excavation and extra rate for conveyance of spoils. Though lorries could reach up to the site of excavation, Rs 51.83 lakh was paid unjustifiably on account of head-load.

Circle, Thiruvananthapuram to a labour contract society (contractor) in June 1994 for Rs 2.66 crore, which was 28 per cent above estimate. The work stipulated to be completed by July 1996 had not been completed as of October 1998 and Rs 3.14 crore has been paid to the Society (November 1998).

The original estimate included provision for earth work excavation and depositing of cut earth with lead up to 50 metres for a quantity of 21 thousand cubic metres. During actual execution, the quantity of earth work done was 1.56 lakh cubic metres. Consequently, a large quantity of excess cut earth had to be conveyed. A supplemental agreement for extra conveyance of 52800 cubic metres by lorry to departmental dump-yard within 5 kilometres at an estimated rate of Rs 58.86 per cubic metre was therefore executed in November 1995.

A scrutiny of the extra item of this agreement revealed that it contained provision for head load for 150 metres at the rate of Rs 22.16 per cubic metre.

The Executive Engineer (EE) found (July 1996) that no head load was involved in actual execution of the work as lorry could reach the excavated site

without any difficulty. The society had been overpaid as of March 1996 to the extent of Rs 21 lakh on this account 'due to oversight' and proposed (July 1996) for recovery of the over-payment from subsequent bills of the contractor. The Minister for Fisheries and Rural Development ordered (August 1996) an enquiry by the Chief Technical Examiner of Government (CTE). CTE found no evidence for head load at site and noticed that conveyance of earth was done with the help of machinery. CTE however, suggested that the department might frame observed data* for the item based on the application of machinery to the work. Thereupon, EE computed in August 1997 observed data and framed an independent rate of Rs 92.84 per cubic metre. The observed data was pending approval of Chief Engineer, Harbour Engineering Department as of November 1998.

As of November 1998, expenditure of Rs 1.08 crore was incurred for extra conveyance of 1.83 lakh cubic metres of excavated earth adopting the extra conveyance rate of Rs 58.86 per cubic metre which included head-load payment at the rate of Rs 22.16 per cubic metre. Payment for extra conveyance of cut earth based on data rate which included provision for head load, though no head load was actually involved resulted in undue financial benefit of Rs 51.83 lakh to the contractor-society. There was no need for framing any observed data because the moot point was only whether the head load was to be included or not. CTE himself stated that no evidence of head load was seen since the work was done with the help of machinery.

As regards huge variation between the contracted quantity of excavation and the actual quantity, CTE had observed that the estimate had not been properly prepared by the department inasmuch as the earthwork excavation was computed based on 'assumed levels'. Reasons for the faulty preparation of the estimate leading to huge variations in quantities executed, and action taken against officers concerned had not been furnished by the department.

Government stated (October 1998) that as the excavated quantity of earth increased enormously and the nearby dumping site was reserved for depositing dredged sand, the excavated earth had to be conveyed to a distant place. Government reply (October 1998) did not specifically answer the audit point regarding justification for payment of head load.

Thus, as a result of faulty framing of extra item, Government was put to a loss of Rs 51.83 lakh.

* observed data: When rate for any item cannot be arrived at based on standard data and Schedule of Rates, the rate for that particular item is arrived at on the basis of actual requirements at site assessed on observation.

FOREST AND WILDLIFE DEPARTMENT

4.3. Avoidable expenditure due to faulty tendering

The Divisional Forest Officer (DFO), South Wayanad Division, Kalpetta invited tenders in January 1992 for working down timber as round logs and billets from rose wood and teak wood trees marked for extraction, from the six villages under the Wayanad Colonisation Scheme (WCS) and their transportation to Government timber depot at Chaliyam, at an estimated cost of Rs 1.58 crore. The last date of tender was 12 February 1992. On 5 February 1992, Government approved department's proposal to include three more depots viz., Kuppady, Mudikkal and Pathanapuram for delivery of timber and its sale pushing up the estimated cost to Rs 2.07 crore.

Due to failure to publicise widely a revision notification of tender, the High Court quashed the tender and the retendering led to extra expenditure of Rs 1.08 crore.

An erratum notification purportedly made on 6 February 1992 including three more delivery depots, which was however, challenged before the High Court of Kerala alleging that the erratum was issued on 11 February 1992 and the same was not published either in the gazette or in newspapers. The High Court quashed (21 October 1992) the tender and erratum notification on the ground that adequate publicity was not given and directed Government to invite fresh tenders, if necessary, after giving due publicity.

Fresh tenders were invited by DFO in November 1992. The lowest offer at 179 per cent of the basic rate was accepted and agreement executed for Rs 3.71 crore in February 1993. The work due for completion within eight months i.e., by October 1993, was not completed as of February 1998. Though the department levied Rs 32.64 lakh as penalty for the time-overrun, the contractor had obtained stay orders from the High Court.

The contractor was paid Rs 1.58 crore up to December 1995. The extra expenditure due to retender worked out to Rs 1.08 crore based on the estimated basic rates. Government stated (July 1998) that failure to publicise the erratum notification well in advance did not assume significance in view of the fact that 8 offers were received in response to both the tenders and that there was no loss as the extra expenditure incurred due to retender was more than compensated by the substantial revenue realised during auction sales at the 4 depots. The contention was not acceptable as it would be financially not prudent and a healthy trend to justify extra expenditure incurred in the light of revenue collected subsequently and further,

Government would have easily included these three additional depots in the original tender notification or at least extended the last date of receipt of tenders since the issue of erratum was delayed.

IRRIGATION DEPARTMENT

KURIARKUTTY – KARAPPARA IRRIGATION PROJECT

4.4. Irregular arrangement of execution of earth work for formation of main canal

Chief Engineer (CE), Project I, Kozhikode proposed (April 1995) execution of canal works from chainage 6100 metre to 6735 metre (635 metres) of Moolathara Right Bank Canal

Extra expenditure due to award of the work at a higher premium of 60 per cent over the Schedule of Rates amounted to Rs 24.46 lakh. Re-conveyance of cut earth from contractor's yard to canal reaches resulted in excess expenditure of Rs 56.55 lakh.

(MRBC) estimated to cost Rs 44 lakh departmentally at 35 per cent above estimate rates (based on 1992 Schedule of Rates (SOR)) on piece-work agreement. Technical sanction for the work was issued by CE in June 1995 and on the basis of sealed tenders, the work was awarded.

CE approved (14 March 1996) the lowest quotation at 60 per cent above estimate rates. Government orders approving departmental execution of works at 60 per cent above estimate rates (SOR 1992) were issued on 27 March 1996. Though execution of work departmentally on piece-work agreements was proposed (7 April 1995) in order to complete the work by March 1996, the work had not been completed even as of November 1996. Expenditure incurred on canal excavation up to June 1996 on the work was Rs 1.56 crore.

Audit scrutiny of the records of Project Division, Kozhinjampara in July 1996 disclosed the following points:

- (i) According to Kerala Public Works Department manual and Public Works Department code, waiver of the procedure for awarding works through tenders should be done only by the competent authority when it is felt absolutely necessary for satisfactory reasons. Therefore, award of canal work (635 metres) estimated to cost Rs 44 lakh to a contractor in July 1995 by EE at 60 per cent above estimate rates based on 1992 SOR in anticipation of Government approval was violative of the codal provisions.

- (ii) The CE had proposed (April 1995) execution of work departmentally at 35 per cent above estimate rates of 1992 SOR. The rate however adopted was at 60 per cent above estimate rates even without exploring the possibility for reducing the rates. The additional expenditure due to adoption of higher premium was Rs 24.46 lakh.
- (iii) The estimate for earth work excavation was inclusive of conveyance of cut earth to the contractors own dump yard after providing 5 km lorry lead for conveyance. Since the beneficiaries had already promised as early as in June 1993 free surrender of land for depositing the cut earth there was no need to convey the cut earth to the contractor's own dump yard. The total expenditure of Rs 56.55 lakh incurred on this account was avoidable.

In December 1996, the Vigilance Department directed the division to stop forthwith all payments relating to the project. On the basis of preliminary enquiry, Government ordered (February 1997) suspension of five officers (including one CE) from service. Further developments were awaited (June 1998).

The matter was referred to Government in June 1998; reply had not been received (October 1998).

KALLADA IRRIGATION PROJECT

4.5. Loss due to adoption of incorrect rate

Following the rejection of the tender in October 1990, on the ground of high rates, estimates for the work of 'Chathannur Thazham minor distributary from chainage 0 metre to 1820 metre including cross drainage works*' of Kallada Irrigation Project was revised several times due to failure of the department to complete the tendering before successive revision of schedule of rates since 1990. The work was awarded in October 1994 to the lowest contractor at 55 per cent above estimate (Rs 34.40 lakh) at a probable amount of contract (PAC) for Rs 47.06 lakh for completion by January 1995. In February 1995, the estimate was again revised to accommodate popular demand for retaining the access lanes and paths built on either sides of the alignment of the canal. The revised estimate of Rs 1.08 crore increased the quoted PAC to Rs 1.49 crore. During execution, certain other items were also sanctioned (May 1995) pushing up the quoted PAC further by

Rejection of the offer of Rs 15.48 lakh received in October 1990 followed by number of revisions and consequent delay in completion of work up to December 1996 led to extra expenditure of Rs 1.77 crore.

* Cross drainage works include construction of culverts, drains, etc.

Rs. 0.44 crore. The work was completed in December 1996. The total up to date expenditure was Rs 1.57 crore as of November 1998. Thus, failure to finalise the tender received in June 1990 for a quoted PAC of Rs 15.48 lakh, led to an extra expenditure of Rs 1.77 crore. The changes brought about after entrustment of the work in October 1994 involved additional expenditure of Rs 1.46 crore (Rs 1.93 crore – Rs 0.47 crore). Audit scrutiny revealed unintended benefit to the contractor as discussed below:

The work schedule provided earth work excavation in all classes of soil except hard rock but including medium rock, etc., for 28556 cubic metres at Rs 767 per ten cubic metres. Scrutiny disclosed that the earth work rate arrived at was a composite rate for 20 cubic metres; 10 cubic metres hard soil and 10 cubic metres ordinary rock. The correct rate for excavation of 10 cubic metres would work out to Rs 383.50. Instead of providing the unit rate as Rs 383.50 per 10 cubic metres, the full rate of Rs 767 computed for 20 cubic metres was adopted. Owing to adoption of the incorrect rate, the contractor was paid Rs 13.80 lakh in excess for the quantity of 23211 cubic metres excavation of soil executed till September 1996.

Government stated (February 1998) that the rate of Rs 767 per 10 cubic metres for earth work excavation was adopted due to an error; but justified it on the ground that, had the correct rate been provided in the tender schedule, the contractor would have quoted a higher percentage and the contractor had to convey excess earth to his dump yard, as there was no land available to accommodate the surplus earth. The contention was not tenable since the contractor would have demanded extra rate for any item not contemplated in the estimate/rate had he actually executed that item. More important, the reply reflects the non-seriousness of Government in the matter of executive committing such 'errors' and defending them by hypothetical assertions.

The matter was referred to Government in June 1998; reply had not been received (October 1998).

4.6. Excess expenditure due to exorbitant rates and avoidable arbitration

Report of the Comptroller and Auditor General of India for the year ended 31 March 1994 - No.2 (Civil) included comments about an arbitration award (Rs.64.08 lakh) quite disproportionate to the amount of contract or total value of work done (Rs 31.25 lakh) in respect of the work- formation of Left Bank Main (LBM) canal

Execution of supplemental agreements at exorbitant rates resulted in loss on payment of decretal amount with interest (Rs 70.25 lakh).

from chainage 47005 metre to 48254 metre. Another case of loss to Government due to execution of supplemental agreement with the same contractor and consequent arbitration award for Rs 47.33 lakh (November 1993) with interest was noticed in Audit as discussed below:

In March 1991, Superintending Engineer (SE), Kallada Irrigation Project (KIP) Circle, Kollam executed a supplemental agreement for supplying and fixing of trash rack at a cost of Rs 21.03 lakh. Another supplemental agreement for extra quantities and additional works (Rs 61.23 lakh) was executed in April 1991 by the SE. CE, however, found the rates in the agreements far in excess of the prevalent rates and directed the SE to negotiate the rates with the contractor to bring it down to reasonable limit. According to CE, reasonable payments would work out to only Rs 1.81 lakh and Rs 18 lakh respectively.

Though the contractor was invited for further negotiation, he did not turn up. Instead, he initiated arbitration proceedings against the Department. A sole arbitrator viz., SE, Project Circle, Muvattupuzha was appointed in October 1992 who passed his award for Rs 47.33 lakh in November 1993 in contractor's favour allowing his claims for payments as per the supplemental agreements along with interest. Though the award was challenged in the Thiruvananthapuram Sub-Court, the Principal Judge overruled department's contentions and passed (March 1994) a decree in terms of the award. The appeal filed by the State against the award and decree was dismissed by the High Court of Kerala in May 1995, against which a special leave petition (SLP) was moved in the Supreme Court of India. On dismissal of the SLP, the decretal amount (Rs 70.25 lakh) was paid in July 1997. The Government's contention in its appeal to High Court included an allegation that the SE who had executed the supplemental agreements had connived with the contractor and allowed exorbitant rates.

Government informed Audit in July 1997 that CE had been directed to realise the loss sustained by Government from the SE (since retired from service in April 1991) who was responsible for execution of the supplemental agreements and that a vigilance case was pending against him.

Thus, execution of supplemental agreements without due care proved detrimental to the financial interest of Government. No departmental action was taken against SE concerned while he was in service although CE noticed that the estimate rates were highly inflated.

The matter was referred to Government in May 1998; reply had not been received (October 1998).

4.7. Loss due to unauthorised payment to contractor

The work 'formation of Melila West Distributary from chainage 3 km to chainage 10 km of Kallada Irrigation Project' was awarded by Superintending Engineer (SE), Left Bank Circle, Kottarakkara to a contractor in May 1985

Despite ongoing arbitration proceedings, the Superintending Engineer executed irregularly, a supplemental agreement after three years of completion of the work resulting in a loss of Rs 17.56 lakh.

at the agreed probable amount of contract of Rs 18.05 lakh. The work scheduled to be completed in June 1986 was completed in March 1990.

Item 3 of agreement schedule of the work provided for earth work excavation of 28075 cubic metres in all classes of soil for forming the canal and depositing the spoil on banks or at places pointed out by the department with all leads and lifts at Rs 25 per cubic metre. In September 1989, the contractor claimed extra head load conveyance at Rs 38 per cubic metre for 21 thousand cubic metres on the plea that in the absence of departmental yard he had to convey the cut earth to his dumping yard by head load. SE rejected the claim in January 1990 on the ground that dump yards were provided to the contractor and that cut earth was deposited on the canal banks within the shortest lead. The contractor then initiated arbitration proceedings in May 1990.

In November 1992 i.e., two and a half years after the completion of the work, the contractor represented to the SE (a new incumbent) that he had conveyed 60 thousand cubic metres cut earth by lorry to his dump yard which was 16 kilometre away from the site and sought for mutually negotiated rates which was contrary to the earlier claim made in September 1989. On the basis of discussions with the contractor, the total quantity conveyed by lorry to the dump yard was assessed as 31 thousand cubic metres. Even though the contractor's claim for extra rate for conveyance of cut earth was pending before the arbitrator and the quantity of earth conveyed as per the previous claim was lesser, a supplemental agreement was executed by SE in April 1993 fixing the lorry conveyance rate at Rs 56 per cubic metre.

The arbitrator rejected the contractor's claim in September 1994. While arbitration to settle the claims relating to conveyance of earth involving a lower amount was going on, action of the SE to enter into supplemental agreement allowing higher rate and for higher quantity was totally arbitrary and was tantamount to misuse of his power. The loss on this account worked out to Rs 17.56 lakh.

Government stated (April 1998) that SE's action was against the interest of Government and that the Chief Engineer had been directed to assess the loss and to recover the same from the persons responsible apart from initiation of disciplinary action against them. Further developments were awaited (December 1998).

4.8. Unauthorised payment to contractor beyond the terms of contract

The Superintending Engineer (SE), KIP circle, Kollam awarded (March 1987) the work formation of Left Bank Main Canal from chainage 54000 metre to 55000 metre to a contractor for

Contrary to contract provisions, extra rate was allowed towards rehandling charges for reconveying excavated earth and dumping it over completed cut and cover portions resulting in unintended monetary gain to the contractor to the extent of Rs. 16.91 lakh.

an agreed probable amount of contract of Rs 55.31 lakh. The work scheduled to be completed by August 1988 was completed in December 1993 and Rs 1.5 crore was paid to the contractor up to January 1992. According to agreement schedule, the contractor was to deposit the excavated earth in the contractor's own dump yard at canal reaches and simultaneously, over the cut and cover barrel, wherever possible, including rehandling of the earth. The estimated earthwork quantity was 1.01 lakh cubic metre and the rate was Rs 20 per cubic metre.

However, the contractor demanded (August 1988) extra rate for rehandling the cut earth alleging delays in handing over the site, cutting open a public road and issue of materials. SE, however, rejected the claim (December 1988).

The contractor took up the matter with the SE (a new incumbent) again in January 1990 for additional rehandling charges at the rate of Rs 49 per cubic metre. SE executed a supplemental agreement in April 1991 providing extra rates of Rs 80 per cubic metre for rehandling cut earth. As the rate was found exorbitant, it was reduced to Rs 74 per cubic metre at the instance of Chief Engineer and Rs 16.91 lakh paid for rehandling and depositing 23 thousand cubic metres excavated earth over the cut and cover barrel.

As rehandling of cut earth formed part of the agreed item of work, the extra payment on this score lacked justification. There was no material on record warranting a reversal in April 1991 of the decision of December 1988. The basis on which Rs 80 per cubic metre was allowed in the supplemental agreement against contractor's demand for Rs 49 per cubic metre and subsequent sanction of a rate of Rs 74 per cubic metre needed investigation. Besides, the work was delayed by more than 5 years and the cost escalated by nearly 3 times.

The matter was referred to Government in February 1998; reply had not been received (October 1998)

CHIMONY DAM PROJECT

4.9. Extra expenditure due to change in specification of filter media

The work 'construction of earth dam from chainage 0 to 300 metre, from 68.0 metre MSL* to 82.7 metre MSL balance work' was awarded to a contractor in March 1986 for an amount of Rs 74.89 lakh for completion by August 1986. Time for completion was extended up to May 1990 due to delay in handing over of site.

Departmental lapse in not enforcing contract conditions for supply of good quality gravel from available sources for the filter media resulted in extra expenditure of Rs 62.01 lakh.

According to the work schedule, filter media had to be prepared by gravel packing for a thickness of 25 cm (estimated cost : Rs 23.34 lakh). The contractor represented in January 1987 to change gravel packing into metal packing on the ground that good quality gravel was not available. In May 1989, the Chief Engineer (CE), Project-II rejected the request. However, in view of the persistent demand from the contractor, the department initiated action in June 1989 to change the design of the filter media and the same was finalised in May 1990. The contractor demanded (July 1990) extra rates for proceeding with the balance work on account of inordinate delay in finalisation of the design of the filter media. In November 1990, the contractor requested to relieve him from the contract without risk and cost in view of rise in cost of construction. Government ordered for termination of the contract (June 1991) without risk and cost. Up to March 1992, the contractor was paid Rs 81.10 lakh.

The balance work was tendered in October 1992, after revising the estimate to Rs 84 lakh as per 1992 SOR and awarded to the same contractor in January 1993 at 50 per cent above the revised estimate involving an extra expenditure of Rs 62.01 lakh. Following points were noticed in this regard:

- (i) The contention of the contractor regarding non-availability of good quality gravel was not tenable since the agreement did not specify any specific quarry for supply of such gravel.
- (ii) The delay of more than 2 years in rejecting the claim of the contractor of January 1987, on the part of SE was unjustified.

* Mean Sea Level

- (iii) As the new design was not drawn up timely, contractor turned it into a convenient plea to claim extra rates. The undue delay of CE in responding to the contractor's claim and the long delay in changing the design, would require detailed investigation against the defaulting officers.
- (iv) Government decision to award the balance work to the same contractor on retendering in January 1993 rather than taking any punitive action against him for not fulfilling his contractual commitments as per the original contract was unjustified.

Thus the departmental lapse in acceding to the contractor's demand to alter the specification for the filter media, instead of enforcing the contract conditions regarding the supply of filter media, resulted in an extra expenditure of Rs 62.01 lakh.

The matter was referred to Government in January 1998; reply had not been received (October 1998).

4.10. Undue financial benefit to contractor

Two works of construction of approach roads at Kozhikode side and at Malappuram side of the regulator-cum-bridge at Kavanakallu across Chaliyar river in Malappuram District were entrusted by the Superintending Engineer, Minor Irrigation Circle, Kozhikode in April 1994 and August 1994 respectively to the contractor who did the main work on the bridge-cum-regulator. The approach roads were estimated to cost Rs 82.43 lakh and Rs 31.70 lakh respectively.

Department spent Rs 27.55 lakh to convey excavated earth valuing Rs 14.31 lakh free of cost to the contractor's dumpyard.

Subsequently, the original alignment of the approach road at Kozhikode side was changed to avoid costly acquisition of garden lands. The revised alignment, however, increased earth work excavation nearly 7 times (from 17 thousand cubic metres to 1.08 lakh cubic metres). The excess cut earth was allowed, free of cost, to be conveyed to contractor's dump yard for which Rs 27.55 lakh was paid.

The non-realisation of cost of excavated soil and its conveyance to contractor's dump yard at department's cost, was unjustified and conferred undue benefit to the contractor. Based on the rate of Rs 20 per cubic metre for cheapest form of earth (red earth) as per 1990 Schedule of Rates, the cost of 71 thousand cubic metres of earth conveyed would be Rs 14.31 lakh.

Government stated (October 1997) that the contractor was allowed to convey excavated earth to his own dump yard to avoid additional expenditure for providing departmental dump yard and that there were no rules for recovery from the contractors of the cost of cut earth to be dumped. The reply was not tenable as according to the existing instructions of Government (April 1993), excess excavated soil was to be auctioned at site. The excess cut earth was therefore auctionable and non recovery of its cost plus conveyance charges paid were not justified.

The matter was referred to Government in April 1998; reply has not been received (October 1998).

PUBLIC WORKS AND TRANSPORT DEPARTMENT

4.11. Excess expenditure due to failure in accepting contractor's claim for enhanced rates

The work of construction of Chithrapuzha bridge (estimated cost : Rs 1.58 crore) was awarded by the Superintending Engineer(SE), Roads and Bridges, Central Circle, Aluva in November 1990 to a contractor at 25 *per cent* above estimate (accepted amount of contract (PAC) being Rs 1.99 crore) for completion by January 1994. As per the original design approved by Chief Engineer, Design, Research, Investigation and Quality Control (DRIQ) in July 1991, the bridge was to have 7 spans of 26.58 metres each.

Failure to decide on contractor's offer to complete the work at 33 per cent over 1992 SOR, resulted in avoidable additional expenditure of Rs 48.75 lakh.

One year after the award the contract, Chief Engineer (CE), Roads and Bridges approved a revised design in November 1991 enhancing the PAC to Rs 2.70 crore and extending the period of completion to March 1995 as the subsoil was very slushy and high embankment had to be formed for the approach roads necessitating increase in the number of spans from 7 to 10,. In February 1993, the Champakara canal over which the bridge was being built, was declared as National Waterway No.3 by the GOI. The design of the bridge was again modified in August 1994 as desired by Inland Waterways Authority of India (IWAI). In July 1995, Government sanctioned the revised estimate for Rs 3.05 crore as per the revised design. The contractor demanded in March 1995 enhanced rates of 33 *per cent*. As there was delay of 6 months in taking a decision on his claims for enhanced rates, the contractor retracted (September 1995) from his offer and demanded 75 *per cent* hike above 1992 SOR. High Level Committee recommended

the rate of 73 *per cent* hike for acceptance in January 1996. Government approved (March 1996) the enhanced rates and a supplemental agreement was executed for Rs 1.63 crore in May 1996 stipulating completion of the work by August 1997. The work had not been completed as of April 1998.

Delay in acceptance of the contractor's proposal by Government for 33 *per cent* escalation in rates thus resulted in avoidable estimated excess expenditure of Rs 48.75 lakh.

The following additional observations are made in audit:

- (i) Having decided to construct the bridge, the sub soil strata of the embankment should also have been subjected to detailed investigation as per the departmental instructions, before drawing up the design. The haphazard finalisation of the design was a contributory factor for the excess expenditure.
- (ii) Champakara canal was improved by deepening and widening under a centrally sponsored scheme during the 1970s. As such, the navigational requirements while constructing a bridge across the canal should not have been overlooked while designing the bridge. Had the design been finalised taking into account the minimum standards, the necessity to change it increasing the number of spans to 11 with a single decked central span at the intervention of IWAI could have been avoided.

The matter was referred to Government in May 1998; reply had not been received (October 1998).

4.12. Idle investment on a bridge due to failure in acquiring of land for approach roads in time

Superintending Engineer, Roads and Bridges, North Circle, Kozhikode awarded the work 'construction of a bridge on Mannurvalavu-Mukkathukadavu-Thenhipalam road across Canoli

canal in Kozhikode district including formation of approach road on either side' to a contractor in November 1991 at 35 *per cent* above estimate (probable amount of contract: Rs 34.76 lakh). The bridge was intended to provide an easy access for the people in the interior areas of Vallikunnu, Chelambra and Kadalundi panchayats to Kozhikode city. The work was scheduled to be completed by May 1993. The bridge was completed in March 1994 at a cost of Rs 20.53 lakh.

The approach road of a bridge could not be constructed even 4 years after the bridge was completed.

As the land for approach roads was not handed over till March 1995, the contractor requested the department to relieve him from the balance work on the ground of escalation in cost of labour and material. Executive Engineer (EE) proposed in April 1997 to the Superintending Engineer (SE) to terminate the contract without invoking the risk and cost clause and to arrange the work separately at the revised estimated cost of Rs 37 lakh. No decision had been taken as of April 1998.

As the land for forming the approach roads was not acquired in time, construction of approach roads could not be taken up and consequently, the bridge built at a cost of Rs 20.53 lakh could not be linked to the existing road. Thus, the objective of providing easy access to people in interior areas to Kozhikode city could not be achieved even 4 years after the construction of the bridge.

The matter was referred to Government in June 1998; reply had not been received (October 1998).

4.13. Unfruitful expenditure on a temporary diversion road constructed across river-bed.

The Roads Division, Thrissur constructed a temporary road across 'Bharathapuzha' for Rs 11.25 lakh for diversion of road traffic during major repairs of Cochin bridge in the State Highway between Thrissur and Shoranur. The temporary road was laid on earthen bund formed by dumping earth and providing vents for flow of water down stream. The road was opened for traffic on 3 April 1996. Due to heavy summer showers on 15 April 1996, it suffered severe damages. A portion of the road was swept away by flood waters on 24 April 1996. Thus, the road was available for diversion of traffic only for a few days and the expenditure of Rs 11.25 lakh rendered no benefit.

The Executive Engineer, Roads Division, Thrissur stated (February 1997) that the road was intended for use during dry season only and attributed the short-lived period of utilisation of the road to unexpected rain and flood. This contention is not tenable as construction of even temporary road links across river-beds should take into account peculiar site conditions, seasonal factors and provide for adequate safety measures against foreseeable vagaries of nature.

The matter was referred to Government in September 1996; reply had not been received (October 1998).

4.14. Avoidable expenditure due to belated payment of electricity charges

The Kerala State Electricity Board (KSEB) levies interest at 24 *per cent* as penalty if electricity charges are not remitted to it by consumers within the prescribed due dates.

Non-payment of electricity charges on due dates led to additional expenditure of Rs 13.28 lakh.

Buildings Division, Thiruvananthapuram obtains demand drafts (DD)/cheques from various heads of departments whose offices function in the Vikas Bhavan Complex at Thiruvananthapuram and releases the payment to KSEB subject to availability of letter of credit (LC). Owing to delay in getting either the DDs/cheques from the departmental heads or LC from Government, the electricity charges from June 1985 to December 1995 were not paid on due dates and consequently, KSEB levied interest amounting to Rs 13.28 lakh over the electricity charges. A part payment of Rs 7.59 lakh was made in November 1996.

Since electricity charges constituted obligatory payments and its non-payment on due dates attracts penal interest, department should have streamlined the procedures for collection of proportionate charges from user-departments and to remit the dues to KSEB before the last dates notified. Failure to do so resulted in avoidable liability of Rs 13.28 lakh, of which a balance of Rs 5.69 lakh had not been paid as of April 1998.

The matter was referred to Government in April 1997; reply had not been received (October 1998).

CHAPTER V

STORES AND STOCK

HOME DEPARTMENT

5.1. Extra expenditure on purchase of rice

The rice required for prisons was met through permits/quota issued by State Civil Supplies Department (CSD) at rates applicable to the public distribution system.

In 4 prisons rice was purchased from open market at an extra cost of Rs 12.08 lakh.

In two central prisons at Thrissur and Thiruvananthapuram and in two sub-jails, viz., Tirur and Aluva, rice quotas allotted by CSD were not got revised with the increased requirement. To meet the shortfall, 7490 quintals of rice was purchased during 1992-97 from open market, co-operative stores, maveli stores, etc., resulting in an extra expenditure of Rs 12.08 lakh by the 4 jails.

5.2. Excess purchase of yarn

Yarn for the weaving units in the manufactories at prisons were procured by Director General of Police (Prisons) based on indents placed by the units.

In two central prisons (Kannur and Thrissur), average issue of yarn during 1992-93 to 1995-96 was for Rs 6.03 lakh and closing balance of stock as on 31 March 1996 was worth Rs 8.57 lakh. Director General of Police (Prisons) however, purchased yarn valued Rs 30.05 lakh during 1996-97 and 1997-98 ignoring the trend of issue/consumption and the closing balance at the end of 1997-98 was worth Rs 22.65 lakh. Thus, injudicious purchase of yarn during 1996-98 resulted in accumulation of yarn stock and blocking of funds amounting to Rs 14.08 lakh (Rs 22.65 lakh – Rs 8.57 lakh).

5.3. Extra expenditure due to delay in purchase of arms and ammunition.

Due to submission of incomplete proposals by Director General of Police (DGP) and administrative delay at Government level in processing the proposals for purchase of ammunition from Government of India ordnance factories, avoidable extra expenditure of Rs 15.38 lakh was incurred during 1995-96 and 1997-98 as given below:

- (i) DGP proposed to Government in September 1994 purchase of 5 lakh 303 SA Block BDR ammunitions at the rate of Rs 18.80 per round plus 4 *per cent* sales tax. As per

Due to delay in issue of sanction for purchase and payment of advance, Government sustained a loss of Rs 11.18 lakh.

proforma invoice (August 1994) of the Ordnance Factory, Jabalpur, payments was to be made in advance and the rate was valid up to the end of March 1995 only. However, Government sanctioned purchase of ammunitions for Rs 92.36 lakh on 30 March 1995 only. The advance amount was drawn on 31 March 1995 and paid to the Ordnance Factory in April 1995. But the Ordnance Factory supplied 4.47 lakh rounds only based on 1995-96 rate of Rs 21 per ammunition plus 4 *per cent* sales tax. Thus, delay in sanction and advance payment led to loss of Rs 11.18 lakh.

- (ii) DGP sent a proposal to Government in July 1996 for purchase of 2 lakh 303 BDR ammunitions at the rate of Rs 21 per ammunition plus 4 *per cent* sales tax at a total cost of Rs 43.69 lakh. Though the rate was valid only for the year 1996-97, Government issued sanction for the purchase in January 1997 only and the sanction for advance payment accorded in March 1997 and payment made in January 1998. The Ordnance Factory intimated in April 1997 that supply could be made only at the enhanced rate of Rs 23.10 per ammunition applicable for 1997-98 as against the rate of Rs 21 as advance payment was not made during the financial year 1996-97 and supply would be limited to 1.82 lakh ammunitions based on the advance money deposited. The Department collected 1.82 lakh ammunition in January 1998 and thus had to incur an extra expenditure of Rs 4.20 lakh.

The matter was referred to Government in June 1998; reply had not been received (December 1998).

5.4. Delay in finalisation of purchase orders and consequent non-procurement of arms

Based on allotment of arms by Government of India for the year 1995-96, the Bharat Dynamics Ltd., Andhra Pradesh had forwarded a proforma invoice to DGP on 29 December 1995 for supply of 100 Nos. of 7.62 mm self loading rifles. Though the firm stipulated that supply would be made strictly in the order of priority based on advance payments, the purchase was sanctioned by Government on 30 March 1996.

After one year of sanction, DGP obtained a demand draft (DD) for Rs 20.74 lakh in March 1997. The firm declined (May 1997) to supply the arms on the ground that no advance payment was effected in time and stated that supply could be made during 1998-99. The advance drawn in March 1997 was retained by DGP in the form of DD upto September 1998.

Thus, administrative delays and failure to comply with prescribed procedures resulted in failure to obtain the supply of weapons in time.

The matter was referred to Government in June 1998; reply had not been received (December 1998).

CHAPTER VI

COMMERCIAL ACTIVITIES

6.1. General

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

(a) On 31 March 1998, there were 3 departmental commercial undertakings in the State as indicated below:

- (i) Text Books Office, Thiruvananthapuram
- (ii) State Water Transport Department, Alappuzha
- (iii) Kerala State Insurance Department, Thiruvananthapuram.

The extent of arrears as of March 1998 in the preparation of *pro forma* accounts by these undertakings was as under:

Sl. No.	Name of undertaking	Period(s) for which preparation of pro forma accounts was in arrears	Remarks
1	Text Books Office, Thiruvananthapuram	1987-88* to 1997-98	The delay in finalisation of the accounts was attributed to: (i) lack of trained staff, ii) non-reconciliation of figures, iii) non-maintenance of journals and ledgers and iv) non-receipt of pro forma accounts from sub depots.
2	State Water Transport Department, Alappuzha	1988-89 to 1997-98	The delay in non-finalisation of accounts was attributed to lack of trained staff.
3	Kerala State Insurance Department, Thiruvananthapuram	1967 to 1982 and 1991 to 1997	Absence of qualified personnel was the reason for the delay in finalisation of accounts.

* Government in August 1990 dispensed with the preparation of *pro forma* accounts for the years 1975-76 to 1986-87. In this connection, sub paragraph 6.2.6 may also be referred to.

(b) *Pro forma* accounts of the following trading schemes/activities had also not been received from the departmental officers for the years shown against each:

Name of scheme	Period(s) for which due
Agriculture (Animal Husbandry) Department	
Intensive Poultry Development Block, Muvattupuzha	1992-93 to 1997-98
Intensive Poultry Development Block, Pettah	1991-92 to 1997-98
Poultry Feed Manufacturing and Distribution Scheme, Chengannur	1991-92 to 1997-98
Egg Collection and Marketing Scheme, Chengannur *	1982-83 and April to June 1983
Livestock and Poultry Feed Compounding Factory, Malampuzha **	1965-66 to 1975-76 and April 1976
Home Department	
Rubber Plantation in the Open Prison, Nettukaltheri	1996-97 and 1997-98

GENERAL EDUCATION DEPARTMENT

6.2. Working of Text Books Office

6.2.1. Introduction

The Text Books Office is a commercial establishment functioning under the control of the Text Book Officer (TBO) who is assisted by a Note Book Officer. The main activities of the TBO are:

- (i) procurement of paper and other materials required for text book and note book manufacturing through the Controller of Stationery (CS),

* The scheme was wound up from 30 June 1983.

** Transferred to Kerala Livestock Development Board with effect from 1 May 1976.

- (ii) printing of text books through Government presses and other agencies and manufacture of note books under works experience programme and
- (iii) distribution of the text books.

6.2.2. Organisational set up

The Director of Public Instruction (DPI) exercises overall supervision and administrative control over the TBO. The Administrative department in the Government is the General Education Department of Government. There are three Central Text Book Stores (CTBS) and 34 District Text Book Depots (DTBD) situated in 14 districts. The CS arranged purchase of paper and other items required for printing of text books and manufacture of note books.

6.2.3. Audit coverage

A review of the working of TBO for the period 1992-93 to 1997-98 was conducted during May-June 1998 with reference to records in the offices of DPI, TBO, CTBS, Ernakulam and CS.

6.2.4. Highlights

- TBO did not have any facility or technical personnel for verification of sample paper reels. The testing of samples was done by either visual satisfaction or a test running of sample reels.

(Paragraph 6.2.7(a))

- During 1992-98 nearly 30 thousand tonnes of paper worth Rs 66.39 crore was procured. Paper was purchased from firms which did not produce samples in preference to lowest/cheaper offers whose samples were found unsuitable leading to extra expenditure of Rs 3.96 crore during 1992-98.

(Paragraph 6.2.7(b))

- Rs 37.10 lakh withheld in April 1997 from 2 paper mills for their failure to supply the full quantities of paper ordered for was unjustifiably released by Government in March 1998.

(Paragraph 6.2.8)

- 1800 tonnes of sheet paper were purchased at an extra expenditure of Rs 74 lakh through single tender without considering the cheaper offer of an earlier tender, validity period of which had not expired.

(Paragraph 6.2.9)

- 1665 tonnes of sheet paper (cost : Rs 4.33 crore) procured during February – October 1996 became surplus as Government discontinued printing of text books by private presses. The excessive stock of printing paper was diverted for office use and for manufacture of SSLC answer books.

(Paragraph 6.2.10)

- Failure to decide economic size of printing paper as per the optimum size of text books led to excess wastage of paper and avoidable expenditure of Rs 98 lakh.

(Paragraph 6.2.11)

- Printing of text books was delayed by one year for the academic year 1997-98 though these were ordered for as early as in October 1996. More than one lakh copies of 2 titles became obsolete due to revision of syllabus for 1998-99.

(Paragraph 6.2.12)

- Under-weightment during disposal of 26.24 lakh obsolete books in 18 DTBD resulted in a loss of Rs 48.33 lakh.

(Paragraph 6.2.13)

- Rs 1.32 crore were to be recovered from 51 store keepers as of March 1998. Of this, recovery of Rs 0.51 crore was pending for more than 5 years.

(Paragraph 6.2.15)

6.2.5. Receipts and expenditure

During 1992-93 to 1996-97, the total expenditure and receipts of TBO were as follows:

(Rupees in crore)

Year	Receipts		Expenditure		Revenue gap
	Budget	Actuals	Budget	Actuals	
1992-93	7.10	11.59	14.39	20.34	8.75
1993-94	7.00	8.26	31.95	23.85	15.59
1994-95	9.00	10.07	32.13	14.57	4.50
1995-96	9.50	13.92	32.24	15.65	1.73
1996-97	14.50	11.90	20.50	18.82	6.92
1997-98	15.38	10.80	20.72	19.10	8.30
TOTAL	62.48	66.54	151.93	112.33	45.79

6.2.6. Non-preparation of *pro forma* accounts

Government decided (August 1990) to dispense with the *pro forma* accounts for the years from 1975-76 to 1986-87. No effective steps had been taken by TBO to prepare the accounts for the subsequent periods from 1987-88 onwards. In the absence of *pro forma* accounts, financial evaluation of the working of TBO could not be effectively done.

Pro forma accounts for 1987-98 were in arrears.

6.2.7. Procurement of printing paper

At the beginning of each academic year, TBO was to assess the requirement of text books for the next academic year, determine the quality, size and specification of paper and obtain administrative sanction from the Government for the probable expenditure. On the basis of the sanction, CS was to finalise the purchase of paper based on the tender offers and the recommendations of the Departmental Purchase Committee (DPC).

(a) Laxity in testing of samples

As per the standard tender specifications of CS the tenderers were required to produce samples. But there was no laboratory facility to evaluate the samples. The samples were either tested by the printing press or by CS on the basis of visual examination.

(b) Extra expenditure due to rejection of lower offers

During the six years 1992-98, 29553 tonnes of printing paper were purchased at a total cost of Rs 66.39 crore from five paper mills on the basis of 18 tenders. In the following cases, failure of samples produced on test-running on the printing machines or some other technicalities were cited as grounds for rejection of the lowest/cheaper offers. Since the samples produced were not subjected to any laboratory test but were evaluated only by a routine visual appraisal, rejection of cheaper offers on the ground of a sample failure lacked justification. This is also to be reviewed in the context of the fact that in many cases, the supply orders were given to the tenderer, who did not produce any sample. Extra expenditure due to non-acceptance of cheaper offers amounted to Rs 3.96 crore in the following cases:

Sample verification done was perfunctory as either it was mere visual appraisal or test-running in the available machines of the press.

Sl No.	Academic year concerned and date of sanction	Type of paper, quantity tendered and date of tender	No. of offers received and inter se position of the accepted offer	Rate of selected and lowest offers (Rs per tonne)	Quantity ordered for (in tonnes) and date of supply order	Quantity supplied in tonnes and period of completion	Extra expenditure incurred (Rs in lakh)	Remarks
1	1993-94	3740 tonnes of sheet paper	9 offers from 6 mills	18474	3740	3880.24	109.36	For printing through private press. Five lowest offers were rejected on the basis of visual appraisal of their samples.
	11 February 1993	December 1992	6 th lowest accepted	15550 (Lowest offer quoted by 2 mills)	3 March 1993	28 March 1994		
2	1994-95	1500 tonnes of 90 cm cream wove/ White printing reel paper	8 offers from 6 mills	22900	1500	1501.95	29.73	Successful tenderer demanded advance payment and did not produce sample. Advance payment was made in March 1994. The lower tenderer also did not produce sample and demanded interest for belated payment only.
	12 November 1993	October 1993	7 th lowest accepted	20918	February 1994	9 November 1994		

Sl No.	Academic year concerned and date of sanction	Type of paper, quantity tendered and date of tender	No. of offers received and inter se position of the accepted offer	Rate of selected and lowest offers (Rs per tonne)	Quantity ordered for (in tonnes) and date of supply order	Quantity supplied in tonnes and period of completion	Extra expenditure incurred (Rs in lakh)	Remarks
3	1995-96	1520 tonnes of 90 cm reel paper	8 offers from 5 mills	25607	1520	1526.60	74.08	Samples produced by 3 lowest tenderers were rejected by KBPS. The successful tenderer did not produce any sample reel.
	5 September 1993	September 1994	4 th lowest accepted	20733	21 December 1994	8 October 1995		
4	1996-97	1325 tonnes of 90 cm reel paper	9 offers from 6 mills	35314	1325	1313.92	58.49	Sample of the lowest tenderer rejected on the ground that it was not suitable for the high speed 'Harris' machine used in KBPS press. The successful tenderer did not produce any sample as required in the tender.
	17 October 1993	19 October 1995	8 th lowest accepted	30900	7 July 1996	25 November 1996		
5	1996-97	750 tonnes of 90 cm reel paper	18 offers from 11 mills	28000	750	748.81	43.24	For printing the text book 'Minimum level of learning'. Five cheaper offers were rejected stating that their samples were unsatisfactory.
	12 June 1996	February 1997	17 th lowest accepted	22235	19 June 1997	5 August 1997		
6	1997-98	600 tonnes of Maplitho paper	7 offers from 4 firms	27573	600	600.552	17.82	The lowest offer rejected was made by the Hindustan Paper Corporation Limited who supply paper conforming to the required specification.
	14 March 1997	February 1997	5 th lowest accepted	24603	May 1997	23 June 1997		
7	1998-99	1000 tonnes of 90 cm reel paper	20 offers from 12 mills	28000	1000	1003.339	63.00	Offers from 4 firms which quoted cheaper offers were not accepted. Offer of the 5 th firm was also not accepted though its sample was found acceptable, as it did not remit the EMD. No sample reel was submitted by the selected firm.
	25 August 1997	September 1997	18 th lowest accepted	21700	9 December 1997	18 March 1998		
TOTAL							395.72	

6.2.8. Extra expenditure due to purchase of paper from alternative sources

To tide over shortage of printing sheet paper due to failure of existing suppliers, a supply order already placed (December 1994) on Tamil Nadu Newsprint and Papers Limited for supply of 1520 tonnes of reel paper was amended (January 1996) for conversion of 500 tonnes of reel paper into sheet papers.

The conversion charges at the rate of Rs 500 per tonne and freight charges of Rs 400 per tonne were also met by TBO. Consequently, the landed cost shot up to

Rs 27,104 per tonne whereas the landed cost of sheet paper in an earlier order was Rs 18732 only. This resulted in extra expenditure of Rs 37.43 lakh .

When the extra expenditure was pointed out by Audit during the year 1995-96, an amount of Rs 37.10 lakh was withheld (April 1997) from the payments due to the defaulting firms . However, the amount was subsequently released as ordered (March 1998) by Government for the reason that there was no legal validity for withholding after a gap of two years the sums due to the mills as per a different supply order. This was not tenable as the general conditions of tenders made it abundantly clear that any sum of money due/payable to the contractor could be appropriated and set off against any claim arising out of or under any other contract made by the same contractor.

6.2.9. Extra expenditure on purchase of sheet papers for printing of text books by private presses

Text books for the academic year 1992-93 were to be wholly printed through KBPS and Government presses. In November 1991, Government

Non-consideration of cheaper and valid offer led to extra expenditure of Rs 73.69 lakh.

changed the policy of printing of text books by KBPS and diverted order of printing of text books to private printing press. As a result reel paper purchased for printing by KBPS was rendered surplus as it would not be suitable for use in the private press who had only sheet fed machines. Consequently, 3100 tonnes of sheet paper had to be purchased. Out of these, 1800 tonnes of paper were procured on single tender basis from a firm without considering another cheaper offer from an earlier tender, which was still valid. Consequently, extra expenditure of Rs 73.69 lakh had to be incurred.

6.2.10. Huge overstocking of paper due to change in policy of printing text books

3000 tonnes of sheet paper (value: Rs 7.82 crore) were purchased during February-October 1996 for printing of text books for the academic years 1996-97 and 1997-98. In December 1996, Government

Stock of sheet paper worth Rs 4.33 crore became surplus as printing by private presses was stopped.

changed the policy of entrusting the printing of text books to private printers. As a result, 1665 tonnes of the paper costing Rs 4.33 crore became surplus. To minimise the loss TBO transferred 416.238 tonnes to CS for office use.

DPI proposed (August 1997) to use the remaining stock for manufacturing answer books for SSLC etc., under work experience programme revived in March 1996.

6.2.11. Loss due to supply of paper of larger size to private printers

The size of text books printed after trimming had to be of 28.25cm x 20.75cm. For the purpose, sheet paper in RA1 size measuring 61 x 86 cm was supplied to private printers who operated sheet fed machines. The margin for trimming in the case of printing in sheet fed machine is less than what is required in the case of web machines.

By issuing over-sized paper (61 x 86 cm), Government has been losing 2.5/61 cm per sheet as abnormal scrap. The total quantity of sheet paper purchased by TBO for the academic year from 1992-93 to 1996-97 was 12289 tonnes. Had the correct size of sheet paper been purchased, loss of Rs 98.16 lakh on this account could have been avoided.

Supply of over-sized paper resulted in avoidable loss of Rs 98.16 lakh.

6.2.12. Delay in printing of text books

Order for printing of 26.32 lakh copies of 17 titles for the academic year 1997-98 was placed on Government press in October 1996, to be completed by March 1997. Out of them, two

More than 1 lakh copies of obsolete text books were lying unsold with TBO/printing press due to syllabus revision for 1998-99.

titles viz., *Stories for Children* and *Sarkasum Porattavum* were printed and supplied (1.51 lakh copies) by February 1998 only. In February 1998, the press was directed to stop printing of both the titles due to change of syllabus for the ensuing academic year 1998-99. One lakh copies (value : Rs 6.78 lakh) remained unsold as of October 1998.

6.2.13. Loss in disposal of obsolete books due to under-weighment

The number of obsolete books due to change in syllabi during 1987-88 to 1994-95 was estimated by TBO as 40 lakhs. The TBO estimated (July 1996) the forty lakh text books to weigh 30 tonnes. By this assessment, the weight of a text book would be incredibly low (a mere 7.5 grams per book). The assessment was highly unrealistic as even a booklet in A4 size containing eight sheets (i.e. 16 pages) with standard printing paper of 15.7 kg per ream would normally weigh 28.6 grams.

Under-weighment of 26.24 lakh copies of obsolete text books during sale resulted in loss of Rs 48.33 lakh in 18 depots.

Based on the proposal of TBO, Government sanctioned (May 1997) the disposal of the stock of obsolete books and the TBO invited (July 1997) tenders and the contract was awarded (July 1997) to the tenderer who quoted the highest rate of Rs 11.61 per kg.

It was noticed that revised statements from one of the units indicated average weight of the book to be 200 grams. The successful tenderer removed 26.24 lakh obsolete books from 18 units during August 1997 – September 1998. On the basis of average weight of 200 grams per book, the stock of books disposed of should have weighed 524.8 tonnes fetching a value of Rs 60.93 lakh. However, the units weighed the quantity to 109.997 tonnes and collected Rs 12.60 lakh. The under-weightment resulted in a loss of Rs 48.33 lakh. Information in respect of the disposals made in the remaining 16 units was not furnished by TBO (June 1998).

6.2.14. Work experience programme

Consequent on withdrawal of Government of India subsidy for work experience programme in 1991-92 the activity on manufacturing of note books was stopped once the materials in stock were used up by 1992-93. However, the Note Book wing comprising 9 officers including the Note Book Officer was retained without any work since 1 March 1993 and salary, etc., paid to them during 1993-98 amounted to Rs 23.10 lakh. In March 1996 Government decided to restart the manufacturing activity of the wing for which 750 tonnes of note book paper had been procured during October 1997 – March 1998. Details of the manufacturing activity since undertaken were awaited (May 1998).

Staff in Note Book wing was paid salaries of Rs 23.10 lakh during 1993-98 when there was no work.

6.2.15. Non-recovery of liability from store keepers

As of March 1998, an amount of Rs 1.32 crore was pending recovery in 71 cases towards cost of text books sold and shortage in stock in 21 DTBD and CTBS. The age-wise break-up of dues (as of October 1998) is given below:

Rs 1.32 crore were pending recovery from 51 store keepers in 21 text book depots as of October 1998.

Pending recovery for	Number of cases	Amount (Rs in lakh)
More than 10 years	5	1.72
More than 5 years but below 10 years	16	49.14
More than 3 years but less than 5 years	14	12.58
Up to 3 years	36	68.54
Total	71	131.98

Out of 51 store keepers involved, 21 had retired from service as of October 1998.

6.2.16. Internal audit

Internal audit of the 3 CTBS and 34 DTBD was to be conducted annually by the staff of TBO. However, internal audit of book depots was heavily in arrears. The extent of arrears as of March 1998 is indicated below:

Extent of arrears	Number of units to be covered
More than 7 years	5
Between 5 and 7 years	10
Between 5 and 3 years	4
For 2 years	8
For 1 year	7

The above points were referred to Government in July 1998; reply had not been received (October 1998).

CHAPTER VII

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

7.1. General

Autonomous bodies and authorities are set up to discharge generally non-commercial functions of public utility services. These bodies/authorities receive substantial financial assistance from Government. Government also provides substantial financial assistance to other institutions such as those registered under the Kerala Co-operative Societies Act, 1969, Travancore-Cochin Literary, Scientific and Charitable Societies Registration Act, 1955, Companies Act, 1956, etc., to implement various Government programmes. The grants were intended essentially for maintenance of educational institutions, hospitals, charitable institutions, construction and maintenance of schools and hospital buildings, improvement of roads and other communication facilities under municipalities and local bodies. Under the existing system, salary of the teaching and non-teaching staff of a large number of private educational institutions in the State was also directly paid by Government.

During 1997-98, financial assistance of Rs 3013.29 crore was paid to various autonomous bodies and others broadly grouped as under:

(Rupees in crore)

Sl. No.	Name of institutions/groups	Assistance paid		
		Grant	Loan	Total
1	Educational institutions (Aided schools, Private colleges, Universities, etc.)	1058.19	0.39	1058.58
2	Panchayat raj institutions	981.66	0.37	982.03
3	Municipalities, Corporations, etc.	161.79	3.34	165.13
4	Development agencies	28.02	5.58	33.60
5	Hospitals, Charitable institutions, etc.	5.93	1.14	7.07
6	Other institutions	294.33	472.55	766.88
Total		2529.92	483.37	3013.29

7.2. Delay in furnishing utilisation certificates

The financial rules of Government require that where grants are given for specific purposes, certificates of utilisation should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General (Accounts and Entitlements) within one year from the date of sanction of assistance unless specified otherwise.

As of September 1998, 190 certificates for Rs 81.76 crore paid as grants up to 31 August 1997 were to be received in the Office of the Accountant General (Accounts and Entitlements). Department-wise break-up of outstanding utilisation certificates was as under:

Sl. No.	Name of Department	Year	Certificates due	
			Number	Amount (Rupees in lakh)
1	Cultural Affairs Department	1991-92	1	0.38
		1993-94	5	14.00
		1994-95	11	32.54
		1995-96	16	24.39
		1996-97	11	7.80
2	General Administration Department	1989-90	1	0.50
3	General Education Department	1996-97	3	15.00
		1997-98	1	7.00
4	Health and Family Welfare Department	1989-90	1	12.00
		1994-95	1	72.25
5	Higher Education Department	1986-87	3	3.18
		1992-93	7	590.27
		1993-94	14	735.93
		1994-95	15	722.18
		1995-96	40	2314.10
		1996-97	28	2224.04
		1997-98	14	1279.72
6	Science, Technology and Environment Department	1989-90	4	16.25
		1991-92	11	93.77
		1994-95	1	2.50
		1995-96	2	8.00
Total			190	8175.80

7.3. Delay in furnishing copies of accounts

In order to identify the institutions which attract audit under Sections 14/15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, Government/Heads of Departments are required to furnish to Audit every year detailed information about the financial assistance given to various institutions,

the purpose for which assistance was granted and the total expenditure of the institutions. Information for the year 1997-98 called for in April 1998 was awaited as of October 1998 from 8 departments of Government and 13 Heads of Departments. Of the defaulting departments, the following had not furnished information for the period indicated against each.

Sl. No.	Name of department	Year from which information had not been furnished
1.	Health and Family Welfare Department	1994-95
2.	Science and Technology Department	1995-96
3.	Co-operation Department	1997-98
4.	Finance Department	1997-98
5.	Fisheries and Ports Department	1997-98
6.	General Education Department	1997-98
7.	Labour and Rehabilitation Department	1997-98
8.	Scheduled Castes/Scheduled Tribes Development Department	1997-98

7.4. Audit arrangement

(i) The audit of accounts of the following bodies had been entrusted to the Comptroller and Auditor General of India for the periods detailed against each:

Sl. No.	Name of body	Period of entrustment	Date of entrustment
1	Command Area Development Authority	up to 1999-2000	13 May 1996
2	Kerala Institute of Labour and Employment	up to 2001-02	7 November 1997
3	Kerala Khadi and Village Industries Board	up to 1998-99	21 October 1994
4	Kerala State Commission for Backward classes	up to 2001-02	16 February 1998
5	Kerala Water Authority	up to 1998-99	9 February 1994

(ii) The status of submission of accounts by bodies/authorities and submission of Audit Reports thereon to the State Legislature as on June 1998 is given below:

Sl. No.	Name of body	Year up to which accounts due	Year up to which accounts submitted	Year up to which Audit Reports issued	Reasons for non-finalisation of Audit Report
1	Command Area Development Authority	1997-98	1996-97	1995-96	Accounts for 1996-97 received in April 1998. Accounts for 1997-98 not received.
2	Kerala Institute of Labour and Employment	1997-98	1996-97	1996-97	Accounts for 1997-98 not received.
3	Kerala Khadi and Village Industries Board	1997-98	1995-96	1994-95	Accounts for 1995-96 received in May 1998 and the accounts for 1996-97 and 1997-98 not received.
4	Kerala State Commission for Backward classes	1997-98	1995-96	1995-96	Accounts for 1996-97 and 1997-98 not received.
5	Kerala Water Authority	1997-98	1996-97	1996-97	Accounts for 1997-98 not received.

(iii) The primary audit of local bodies (Panchayat raj institutions, Municipalities, etc.), educational/co-operative institutions and others is conducted by the authorities mentioned below:

Sl. No.	Name of institution	Authority conducting primary audit
1	Panchayat raj institutions and Municipalities	Director of Local Fund Audit
2	Educational institutions:	
	(a) Universities	Director of Local Fund Audit
	(b) Other than Universities	Head of the department under which the institution is functioning
3	Co-operative institutions	Registrar of Co-operative societies
4	Others	Chartered Accountants

(a) Against 621 grantee institutions which attracted audit, the audit of 330 institutions were taken up during 1997-98.

(b) Though the audit of Panchayat raj institutions has been entrusted to the Director of Local Fund Audit, in the absence of information on assistance released for the year 1996-97 and 1997-98 to 1214 institutions which were not furnished by the Director of Municipal Administration and Director of Panchayats, position of undertaking audit under sections 14 and 15 of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 could not be examined.

AGRICULTURE DEPARTMENT

7.5. Kerala Agricultural University

7.5.1. Introduction

The Kerala Agricultural University (KAU) was established in 1971 at Vellanikkara in Thrissur District, under the Kerala Agricultural University Act, 1971 (Act). The main objectives of KAU are (i) imparting education in different branches of study in Agriculture and allied subjects, (ii) advancement of learning and research activities and (iii) undertaking extension education programme.

The KAU has 8 teaching Campuses and 28 Major Research Stations within the State. Five of these stations are recognised as Regional Agricultural Research Stations.

7.5.2. Organisational set up

The Governor is the Chancellor of KAU as well as the Chairman of the General Council. The Vice-Chancellor is the Principal Executive and Academic Officer and ex-Officio Chairman of the Executive Committee and of the Academic Council.

The Comptroller is the head of the financial matters of KAU. The post of comptroller was vacant for different periods ranging from 4 to 11 months during 1992-93 to 1997-98. The post had been vacant since April 1997.

7.5.3. Audit coverage

A review of the functioning of KAU for the period 1992-93 to 1996-97 was conducted during February – June 1998. For this purpose records of 32 drawing and disbursing officers were test checked. The following audit findings emerged:

7.5.4. Highlights

- Out of a total grant of Rs 23.91 crore received from ICAR during 1992-97 for research activities, Rs 8.24 crore (34 *per cent*) were not utilised.

(Paragraph 7.5.5(a))

- As against the budget provision of Rs 108.94 crore for pay and allowances of staff for the years 1992-93 to 1996-97, actual expenditure was Rs 66.26 crore. The savings (Rs 42.68 crore) were diverted to civil works.

(Paragraph 7.5.5 (b))

- Annual accounts and Balance Sheet of KAU was not prepared in the prescribed form. Only Receipts and Payments Accounts were prepared.

(Paragraph 7.5.5(c))

- There was no demand for M.Sc (Co-operation and Banking) during 1993-94 and 1996-97. The demand for M.F.Sc (Masters of Fisheries Science) and Ph.D(Veterinary and Animal sciences) was very low during 1992-93 to 1996-97.

(Paragraph 7.5.6 (a))

- Though the intake capacity of students for BSc (Agriculture) was underutilised to the extent of 24 *per cent* during 1993-94, a new college with additional capacity of 30 students was unjustifiably started in 1994-95.

(Paragraph 7.5.6(c))

- Though Indian Council of Agricultural Research (ICAR) pay scales were implemented, norms prescribed by them on staff strength *vis-à-vis* work load were not adopted. As per the existing norms, there were 94 excess teaching staff in 2 colleges causing avoidable excess expenditure of Rs 3.16 crore during 1992-97.

(Paragraph 7.5.6(d))

- Out of 285 research programmes with outlay of Rs 26.91 crore taken up during 1985-98, 142 programmes remained incomplete. 27 schemes were more than 5 years old. Research findings in the field of

developing and propagating high yielding varieties were not transferred to farmers. 55 high yielding varieties of vegetables, pulses, oil seeds, spices, etc., developed by KAU, were not popularised.

(Paragraph 7.5.7(a))

- Achievement in conducting extension education programmes among farmers and other users for propagating the findings of research schemes fell short of target by 33 to 58 *per cent*.

(Paragraph 7.5.8)

- KAU had no definite information about the land in actual possession of its 34 research stations.

(Paragraph 7.5.9(i))

- No action had been taken on the unauthorised cutting and removal of 1410 standing trees valued at Rs 58.90 lakh from the Regional Agricultural Research Station, Ambalavayal.

(Paragraph 7.5.9 (ii))

- During 1992-97, Rs 27.97 crore were spent on 27 agricultural farms and the return obtained was Rs 10.03 crore only. Total shortfall in production of coconut (10 research stations) and banana (2 farms) was Rs 4.48 crore. Shortfall in production in two fish farms amounted to Rs 62.91 lakh.

(Paragraph 7.5.9 (iii)(a and c))

- Replanting of rubber trees in the estate maintained by KAU was not done leading to shortfall in production of 941 tonnes of rubber and loss of Rs 3.76 crore.

(Paragraph 7.5.9(iv))

- The goat and sheep farm at Mannuthy was ill-managed resulting in 95 *per cent* shortfall in production of milk (value : Rs 21.30 lakh) and 54 *per cent* shortfall in the number of kiddings during 1993-98.

(Paragraph 7.5.10(a))

- Local purchase of milch cows without due precaution led to high mortality rate and depletion of herd strength.

(Paragraph 7.5.10(b))

- 15.5 thousand tonnes of fodder grass was not harvested leading to loss of Rs 77.36 lakh during 1992-97.

(Paragraph 7.5.10 (c))

- In the absence of proper norm, there was large scale excess employment of casual labour. In the Instructional Farm, Vellayani, number of labourers increased from 328 to 440 in 1996, though work load decreased due to stoppage of paddy cultivation in 165 hectares of land. Avoidable expenditure on wages of excessive labour amounted to Rs 39.73 lakh.

(Paragraph 7.5.11)

- Services of engineering staff of KAU were underutilised while work costing Rs 18 crore was entrusted to CPWD and departmental charge of Rs 1.81 crore had to be paid.

(Paragraph 7.5.12)

7.5.5. Financial analysis

(a) Receipt and expenditure

The source of funds of KAU were (i) statutory grant from the State Government, (ii) grants for research activities from Indian Council for Agricultural Research (ICAR), (iii) grants from other agencies and (iv) other receipts such as fees, interest from investments, farm receipts etc. Receipts and expenditure of KAU for the 5 year period 1992-97 were as follows:

(Rupees in crore)

Year	Opening balance	Receipts			Total (2) + (5)	Expenditure	Savings (6) - (7)
		Grants in aid	Fees and other receipts	Total (3) + (4)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1992-93	4.06	30.18	7.75	37.93	41.99	38.38	3.61
1993-94	3.61	36.10	10.21	46.31	49.92	43.85	6.07
1994-95	6.07	39.67	11.53	51.20	57.27	50.10	7.17
1995-96	7.17	43.68	13.66	57.34	64.51	60.53	3.98
1996-97	3.98	46.21	14.96	61.17	65.15	61.68	3.47
Total		195.84*	58.11	253.95	278.84	254.54	

* The inflow of grants-in-aid funds from the State Government, ICAR and other agencies were 84 per cent (Rs 165.18 crore), 12 per cent (Rs 23.91 crore) and 4 per cent (Rs 6.75 crore) of total grants respectively.

The major shortfall in expenditure occurred in respect of grants from ICAR. Out of a total grant of Rs 23.91 crore from ICAR, Rs 15.67 crore only were utilised, unspent balance being Rs 8.24 crore (34 *per cent*).

(b) *Budget estimate and expenditure*

A summary of budget estimate, actual expenditure and excess provision under seven major functional groups from 1992-93 to 1996-97 is given below: (Rupees in crore)

Sl. No.	Group of major heads	Budget estimate	Actual expenditure	Savings	Percentage of savings
1	Management and Administration	11.02	11.68	(-) 0.66	-
2	Education	110.81	81.19	29.62	27
3	Research	78.86	67.74	11.12	14
4	Extension	10.41	7.32	3.09	30
5	Civil works	10.52	26.76	(-) 16.23	-
6	Vellanikkara rubber estate	1.79	1.73	0.05	3
7	Lumpsum provision for pay/DA revision	13.72	Nil	13.72	-
Total		237.13	196.42	40.71	17

The table showed that there was total saving of Rs 40.71 crore (17 *per cent*). Saving under education, research and extension mainly occurred due to over-pitching of the provision towards pay and allowances of staff. Against budget provision of Rs 108.94 crore, the actual expenditure was Rs 66.26 crore only (61 *per cent*). The estimates for grants-in-aid forwarded to Government were based on sanctioned strength of 3208, while staff in position were 2537. Expenditure on civil works exceeded the provision by 154 *per cent* over the 5 year period 1992-97.

Excess expenditure on civil works was met by diverting part of the savings from staff expenditure.

(c) *Balance sheet not prepared*

According to Section 47(2) of the Act, annual accounts and balance sheet showing the financial position of KAU for the year ended on 31 March should be prepared and submitted to Government by the Vice-Chancellor before the succeeding 30 September of the year. In disregard of this requirement, KAU prepared only Receipts and Payments Accounts. Government had not ascertained the reasons for such continued non-compliance with the statutory provision and did not take any corrective steps.

(d) *Inadequate disclosure of liabilities*

The fixed deposits of investible funds under PF and other deposits relating to Family Benefit Scheme and Welfare Fund Scheme which amounted to Rs 20.72 crore were not exhibited in the Annual Accounts prepared by KAU for the years 1992-93 to 1996-97.

(e) *Inadmissible payment of House Rent Allowance*

Except 9 stations, all research stations and campuses of KAU were situated in rural areas where the fixed House Rent Allowance (HRA) was admissible to all employees. However, the employees working in these stations had been drawing HRA at the rate of 8 per cent of pay subject to a maximum of Rs 200. Based on the average rate of Rs 69 per month, total expenditure on payment of inadmissible rate of HRA to its 2558 employees for the period from 1992-93 to 1996-97 worked out to Rs 1.06 crore.

Inadmissible payment of HRA amounted to Rs 1.06 crore during 1992-97.

The Comptroller stated (August 1998) that the matter had been referred to Government in December 1994 and a decision by Government was still to come.

7.5.6. Academic activities

(a) *Shortfall in admissions*

Eight institutions* of KAU conducted different courses of under-graduate (UG) and post graduate (PG) level in four faculties. Though the in-take capacity of

*Faculty of Agriculture - 1. College of Agriculture, Vellayani, 2. College of Horticulture, Vellanikkara, 3. College of Agriculture Padanakkad, 4. College of Co-operation, Banking and Management, Vellanikkara, 5. College of Forestry
Faculty of Veterinary and Animal Science - 6. College of Veterinary and Animal Science, Mannuthy
Faculty of Agricultural Engineering - 7. Kelappaji College of Agricultural Engineering and Technology, Tanavur
Faculty of Fisheries - 8. Fisheries College, Panangad

these courses increased from 609 in 1992-93 to 770 in 1996-97, the number of students admitted declined from 642 in 1993-94 to 563 in 1996-97.

Though the intake of students for UG course ranged from 340 to 420 during 1992-98, the intake capacity was increased from 382 to 517 during the same period. The number of seats not filled up for UG course increased from 66 in 1994-95 to 128 in 1997-98. In the case of PG courses also there was a declining trend from 1994-95 onwards.

It was noticed in audit that there were no students for M.Sc (Co-operation and Banking) during 1993-94 and 1996-97. For M.F.Sc (Master of Fisheries Science) and Ph.D (Veterinary and Animal Science) courses the intake was between 12 per cent and 60 per cent only during 1992-93 to 1996-97. No steps were taken by KAU to put the infrastructure created for the courses to optimum use.

(b) Drop-outs

The overall percentage of drop-outs in respect of all courses in 7 out of 8 colleges under KAU during 1992-97 was in the range of 13 to 16 per cent. Audit scrutiny disclosed that the extent of drop-outs in 3 colleges in respect of B.Sc (Agriculture) course ranged between 12 per cent and 41 per cent and for the B.F.Sc course, between 12 per cent and 20 per cent. The Executive Committee did not discuss the issue of large number of drop-outs and take any corrective measures.

Post graduate courses had less demand and drop-outs in undergraduate courses were significant.

(c) Unjustified opening of a new college

As against 175 seats offered for BSc (Agriculture) course in two colleges at Vellayani and Vellanikkara, the number of students in the course was only 143 in 1992-93 and 133 in 1993-94. In spite of these vacancies, a new college offering only the course of BSc (Agriculture) with an intake capacity of 30 students was started at Padannakkad in Kasaragode District during 1994-95. After opening of the new college, the number of students on roll fell to an average of 146 per year during 1994-98 which was much below the original capacity of 175. Thus the starting of one more institution offering a single course, was unjustified.

(d) Excess teaching staff

While implementing the ICAR scheme in August 1990 for revision of pay scales to teachers, ICAR norms for the workload of 40 hours per week per teacher was not adopted. Teaching staff in 2 institutions test checked, viz., College of Agriculture, Vellayani, Thiruvananthapuram

Non-adoption of ICAR norms resulted in excess expenditure of Rs 3.16 crore during 1992-97 on 94 surplus teaching staff.

District and College of Horticulture, Vellanikkara, Thrissur District was 187 though only 93 teaching staff were required in these two colleges as per norm. Avoidable expenditure incurred by KAU towards pay and allowances of these teachers during 1992-97 worked out to Rs 3.16 crore.

In spite of the surplus staff, 15 teachers were recruited in 1995-96 for 5 disciplines which were heavily overstaffed with 55 teachers.

Due to unnecessary recruitment of 15 additional staff avoidable expenditure of Rs 10.08 lakh per annum was caused to KAU.

Despite over-all position of surplus staff numbering 94 and additional recruitment of 15 teachers (mentioned above), there were vacant posts in 4 departments under the 2 institutions at Vellayani and Vellanikkara.

KAU stated (August 1998) that on completion of review of staff strength undertaken as per the guidelines issued by Government in July 1998, the surplus staff would be deployed suitably.

(e) Unjustified granting of senior and selection scales to Assistant Professors

In terms of the ICAR scheme implemented by KAU in August 1990 Assistant Professors were to be placed in senior scale of Rs 3000-5000 on completion of 8 years service and in selection scale of Rs 3700-5700 on completion of 16 years service. However, in July 1996, Government granted all Assistant Professors, senior scale from the date of their appointment and the selection scale on completion of 8 years service and the decision was implemented by the University in February 1997. The ICAR objected (November 1996) to this extraordinary action in granting higher scales overlooking the requirement of minimum qualifying service and requested (18 November 1996) to rescind the Government orders of July 1996. The annual recurring excess expenditure towards increased pay and allowances to 367 Assistant Professors consequent on premature granting of higher scales worked out to Rs 1.32 crore.

Disregarding ICAR norms, Government granted higher scales to Assistant Professors resulting in recurring excess expenditure of Rs 1.32 crore per annum.

7.5.7. Research programmes

KAU had undertaken 285 research programmes (ICAR co-ordinated : 134, National Agriculture Research Project (NARP) : 5 and externally* aided : 146) during the period from 1985-86 to 1997-98 with a total outlay of Rs 26.91 crore. Of the 285

* Includes researches financed by sources other than GOI, State Government and ICAR.

research schemes taken up, 142 schemes including 64 programmes in various research stations had not been completed as of June 1998. Out of these schemes, 27 were more than 5 year old.

Of the total number of 750 Scientists working in KAU, 496 were attached to the colleges and the remaining 254 were working in the various research stations. It was seen in audit that the services of the scientists were also utilised in instructional farms, fisheries stations, etc., where their services were not indispensable. A review of a few research programmes revealed the following points:

(a) *Failure to transfer research findings to farming community*

KAU had developed 55 High Yielding Varieties (HYV) of vegetables, pulses, oil seeds, spices, etc., in its research stations during the last 2 decades. As regards crops other than paddy, there was no system for popularising the new breeds developed in the various research stations. Breeder seeds of HYV of other crops were being multiplied into foundation seeds in one or two stations of KAU. As KAU had no mechanism to bring the superior breeds of other crops by producing foundation seeds for distribution to farmers, HYV developed and released by the KAU did not reach the farming community substantially.

The Director of Research stated (October 1998) that a survey would be conducted to ascertain adaptability and acceptability of HYV seeds of all crops developed in KAU.

(b) *World Bank assisted project for developing improved varieties of banana*

A three year project for the development of improved varieties of banana was approved by World Bank in January 1996 with an outlay of US \$ 150000. The project staff were appointed in August 1996. On a review of the project by its Scientific Advisory Panel in April 1997, the World Bank terminated the project due to non-adherence of Project Milestones, insufficient data to support performance objectives, inadequate research methodology, poor scientific merit of the work done, lack of focus on items such as collection of Germplasm, etc.

Alongwith the termination of the project, an expenditure of Rs 14.51 lakh spent by KAU also went waste apart from the impact of the decision (to terminate the project) on the image and prestige of KAU and its future implications.

(c) *Death of Vechoor cows*

A scheme for preserving Vechoor cows (local breed) from extinction was sanctioned by the ICAR in August 1992 at an estimated cost of Rs 25.53 lakh. KAU established a farm in January 1993 for Vechoor cows purchased from places in and around Vechoor in Kottayam District. The herd strength was 62 in January 1993. Nineteen cows died during 1993 to 1996. Autopsy tests on these dead cows showed that high incident of mortality was due to poisoning in the fodder. Fodder was supplied from KAU farm itself. No enquiry was instituted to find out the reason for supply of fodder containing poisonous substances which caused death of the cattle.

7.5.8. Extension activities and educational programmes

(i) *Inadequate training/extension activities*

Extension education offered by KAU gave useful information, based on the findings of research to the farmers through mass media and concerned Government departments. This activity was carried out by the Communication Centre, Farm Advisory Service, Central Training Institute under Director of Extension and 4 Krishi Vigyan Kendras sponsored by ICAR. During 1992-98, against a proposed 599 programmes, only 344 programmes could be conducted and only 32 per cent of the proposed number of participants could be involved in these programmes as shown below:

Only 62 per cent of the proposed extension programmes could be conducted during 1992-97.

Sl. No.	Category of trainees	Programme proposed as per calendar		Programme conducted		Shortfall	
		No. of programs	No. of Participants	No. of programs	No. of participants	No. of programs	No. of participants
						(Percentage in brackets)	
1	State Agriculture Department	155	3641	88	1457	67 (43)	2184 (60)
2	Animal Husbandry Department	129	1157	84	564	45 (35)	593 (51)
3	Other departments and agencies	161	3402	108	1580	53 (33)	1822 (54)
4	Vocation	154	6326	64	1000	90 (58)	5326 (84)
Total		599	14526	344	4601	225 (43)	9925 (68)

The reasons for the poor response had not been analysed.

(ii) *Extension Activities*

To increase production of coconut seedlings, KAU purchased 3.03 lakh coconuts from Lakshadweep and produced 2.18 lakh coconut seedlings in 7 stations incurring a total expenditure of Rs 27.41 lakh including cost of nuts. It was seen that only 1.18 lakh seedlings could be sold up to March 1997 and unsold seedlings became over grown and unsuitable for planting. The loss worked out to Rs 12.57 lakh.

7.5.9. Working of Agriculture and fish farms

(i) *Inadequate data on landed property*

KAU had 64 research stations in the State. According to KAU, the extent of land with its research stations measured 1573.52 hectares. It was

KAU had no information about the land in actual possession of its 34 research stations.

noticed in audit that areas under 34 research stations had been omitted to be included in the total area. No Assets Register indicating extent of land, cultivable area, cultivated area, fallow land, crop pattern of cultivated area, etc., under each station was maintained. Extent of land left fallow for years, if any, was not known. Thus, extent of land lying unused and that under unauthorised occupation could not be verified in audit.

(ii) *Unauthorised cutting and removal of trees*

In 1993, it was found by KAU that 1410 number of standing trees were unauthorisedly cut and removed from the Regional Agricultural Research

No action was taken on the unauthorised removal of trees valued at Rs 58.90 lakh.

Station, Ambalavayal. These trees included Rose wood, Jack, etc. Based on the girth of the trees felled, the quantity of wood removed was 841.3 cubic metre valued at Rs 58.90 lakh based on an average rate of Rs 7000 per cubic metre. Though an enquiry was conducted in 1993, no action had been taken on the report as of 1998. The matter was also not referred to police.

(iii) *Non-achievement of optimum production targets*

(a) Against the expenditure of Rs 27.97 crore incurred on 27 farms during 1992-97, the returns were only Rs 10.03 crore, the input-output ratio being 3:1.

Shortfall in production in agricultural farms ranged between 63 and 97 per cent.

Shortfall in achievement in 16 farms during 1992-97 ranged between 63 and 97 per cent as shown below:

Crop	Recommended norms		No. of farms and area cultivated	Optimum yield to be targeted	Actual production	Shortfall and its percentage (in brackets)	Estimated loss of revenue (Rupees in lakh)
Coconut	Planting density per hectare	247 trees	10 (131.73 hectares in 7 farms and 4636 coconut trees in 3 farms)	145.65 lakh coconuts	54.30 lakh coconuts	91.35 lakh coconuts (63)	319.72
	Yield	80 coconuts per tree					
	Productivity per annum	19760 coconuts					
Baanana	Planting density per hectare	4762 plants	2 (14.65 hectares of planted area)	3076.5 tonnes	519.97 tonnes	2556.53 tonnes (83)	127.83
	Productivity per annum	42 tonnes per hectare					
Paddy	Average production per annum	4 to 7 tonnes per hectare	3 (33.52 hectares)	670.40 tonnes	163.04 tonnes	507.36 tonnes (76)	25.37
Pine-apple	Planting density (per hectare)	53333 plants	1 (3.26 hectares)	1304 tonnes	39.06 tonnes	1264.94 tonnes (97)	41.11
	Fruit weight	1.5 kg					
	Productivity per annum	80 tonnes per hectare					

The substantial shortfall in coconut production (63 per cent) valued at Rs 3.20 crore during 1992-97 was attributed to lesser number of harvestings and long intervals between any 2 pluckings. The shortfall in production of banana (83 per cent) valued at Rs 1.28 crore was ascribed to low density of planting and lesser bunch weight. No effective and timely intervention to set right matters to achieve optimum production was exercised by Director of Research.

(b) Dairy farms in six research stations (out of 32 test checked) did not achieve the production target of 2000 kg of milk per cow or 9 to 10 kg of milk per day

Shortfall in production of milk was 3.70 lakh kg (35 per cent) costing Rs 29.61 lakh.

during the peak yielding period. Actual production was 6.80 lakh kg against an optimum milk production of 10.50 lakh kg resulting in short production of 35 per cent costing Rs 29.61 lakh during 1992-97. The reasons for the shortfall had not been analysed.

(c) Fish farms

Against estimated production of 1.6 tonnes of prawns or 6 tonnes of fish per hectare of pond area, the Fisheries College, Panangad could produce only 1.4 tonnes of prawns and 3.3 tonnes of fish in 7.5

Fish farms failed to produce targeted quantity of fish and prawns. Shortfall in 2 stations amounted to Rs 62.91 lakh.

hectares during 1992-93 to 1996-97. The shortfall in production worked out to Rs 41.33 lakh at an average rate of Rs 30 per kg. The Fisheries Station, Pudukkottai could generate an income of Rs 4.07 lakh from sale of fish and prawns in an area of 4.5 hectares against estimated revenue of Rs 25.65 lakh from an estimated production of 85.5 tons during 1992-93 to 1996-97. The shortfall in revenue yield being Rs 21.58 lakh.

KAU attributed (August 1998) the shortfall in yield from fish/prawn culture operations mainly to poaching which could not be fully prevented for want of adequate vigilance/security personnel and protective wall/fencing of the farms.

In response to the audit observations, KAU stated (October 1998) that a detailed study on production and productivity of each farm would be conducted and appropriate remedial measures taken to achieve targeted optimum yield.

(iv) Loss due to failure to carry out replanting operations in the rubber estate

Main campus at Vellanikkara acquired in 1973 had a rubber estate. The rubber trees were about 24 years old even at the time of acquisition. However, over an area of 87 hectares (out of 138 hectares) the trees had not been replanted, though it was over-due. Further, rubber estate over 35 hectares maintained by Instructional Farm, Vellanikkara adjacent to KAU estate was also not replanted.

Replanting of rubber trees over- due long back was not done. Estimated short production of rubber during 1992-97 was 941.04 tonnes and consequential loss of revenue amounted to Rs 3.76 crore.

Due to ageing of trees, production of rubber was 144.46 tonnes only during 1992-97. Based on the estimated shortfall of production of 941.04 tonnes from 167

hectares of rubber plantation during the period 1992-93 to 1996-97, loss of revenue worked out to Rs 3.76 crore calculated at an average rate of Rs 40 per kg and average production of 1300 kg per hectare.

7.5.10. Maintenance of livestock farms

(a) Low productivity and high mortality in goat and sheep farm, Mannuthy

As per the approved standard, 313 female adult goats should have 2347 kiddings in five years and the optimum number of kids were 3755 at the average rate of 1.6 kids/kidding*. Against the expected production of 282 tonnes of milk and 3755 kids, the actual production was 1.5 tonnes and 1712 kids respectively during 1993-98. The value of milk short produced (95 per cent) worked out to Rs 21.30 lakh whereas the value of kids short produced (54 per cent) worked out to Rs 6.64 lakh. It was seen that the mortality rate of goats was very high (9 per cent to 18 per cent) during 1994-98.

Short production of goat milk was 95 per cent. Mortality rate of goat was very high during 1994-98.

(b) Depletion in herd strength

KAU had purchased milch cows/heifers from local farmers (144 cows and 44 calves) for Rs 8.42 lakh to maintain its herd strength during 1989 and 1992. The cattle were to be quarantined for 2 months and vaccinated. Since this was not done, 238 animals including the cattle already in herd died immediately after the purchase.

Local purchase of cattle was made without adopting precautionary/preventive measures. High mortality led to depletion of herd strength.

(c) Production of fodder

KAU had a fodder farm in Mannuthy having an extent of 69 hectares and the yield of grass should have been 31.2 thousand tonnes during 1992-97 whereas the quantity harvested was only 15.8 thousand tonnes. The value of unharvested quantity (15.5 thousand tonnes) worked out to Rs 77.36 lakh. The reason attributed for non-harvesting was non-availability of labourers for harvesting. KAU had not explored the possibility of mechanising the harvesting activity. KAU had purchased 152 tonnes of dry fodder costing Rs 4.41 lakh during the period 1994-95 to 1996-97.

15.5 thousand tonnes of fodder produced costing Rs 77.36 lakh was not harvested due to lack of manpower and no mechanised harvesting also was considered.

* Giving birth to kids by goats/sheep

7.5.11. Engagement of labour far in excess of norms

During 1992-97, Rs 25.53 crore was spent on permanent and casual labourers engaged in 32 farms. There was no clear norm for deciding the labour strength of a farm. For instance, Instructional Farm, Vellayani had a sanctioned strength of 328 permanent labourers in 1993 when there was cultivation of paddy in 165 hectares of kayal* land. Labour strength was refixed at 440 in 1996 with retrospective effect from 1 January 1992 though kayal cultivation was stopped. This resulted in excessive labour causing avoidable expenditure of Rs 39.73 lakh. In spite of reduction in work load, KAU continued to employ 367 casual labourers during 1994-96 and 347 during 1996-97 at the above station.

Excessive engagement of labourers in one farm resulted in avoidable expenditure of Rs 39.73 lakh.

Income generated by each labourer, which was an indicator of the quantum of work, varied from Rs 2000 to Rs 1.48 lakh. There was no system for redeployment of excess labourers. Thus, the services of the labour force available was not utilised optimally.

7.5.12. Functioning of Physical Plant (Engineering wing)

The Engineering wing of KAU under the Director of Physical Plants (DPP) had 75 technical staff, consisting of Executive Engineers, Assistant Executive Engineers, Assistant Engineers, etc., and 45 administrative staff. While the value of the work done by the wing was Rs 4.80 crore during 1992-93 to 1996-97, payment of salary and other allowances to staff was Rs 3.74 crore (78 per cent of expenditure on works).

Establishment expenditure incurred was Rs 3.74 crore against value of work done for Rs 4.80 crore (78 per cent).

It was seen that 7 major works costing Rs 18.05 crore which constituted 79 per cent of the total value of work done by KAU were entrusted with the Central Public Works Department (CPWD) during 1992-97. The departmental charges paid/payable worked out to Rs 1.81 crore.

DPP replied (March 1997) that the staff under DPP had only limited expertise of a general nature in Civil Engineering and that majority of the engineers were Diploma or Certificate holders and did not possess specialisation. As no role was envisaged for the staff under DPP in the system of execution of works through

* Fresh water lake

CPWD, the manner and extent to which the services of the majority of the personnel under DPP were utilised could not be ascertained.

7.5.13. Machinery and equipment

Avoidable purchase of plant, generator, etc., due to improper planning and their idling were noticed *vide* details given below:

(i) A chilling plant with 2000 litre capacity, a road tanker and generator set installed in October 1990 at a cost of Rs 5.17 lakh were found (June 1995) to be uneconomic.

Wasteful expenditure of Rs 5.17 lakh was incurred on a chilling plant.

(ii) A 45 KVA generator set purchased for a dairy plant at a cost of Rs 1.25 lakh could not be put to use for 12 years as the Dairy Plant started functioning only in August 1993.

7.5.14. Arrears in audit by Director of Local Fund Audit

The Director of Local Fund Audit (DLFA) was the statutory auditor of KAU. Audit of the accounts up to 1993-94 and that for 1996-97 had been completed as of 1998. As the audit of accounts for a year had to be completed within the time limit of six months of presentation of accounts for audit as laid down by the Local Fund Audit Act 1994, the audit for 1996-97 was taken up during October 1996 to February 1998, leaving behind the audit of the accounts for 1994-95 and 1995-96. DLFA stated (October 1998) that the arrears of audit would be taken up after completing the audit of accounts for the current period and that tentative programme for 1998-99 had been drawn up accordingly.

The above points were referred to Government in July 1998; reply had not been received (October 1998).

GENERAL EDUCATION DEPARTMENT

7.6. Non-deployment of protected teachers

The strength of teaching and non-teaching staff of aided schools is fixed every year on the basis of strength of students. The rules do not provide for retention of staff in any school in excess of sanctioned strength. In case, consequent on fall in pupil strength, certain categories of teachers were rendered surplus, they were allowed to continue in their schools as 'protected' teachers till they are absorbed elsewhere.

Non-implementation of Government orders issued in April and May 1988 for deployment of protected teachers in Government schools resulted in avoidable expenditure of Rs 1.26 crore per annum during the period 1993-94 to 1995-96.

Government issued (April and May 1988) orders to deploy the 'protected' teachers against open vacancies in Government and aided schools. Observing that maintenance of protected teachers was a heavy burden on exchequer, Committee on Public Accounts (PAC) recommended in July 1993 that all the protected teachers should be absorbed in the future vacancies. Despite these recommendations and Government orders, the retention of protected teachers continued.

Audit (January and November 1997) revealed that the number of teachers retained in aided schools during 1993-96 was 433 on an average, while nearly 3000 vacancies in Government schools existed on average during the above years. Information relating to 1996-97 and 1997-98 had not been furnished to Audit (July 1998).

Assuming the minimum staff strength of protected teachers as 400 (actuals for 1995-96), non-deployment of protected teachers resulted in unfruitful expenditure of Rs 1.26 crore per annum (approximately) during 1993-94 to 1995-96.

The matter was referred to Government in June 1998; reply had not been received (October 1998).

HOUSING DEPARTMENT

7.7. Working of Kerala State Housing Board

7.7.1. Introduction

The Kerala State Housing Board, Thiruvananthapuram (KSHB) was established as a statutory body in June 1971 under the Kerala State Housing Board Act 1971 (Act). The main objective of KSHB was to provide organised direction and planning in the preparation and execution of housing and habitat improvement schemes. KSHB undertook execution of various housing schemes sponsored/implemented by Government/local bodies.

Amongst the major activities of KSHB were sale of housing plots, construction of residential buildings/flats for sale and construction and letting out of office/shopping complexes. KSHB also provided finances for construction of houses by individuals.

7.7.2. Organisational set up

KSHB was headed by a non-official Chairman and consisted of a Secretary (Executive head), four officials and nine non-official members appointed by the State Government. There were three Regional Offices (Thiruvananthapuram, Kochi and Kozhikode). The divisions under the charge of Executive Engineers were the implementing units.

7.7.3. Scope of audit

A review of implementation of eight housing schemes* out of a total of 32 schemes during 1993-94 to 1997-98 was conducted during November 1997 to April 1998 with reference to the records maintained in the Headquarters of KSHB, three Regional Offices and seven Divisions.

7.7.4. Highlights

- Annual accounts prepared by Kerala State Housing Board (KSHB) was deficient as important account statements were not prepared, required information were not disclosed, accounts were not authenticated by the Chief Executive of the Board and explanatory notes as required were not appended. The audit report of Director of Local Fund Audit (DLFA) did not include any certificate to indicate that the accounts of the Board depicted a true and fair view of the affairs of the Board. Audit of accounts from 1995-96 to 1997-98 was in arrears due to non-submission of accounts by the Board. The objections raised by the DLFA were not generally attended to by the Board.

(Paragraph 7.7.5 A & B)

- Accumulated deficit of KSHB as of March 1998 was Rs 7.89 crore. Surplus of income over expenditure of Rs 3.59 crore disclosed in the accounts for 1996-97 was incorrect. No provision for the liability of Rs 4.74 crore payable to Housing and Urban Development Corporation (HUDCO) was made. Employees' cost including welfare cost and administrative expenses showed an increasing trend by 63 per cent.

(Paragraph 7.7. 5(C))

* Rehabilitation housing scheme, Kairali housing scheme, Rajiv One Million housing scheme, Kudumbi housing scheme, Rameswaram housing scheme, Central Government housing scheme, Rental housing scheme and Housing Scheme for MLAs/MPs

- The shortfall in revenue receipts ranged from 67 to 94 *per cent* and that under capital expenditure from 37 to 91 *per cent* during 1993-94 to 1996-97.

(Paragraph 7.7.5(D))

- Repayment of Government loans was tardy. As on 31 March 1997 amount of principal repayable was Rs 13.91 crore and the interest liability was Rs 12.86 crore.

(Paragraph 7.7.6(i))

- Loans for Rs 31.05 crore was pending collection from the beneficiaries as of 31 December 1997. No efforts were made to identify the sticky/bad loans.

(Paragraph 7.7.6(ii))

- KSHB retained Rs 2.13 crore to Rs 7.54 crore in 44 current accounts which did not fetch any interest.

(Paragraph 7.7.7(a))

- KSHB unjustifiably delayed the payment of guarantee commission to the Government for the period 1994-95 to 1996-97 and suffered avoidable loss of rebate of Rs 78.58 lakh.

(Paragraph 7.7.7(b))

- Under Rehabilitation Housing Scheme, KSHB refunded the entire loan of Rs 5.26 crore to HUDCO leading to an avoidable payment of Rs 10.57 lakh towards front-end fee and R&D charges.

(Paragraph 7.7.7(c))

- Against a target of constructing 9.85 lakh houses under 'Cash-loan housing scheme' to Economically Weaker Sections and others for the period 1993-94 to 1997-98 only 69 thousand houses (7 *per cent*) were completed though 77 *per cent* of the loan received from HUDCO (Rs 414.40 crore) was spent.

(Paragraph 7.7.8.(i)(a))

- Under Public housing scheme, plots, plots with building and flats costing Rs 21 crore were not disposed of since December 1978.

(Paragraph 7.7.8(i)(b))

- Adoption of incorrect land value resulted in low costing of plots and non-realisation of Rs 52.83 lakh from beneficiaries under Kudumbi housing scheme.

(Paragraph 7.7.8(i)(c))

- Under Rameswaram housing scheme, KSHB sustained loss of Rs 26.24 lakh due to non-inclusion of actual cost including land development charges in the sums due from beneficiaries.

(Paragraph 7.7.8(i)(d))

- Under Rajiv One Million Housing Scheme (ROMHS) against the target of providing 10 lakh houses during 1991-96, only 38 thousand houses could be constructed. Out of 10 components of the scheme, three schemes had not started at all (May 1998).

(Paragraph 7.7.8(i)(e))

- MLAs/MPs were charged interest of 7 *per cent* under the housing scheme as against the interest rates of 8.5 to 13.5 *per cent* charged from beneficiaries of EWS housing schemes. Rs 27.93 lakh were pending recovery from 33 MLAs and 6 MPs as of August 1998 for periods ranging from 7 months to more than 10 years.

(Paragraph 7.7.8(i)(f))

- Under Rental housing scheme, Poojappura – Phase I, only 588 units were completed at a cost of Rs 6.82 crore as of May 1998 as against the 652 units targeted to be completed by March 1983 at a cost of Rs 4.22 crore. Handing over of the completed houses to Public Works Department was delayed for 10 years leading to loss of Rs 43.86 lakh.

(Paragraph 7.7.8(i)(g))

- Out of a loan of Rs 2.21 crore for implementation of a housing scheme for Central Government employees, only Rs 43.01 lakh were utilised during 5 years and avoidable payment of Rs 10.35 lakh was made towards Research and Development charges and interest tax.

(Paragraph 7.7.8(i)(h))

- Out of Rs 20.19 crore obtained as loan from HUDCO for the Rehabilitation housing scheme - phase IV, Rs 5.26 crore were refunded and Rs 11.77 crore were not utilised. As against 6666 houses contemplated, only 2018 houses were completed as of April 1998.

(Paragraph 7.7.8(ii)(a))

- Out of Rs 49.85 crore received from HUDCO as loan for implementing Kairali housing scheme, Rs 30.90 crore were diverted for other purposes. As against the target of 48000, only 13773 houses were constructed as of April 1998. Avoidable interest burden on the loan unnecessarily over drawn amounted to Rs 16.56 crore.

(Paragraph 7.7.8(ii)(b))

- KSHB made avoidable excess payment of Rs 70.98 lakh on account of excessive solatium, incorrect granting of additional market value, wrong compensation, etc., in 53 land acquisition references.

(Paragraph 7.7.10)

- Cement and steel testing machines procured for standardising the quality control of building materials at a cost of Rs 14.29 lakh between July and December 1995, were not commissioned as of April 1998.

(Paragraph 7.7.11(c))

7.7.5. Finance, Accounts and Audit

A. Preparation of accounts

(i) The accounts of KSHB was prepared under section 17(1) of KSHB (Maintenance of Accounts) Rules 1984. The annual accounts prepared comprised of Income and Expenditure statement and Balance Sheet. The accounts prepared by KSHB did not include the following as required by the provisions of the rules *ibid*:

- (a) receipts and expenditure
- (b) bank reconciliation
- (c) demand collection and balance, etc.

(ii) No accounting policies based on the generally accepted accounting principles relating to income realisation, valuation of inventories, depreciation, fair disclosure of information etc., had been framed. As a result, financial statements did not contain adequate information for proper and meaningful evaluation of the working results and financial status.

(iii) Information about contingent liabilities, amounts not acknowledged as debts, details of doubtful debts, any deviation made from conventions and accounting practices etc., were not disclosed in the financial statements.

(iv) Shortcomings were also noticed in the statement of accounts for various years, viz.,

(a) incorrect accounting or non-reconciliation of loan account,

(b) non-reconciliation of stores account, unit records and bank accounts and

(c) provision not made for the property tax on the buildings owned by KSHB.

(v) No register had been maintained for fixed assets, viz., landed property, buildings, etc., in possession of KSHB.

B Audit arrangement

According to the Act, the audit of accounts of KSHB was to be conducted by the Director of Local Fund Audit (DLFA). The audit reports are submitted to Government for placing before the Legislative Assembly. As of October 1998, the audit of accounts for the period from 1995-96 to 1997-98 were in arrears as KSHB did not submit the accounts in time.

The audit reports submitted by the DLFA did not contain any certificate to the effect that the accounts of KSHB depicted a true and fair view of the state of its affairs.

Twenty-three audit reports issued by DLFA covering the period from March 1971 to March 1995 had not been settled/closed as of October 1998. Though the rules required that an Accounts Committee, should be constituted for the follow-up action/clearance of audit report, the Committee was not formed till April 1998.

C Financial position and working results

Funds required for the functioning of KSHB were obtained through grants, loans and subsidy from the State Government, borrowings from public, banks and other financial institutions of State/Central Governments. The revenue receipts of KSHB mainly included rental from office buildings and shopping spaces let out, interest receipts, services, supervision, centage and other charges.

The financial position and working results of KSHB for the period 1993-94 to 1997-98 is furnished in the following statement.

Financial position

(Rupees in lakh)

(i) Source of funds	1993-94	1994-95	1995-96	1996-97	1997-98*
a Capital grants	1939.21	3470.82	5492.55	5661.79	6013.32
b Reserves	3.28	3.28	3.28	3.28	3.28
c Debentures	2926.00	2926.00	2816.00	2716.00	2551.00
d Loans	23379.06	29701.25	35629.33	45456.08	56741.02
e Other receipts	257.55	285.89	403.77	349.46	2618.08
f Current liabilities and provisions	6256.71	6915.57	9777.69	10900.08	1553.17
Total	34761.81	43302.81	54122.62	65086.69	69479.87
(ii) Application of funds					
a Net fixed assets	67.73	73.35	98.62	95.76	100.99
b Capital work in progress	4648.29	6507.53	8183.82	7758.11	8840.83
c Current assets, loans and advances excluding loans, cash and bank balances	3982.76	5267.07	8995.40	10576.94	12505.93
d Loans	19816.55	22068.71	27263.51	37985.03	41351.06
e Cash and bank balances	3549.68	7124.77	7430.58	6878.72	5892.06
f Income and Expenditure Account	2696.80	2261.38	2150.69	1792.13	789.00
Total	34761.81	43302.81	54122.62	65086.69	69479.87

* Figures are provisional

Working results

(Rupees in lakh)

(i) Income		1993-94	1994-95	1995-96	1996-97	1997-98*
a	Interest	3355.56	3778.92	3964.67	5190.95	6625.26
b	Services, Supervision, centage and other charges	143.14	307.96	559.74	707.81	1192.68
c	Rent	43.93	66.15	71.76	82.40	105.70
d	Sale of plots, plot with buildings & flats	59.14	8.89	542.85	1885.06	1944.49
e	Miscellaneous income	10.45	22.87	181.14	26.69	33.77
f	Grant from Government	-	15.00	15.00	15.00	15.00
TOTAL		3612.22	4199.79	5335.16	7907.91	9916.90
(ii) Expenditure						
a	Employees' cost	330.48	380.48	599.96	552.56	601.21
b	Welfare cost	16.19	28.85	37.55	57.28	64.88
c	Administrative expenses	231.35	210.84	192.74	300.69	276.81
d	Sale of plot, plot with building & flats	59.14	8.89	542.85	1885.06	1944.49
e	Financing charges	2580.75	3128.99	3842.18	4744.94	6016.40
f	Depreciation	5.42	6.32	9.20	8.82	9.98
g	Excess of income over expenditure	388.89	435.42	110.68	358.56	1003.13
TOTAL		3612.22	4199.79	5335.16	7907.91	9916.90

The following points emerged therefrom:

(i) The overall working result up to the year 1997-98 (provisional) showed a cumulative deficit of Rs 7.89 crore.

(ii) Profit of KSHB for the year 1996-97 was shown as Rs 3.59 crore. But an amount of Rs 4.74 crore due to Housing and Urban Development Corporation (HUDCO) as on 31 March 1997 was not accounted for in the accounts for 1996-97. If this liability was taken into account, the surplus of Rs 3.59 crore for 1996-97 would turn out to be a deficit (Rs 1.15 crore). KSHB stated (October 1998) that HUDCO adjusted the repayments made by KSHB against dues relating to earlier schemes and treated all schemes sanctioned from November 1977 onwards as defaulted and that reconciliation of accounts of the entire repayments was underway.

* Figures are provisional

(iii) There was significant increase in employees' cost (including welfare cost) and administrative expenses, from Rs 5.78 crore in 1993-94 to Rs 9.43 crore in 1997-98 (63 *per cent*). The steep increase was mainly due to revision of pay and allowances of the staff.

(iv) The cash and bank balance nearly doubled from Rs 35.50 crore in 1993-94 to Rs 58.92 crore in 1997-98. The reasons for the surplus funds were mainly due to drawal of funds by KSHB far in excess of requirements and poor progress in implementation of on-going schemes.

(v) During 1991-92 to 1997-98, Rs 114.32 crore were received by KSHB from Government towards subsidy for the implementation of 11 schemes. However, the details of utilisation of subsidy, unspent balance, etc., called for were not furnished (September 1998).

D Budgetary position

The budget projection on capital and revenue receipts and expenditure and the actuals for the period 1993-94 to 1997-98 were as under :

There was heavy shortfall in revenue receipts and capital expenditure during 1993-97.

(Rupees in crore)

Year	Revenue						Capital					
	Receipts			Expenditure			Receipts			Expenditure		
	Budget estimate	Actuals	Percentage of shortfall	Budget estimate	Actuals	Percentage of shortfall(-) Excess (+)	Budget estimate	Actuals	Percentage of shortfall	Budget estimate	Actuals	Percentage of shortfall
1993-94	80.53	4.71	94	55.89	26.24	(-) 53	442.09	49.32	89	441.33	41.02	91
1994-95	40.70	12.11	70	39.92	31.00	(-) 22	220.04	118.51	46	218.31	89.62	59
1995-96	51.51	16.82	67	46.53	44.46	(-) 4	275.47	156.68	43	286.73	83.92	71
1996-97	54.76	7.70	86	49.05	50.67	(+) 3	228.40	192.91	16	251.39	158.35	37
1997-98	86.84	79.72	8	69.66	69.46	(-) 0.3	324.37	302.25	42	567.68	269.38	53

There was huge shortfall (between 67 *per cent* and 94 *per cent*) in revenue receipts during 1993-94 to 1996-97. The revenue expenditure outpaced the revenue receipts during 1993-94 to 1995-96. The revenue gap during 1993-94 to 1996-97 ranged between Rs 18.89 crore and Rs 42.97 crore.

There was heavy shortfall in capital expenditure during 1993-94 to 1997-98 ranging between 37 *per cent* (1996-97) and 91 *per cent* (1993-94). KSHB stated (October 1998) that inadequate budgetary support from Government, delay in obtaining statutory approvals and clearance from local bodies, etc., affected the pace of implementation of various projects resulting in the shortfall in capital expenditure.

7.7.6. Ineffective/inadequate loan administration

(i) *Default in repayment of Government loans*

A scrutiny of the repayment of the Government loans revealed that loans sanctioned for different schemes as early as in 1965 were still outstanding without final settlement. No amount had been repaid since 1985 towards Government loans except a payment of Rs 13.50 lakh in March 1992. The total amount of principal due for repayment as on 31 March 1997 worked out to Rs 13.91 crore. The interest payable as on 31 March 1997 on the outstanding loan amount as worked out by Audit was Rs 12.86 crore including penal interest of Rs 1.05 crore.

(ii) *Poor trend in recovery of loans/dues from beneficiaries*

KSHB provided housing loans to various categories of beneficiaries by utilising funds borrowed from Government, HUDCO, HDFC etc. A scrutiny of the Demand and Collection Registers/statements of the schemes implemented directly by KSHB, showed that Rs 31.05 crore were pending collection as on 31 December 1997.

The low recovery was due to the delay on the part of KSHB in taking action against the defaulters. Due to poor recovery, KSHB had to divert the loans obtained for implementation of other projects for effecting the repayment due to HUDCO, HDFC etc. KSHB did not have even a system of issuing demand notices to the beneficiaries. It had also not classified/assessed the loan outstandings from beneficiaries, which had become bad.

7.7.7. Inadequacies in cash management

(a) *Injudicious investment of surplus fund in current accounts*

KSHB maintained as many as 139 current accounts with nationalised/scheduled banks and 2 treasury accounts during 1996-97. During 1996-97, the monthly minimum balance held in 44 such current accounts ranged from Rs 2.13 crore to Rs 7.54 crore which did not fetch any interest.

(b) *Loss due to delayed payment of guarantee commission*

State Government levied guarantee commission at the rate of 0.75 per cent per annum on loans guaranteed by it. A rebate of 0.25 per cent was given for prompt payment.

The continued failure on the part of KSHB in remitting the guarantee commission on due dates during the period 1994-95 to 1996-97 resulted in a loss of rebate of Rs 78.58 lakh though the cash balance at the close of all these years was sufficient for payment of guarantee commission.

Due to failure in timely payment of guarantee commission during 1994-97, a rebate of Rs 78.58 lakh was lost.

(c) Avoidable expenditure towards front-end fee

HUDCO released Rs 5.26 crore between November 1992 and March 1993 as loan for implementation of Rehabilitation housing scheme - phase IV. The entire loan amount was refunded by KSHB in March 1994 consequent on reduction of targets made in August 1993. As a result, KSHB incurred avoidable expenditure of Rs 11.84 lakh towards front-end fee and Research and Development (R&D) charges (Rs 10.57 lakh) and interest tax (Rs 1.27 lakh) remitted to HUDCO.

(d) Excess recovery of penal interest

Loan repayment of Rs 7.25 crore was due to HUDCO for the quarter ended 30 September 1991. Although the loan dues were cleared in September 1991 and November 1991 including penal interest of Rs 1.77 lakh, HUDCO recovered Rs 29.73 lakh as penal interest. The excess recovery had not been pursued by KSHB since December 1991.

Penal interest (Rs 29.73 lakh) recovered wrongly by HUDCO was not realised.

7.7.8. Tardy progress of implementation of housing schemes

(i) Schemes implemented directly by KSHB

(a) Cash loan housing schemes

KSHB implemented different types of cash-loan housing schemes for the benefit of economically weaker sections (EWS), low income group (LIG), middle income group (MIG) and higher income group (HIG). The targets and achievements for the five years from 1993-94 to 1997-98 (up to February 1998) are as shown in Appendix 14.

Against targeted 9.85 lakh houses, only 0.69 lakh houses were completed.

Against the targeted construction of 9.85 lakh houses, the number of houses sanctioned was 1.18 lakh and the number of houses completed was 0.69 lakh only. Thus, physical achievement was only 7 per cent of the target set out. The total loans received from HUDCO for these schemes were Rs 414.40 crore of which only

Rs 319.83 crore (77 per cent) were utilised for disbursement to the beneficiaries according to completion of different stages in construction of houses.

(b) *Public housing schemes*

Under this scheme land was acquired by KSHB and after development sold to public either as plots or as plots with building/flats. The following table indicates the status of implementation of 120 schemes as of February 1998.

509 plots/plots with buildings/flats valued at Rs 20.95 crore not sold or disposed of.

Sl. No.	Particulars	Plot	Plot with Building	Flat
1	Number of plots, plots with flats/buildings proposed for sale	2954	5242	2943
2	Number of units available for allotment on sale	2950	4909	2782
3	Number of units allotted on sale to beneficiaries	2577	4727	2706
4	Number of unsold units and period from which there was no sale (in brackets)	373 (December 1978)	182 (July 1986)	76 (November 1991)

As of May 1998, 337 plots, 107 plots with building and 65 flats readied for sale under 39 schemes were lying unallotted/vacant for periods ranging from 1 to 19 years due to low demand from the registrants. Failure to sell these units resulted in locking up of Rs 20.95 crore. Information relating to remaining units had not been intimated (May 1998).

(c) *Kudumbi housing scheme*

KSHB acquired (September 1986/May 1988) 2.1674 hectares of land in Elamkulam village, Ernakulam District for implementation of Kudumbi housing scheme at a cost of Rs 76.30 lakh. The land was developed at a cost of Rs 6.75 lakh.

Correct land value was not adopted while fixing the instalments and cost of land not recovered amounted to Rs 52.83 lakh.

The total expenditure on the land increased to Rs 83.05 lakh due to enhanced compensation paid (Rs 18.35 lakh) under orders of Court. Though the correct land value to be reckoned was Rs 83.05 lakh, KSHB adopted Rs 30.22 lakh only while fixing the cost of plots in October 1990. No action had been taken as of March 1998 to re-fix the cost of plots and to realise the additional cost of Rs 52.83 lakh incurred. Of the 226 plots available for allotment, 22 plots remained unallotted as of April 1998.

(d) *Rameswaram housing scheme*

As a part of the 'International Year of shelter for the Homeless 1987', State Government sanctioned (1985) the Rameswaram housing scheme and KSHB implemented it on no-profit, no-loss basis in Fort Kochi for rehabilitating 250 families. Against Rs 28.43 lakh due for recovery from the allottees, only Rs 0.60 lakh had been realised from the 244 beneficiaries as of May 1998. An amount of Rs 16.67 lakh was due from Kochi Corporation as of January 1998 towards the share of land value (excluding interest).

As against Rs 28.43 lakh due, beneficiaries paid Rs 0.60 lakh only. Lower fixation of cost without including the land development charges spent resulted in a loss of Rs 26.24 lakh though the scheme was on no-profit no-loss.

KSHB sustained loss of Rs 26.24 lakh due to lower fixation of dues to be recovered from the beneficiaries without taking into account the actual cost including land development charges.

(e) *Rajiv One Million Housing Scheme*

With the object of achieving shelter for all by 2000 AD, Government in September 1991 launched Rajiv One Million Housing Scheme (ROMHS) which envisaged construction of one million houses (estimated cost : Rs 1524.20 crore) over a period of five years from 1991-92 with financial assistance from HUDCO, HDFC, Nationalised Banks and subsidy from Government. KSHB was nominated as the nodal agency for the implementation of ROMHS.

The physical targets and achievements and the mobilisation of resource for the scheme for the five year period from 1991-92 to 1996-97 are given in Appendix 15. Audit scrutiny revealed the following:

(i) 38118 houses were constructed as of April 1998. The physical achievement under 7 schemes ranged between 1 and 20 *per cent* only. Lack of proper planning, poor financial management, delay in making available the land required for the schemes, etc., were attributed as the reasons for the tardy progress.

As against the target of 10 lakh houses in a 5 year period, 38118 houses only were completed.

(ii) Of the 10 schemes envisaged, three schemes, viz., Housing schemes for working journalists and gazetted officers and Rental Housing Scheme were not started as of May 1998.

(f) *Implementation of housing scheme for Legislators*

A scheme for providing loans to MLAs/MPs for construction of new houses/reconstruction/extension of the existing houses was sanctioned by Government in September 1985 to be implemented through KSHB. Under the scheme, loans totalling Rs 2.33 crore were sanctioned to 74 MLAs and 9 MPs. The following points were noticed in audit:

Rs 27.93 lakh were pending recovery from MLA/MP beneficiaries.

(i) The interest rate (7 per cent) charged from MPs/MLAs was low as compared to interest rates of 8.5 to 13.5 per cent applicable to schemes pertaining to EWS.

(ii) For disbursing assistance of Rs 2.14 crore to 82 beneficiaries, KSHB spent Rs 0.31 crore from its own funds. The expenditure met by KSHB out of its funds had not been reimbursed by Government together with interest as of May 1998. Further, Rs 40 lakh payable as interest subsidy was also not paid by Government.

(iii) As of August 1998, an amount of Rs 27.93 lakh was pending repayment by 6 MPs and 33 MLAs and the period of default ranged from 29 to 129 months and 7 to 123 months respectively.

(g) *Rental housing scheme, Poojappura - phase I*

The implementation of phase - I of 'Rental housing scheme' (construction of quarters for Government servants) at Poojappura envisaged construction of 652 units. The cost of construction was estimated at Rs 4.22 crore and to be completed by March 1983. As of May 1998, 588 units were completed at a cost of Rs 6.82 crore. The completed houses were handed over late by 4 to 125 months to the Public Works Department which resulted in loss of rental income of Rs 43.86 lakh.

Delay of more than 10 years occasioned in handing over completed houses to PWD.

(h) *Housing scheme for Central Government employees*

Against sanctioned amount of Rs 4.99 crore for financing ownership housing scheme for Central Government employees sponsored by HUDCO, KSHB availed of loan amounting to Rs 2.21 crore between September 1992 and July 1993. Out of this, KSHB, could disburse only Rs 43.01 lakh to 16 beneficiaries and the unutilised loan amounted to Rs 1.78 crore was recovered by HUDCO in March 1998.

Due to failure to reassess the demand for the assistance, KSHB had to incur avoidable payment of Rs 10.35 lakh towards R&D charges (Rs 6.23 lakh) and interest tax (Rs 4.12 lakh) to HUDCO.

(ii) Schemes implemented through Revenue Department

(a) Rehabilitation housing scheme - phase IV

Phase IV of Rehabilitation housing scheme was launched by Government in 1989, with a target of construction of 55 thousand houses for EWS. HUDCO sanctioned loans amounting to Rs 36.08 crore for 28 projects and released Rs 20.19 crore between December 1991 and February 1995. Against the target of 6666 houses as of April 1998, 2018 houses only were completed in 12 districts although assistance of Rs 1.89 crore was disbursed by the District Collectors to 3037 beneficiaries. Audit scrutiny revealed that:

(i) Out of Rs 20.19 crore received from HUDCO, only Rs 3.16 crore were released to District Collectors and a balance of Rs 11.77 crore (excluding Rs 5.26 crore remitted back to HUDCO) was retained by KSHB. District Collectors spent only Rs 2.02 crore.

(ii) KSHB unnecessarily drew an amount of Rs 4.01 crore from HUDCO between September 1994 and February 1995 and was kept in bank for future use despite the fact that it had remitted back to HUDCO Rs 5.26 crore in March 1994.

(b) Kairali housing scheme

'Kairali housing scheme' envisaged payment of loan assistance of Rs 10,000 for construction of houses by EWS. KSHB obtained Rs 49.85 crore from HUDCO for construction of 48000 units in 14 districts.

**Funds of Rs 30.90 crore
borrowed from HUDCO
diverted for other
purposes.**

Though this scheme was to be implemented through the District Collectors (DCs), Rs 18.95 crore only was disbursed to DCs, the un-disbursed loan amount of Rs 30.90 crore was diverted and utilised by KSHB for other purposes. Audit scrutiny disclosed the following points:

(i) The expenditure incurred by DCs was Rs 18.23 crore only and unutilised balance of Rs 72.39 lakh* was retained by them.

(ii) Against 48000 houses sanctioned by HUDCO under the scheme, only 13773 number of houses were completed in 12 districts except Alappuzha and Pathanamthitta as per the completion certificates (April 1998).

(iii) Due to over-estimation of beneficiaries under the scheme, loan to the extent of Rs 30.90 crore was unjustifiably overdrawn. The excess assistance was diverted for other purposes by KSHB. Interest paid on the amount of Rs 30.90 crore amounted to Rs 16.56 crore as of December 1997.

Rs 16.56 crore paid as interest on the diverted funds as of December 1997.

(iv) As of December 1997, KSHB suffered interest loss of Rs 23.82 lakh being the differential rates of interest paid to HUDCO (11.25 per cent) and that due from beneficiaries (8.5 per cent) on Rs 1.30 crore disbursed to beneficiaries by DCs.

Interest differential of Rs 23.82 lakh not got reimbursed from Government.

7.7.9. Rental operations

One of the main activities undertaken by KSHB was hiring out of built-in-space for office accommodation and business purposes. The following points were noticed in this regard.

(a) Failure to let out office space/shops and consequent revenue loss

About 23326 square feet (sq.ft.) of office space in Headquarters building of KSHB at Thiruvananthapuram was lying vacant since April 1992. Though 24 applications were received (1993) for allotment of space for office/shops in this area, the rent was fixed by the Regional Engineer, Thiruvananthapuram only in September 1996 but no allotment could be made as Rs 10 per sq.ft was considered to be high. The total loss of rental income for the vacant period amounted to Rs 20.65 lakh.

Non-occupation of office space resulted in loss of rental of Rs 20.65 lakh.

* Details in respect of Alappuzha District not furnished

(b) *Non recovery/short recovery of rent*

Rent in respect of the area in Santhi Nagar (Shopping Complex – A block) let out to Publication division of Government of India was to be paid by State Government. The arrears of rent pending collection as of February 1998 was Rs 9.72 lakh.

7.7.10. Land acquisition - Avoidable payments

(i) For implementing 10 housing schemes, 15.62 hectares of land were acquired through DCs, Thiruvananthapuram, Kottayam, Ernakulam and Thrissur. Scrutiny of the 53 Land Acquisition

Rs 70.98 lakh were paid in 53 land acquisition cases due to non-observance of (July 1995) Government instructions.

References (LAR) revealed avoidable payment of Rs 70.98 lakh as indicated below:

Sl. No.	Category	Number of LA R	Amount (Rupees in lakh)
1	Payment of excessive solatium	4	6.05
2	Additional market value of 12 per cent incorrectly allowed	10	18.76
3	Inadmissible payment of interest on compensation	38	35.27
4	Delay in obtaining copies of decree and judgement and consequential failure to opposed execution petitions	1	10.90
Total		53	70.98

(ii) KSHB took advance possession (October 1984) of 16.3720 hectares of land for the implementation of the Mulankunnathukavu housing scheme. However, the advance payment agreed to be paid to land owners was released only between December 1986 and May 1987 thereby delaying the award. Due to the delay in advance payment, avoidable expenditure of Rs 11.46 lakh towards interest was incurred.

7.7.11. Other topics of interest

(a) *Failure to get reimbursement of expenses*

KSHB also undertook construction activities at the behest of various agencies as deposit works. As per the accounts of KSHB for the year 1996-97, an amount of Rs 27.05 lakh dating back from 1992-93 onwards was due from 8 institutions/agencies towards reimbursement of expenses on construction of buildings.

(b) *Construction of houses at Lathur*

As per Government directives KSHB undertook construction of houses for the homeless victims of Lathur earthquake. Against the total expenditure of Rs 2.35 crore incurred on construction of 168 houses, Government reimbursed Rs 1.80 crore only as of May 1998.

(c) *Idling of machinery*

For standardisation and quality control of building materials, KSHB decided (May 1994) to establish steel and cement testing laboratories at Thiruvananthapuram, Kochi and Kozhikode. The

Machines procured for testing of cement and steel remained idle and expenditure of Rs 14.29 lakh proved unproductive.

machinery supplied by an Ernakulam firm between July 1995 and December 1995 had not been put to use (April 1998). The machinery installed (October 1996) in Thiruvananthapuram could not be put to use due to lack of power connection and that supplied to the Kochi and Kozhikode divisions had not been unpacked pending a decision on the location of the laboratories. The investment of Rs 14.29 lakh on the machinery thus had remained idle for over two years. Besides, the objective of standardisation and quality control of materials had not been achieved.

(d) *Unserviceable stores*

Physical verification of stores conducted during October – November 1996 in the Regional Office at Kochi and Thiruvananthapuram disclosed that 73.622 tonnes of outdated and unserviceable steel bars of various types (value : Rs 3.65 lakh) which were purchased on various dates from the year 1974 onwards were held in stock. No action had been taken to dispose of those items (April 1998).

The points mentioned above were communicated to Government in July 1998; reply had not been received (October 1998).

INDUSTRIES DEPARTMENT

7.8. Unjustified purchase of huge quantity of raw cashew nuts of substandard quality

The Kerala State Cashew Workers Apex Industrial Co-operative Society (CAPEX), Kollam decided in August 1995 to purchase 1000 tonnes of raw cashew nuts from other States. However, the Managing Director (MD) of CAPEX placed orders (September 1995) on a Hyderabad based supplier for supply of 5000 tonnes of raw cashew nuts for a total amount of Rs 17.25 crore at the rate of Rs 34.50 per kilogram(Kg). The purchase agreement stipulated an out turn of 21.5 Kg of kernels per bag of 80 Kg raw nuts and the quality was to be checked by CAPEX at its factory in the presence of the supplier.

CAPEX sustained loss of Rs 2.89 crore in the procurement of raw cashew nuts due to unauthorised purchase by MD and favours bestowed on the supplier.

The supplier despatched 2866 tonnes of raw nuts obtained from Tribal Co-operative Marketing Development Federation of India Limited (TRIFED), a Government of India undertaking, in two consignments (October 1995 and December 1995). CAPEX paid (11 to 13 of October and 20 December 1995) Rs 8.70 crore towards 88 *per cent* of the value of the nuts to TRIFED who was not a direct party in the purchase contract. As against 2866 tonnes of raw nuts reported to have been despatched in the presence of the representative of CAPEX, actual quantity received by CAPEX was 2573 tonnes only, of which 1707 Kg were mere shells.

Processing of raw nuts was started in October 1995 from the supply of the first consignment. The average out turn obtained in the cutting test taking samples of 2 consignments taken together conducted in February 1996 was only 14.07 Kg as against 21.5 Kg guaranteed by the supplier. Meanwhile, CAPEX executed (December 1995) a supplementary agreement with the firm for lowering the out turn from 21.5 Kg of kernels per bag to 19 Kg without any corresponding reduction in the price of raw nuts. Based on the actual out turn of kernels, the purchase value of raw nuts worked out to Rs 22.59 per Kg and the cost of 2571 tonnes of raw nuts worked out to Rs 5.81 crore only. Consequently, the payment of 88 *per cent* of the value for 2866 tonnes of raw nuts resulted in loss of Rs 2.89 crore.

CAPEX had initiated (April 1996) arbitration proceedings against the supplier for realisation of the loss sustained in this deal. The arbitration suit was pending with the Director of Industries and Commerce as of October 1998.

The following observations are made:

- (i) Though CAPEX decided to purchase 1000 tonnes of nuts, the action of MD to place orders for 5000 tonnes nuts was far beyond his authority.
- (ii) Though supply of inferior quality nuts in the first consignment had already come to the notice of the Board of Directors (December 1995), the delayed cutting test for the 2 consignments taken together (February 1996) was unjustified.
- (iii) The original out turn of 21.5 Kg kernels from each bag was lowered to 19 Kg. Lowering the out turn after receipt of the consignments bestowed undue benefit on the supplier. No action was taken to lower the out turn as per the actual out turn (14.07 Kg) obtained in the cutting test conducted in February 1996.
- (iv) Contrary to the decision taken (December 1995) by the Board of Directors to pay only 75 *per cent* value for the balance quantity (1291.969 tonnes) in view of the poor quality of nuts supplied, payment at 88 *per cent* (Rs 3.83 crore) was made in December 1995. As the MD was not authorised to purchase or make commitments for more than Rs 25000 at a time without prior approval of the Board of Directors, the action of MD in effecting payment at 88 *per cent* was irregular.
- (v) In February 1996, the Board of Directors suspended its 6 employees for not safeguarding the financial interest of CAPEX and causing huge loss to it. The service of the then MD was also terminated by Government in February 1996. A vigilance case was registered on 26 September 1996 which was pending as of October 1998.

The matter was referred to Government in June 1998; reply had not been received (October 1998).

7.9. Loss due to import of raw cashew nuts outside Advance Licence Scheme

Kerala State Cashew Workers Apex Industrial Co-operative Society Limited (CAPEX) was a registered exporter of cashew kernels with the Cashew Export Promotion Council, Kochi.

Government of India had permitted CAPEX in October 1991 to import raw cashew nuts under Advance Licence Scheme (ALS). CAPEX imported (October 1992 and January 1993) raw cashew nuts under Open General Licence

Failure to import raw cashew nuts under Advance Licence Scheme deprived CAPEX the advantage of negotiating 40 per cent of import bills at official exchange rate and led to loss of Rs 51 lakh.

Scheme (OGL) on the plea that import under ALS would be permissible only to those who were in possession of valid export order. In terms of the Export and Import Policy of Government of India 1992-97, CAPEX was entitled to apply for duty free advance licence to meet their needs of export production without an export order.

As CAPEX did not avail of the advance licence facility, it could not negotiate 40 per cent of the import bills at official exchange rate contemplated in the Liberalised Exchange Rate Management System (LERMS)* introduced by Reserve Bank of India with effect from 1 March 1992. On importing 3000 tonnes of Tanzanian cashew nuts during 1992-93 under OGL, CAPEX had forgone the benefit of negotiating 40 per cent of the value of imports at official exchange rate. The loss thus sustained by CAPEX in this transaction amounted to Rs 50.97 lakh.

CAPEX stated (May 1998) that the decision to import raw cashew nuts under OGL Scheme was taken by the then Managing Director and that files/records relating to the said decision were not traceable.

Government stated (September 1998) that the irregularity pointed out by Audit had been referred to the Vigilance Department for a detailed investigation.

7.10. Extra expenditure due to engagement of excess workers for shelling and peeling of roasted cashew nuts

The shelling, peeling and grading of roasted cashew nuts in all the factories of the Kerala State Cashew Workers Apex Industrial Co-operative Society Limited (CAPEX), Kollam were done manually. The workers were paid wages on piece rate system depending on the number of bags processed and dearness allowance on the basis of attendance irrespective of output. According to the work norms followed by CAPEX, three shellers, three peelers and one grader were required to process one bag of roasted cashew nuts. Only in three factories (out of 10), these norms were followed. In seven factories, shellers, peelers and graders for processing 292885 bags of roasted cashew nuts during the years 1993-94 to 1996-97 were engaged far in excess of the norms by 1.30 lakh mandays resulting in extra payment of Rs 25.23 lakh towards dearness allowance.

Excessive employment of workers for shelling and peeling of roasted cashew nuts disregarding the norms resulted in avoidable expenditure of Rs 25.23 lakh.

* As per LERMS, 60 per cent of the export realisation could be exchanged at market determined rate and the balance 40 per cent at official rate declared by RBI.

The matter was referred to Government in April 1998; reply had not been received (October 1998).

Kerala Khadi and Village Industries Board

7.11. Misappropriation of funds provided for special employment generation scheme

Khadi and Village Industries Commission (KVIC) launched (2 October 1994) a special employment generation programme viz., Priority Block Development Programme in 125 most backward blocks in the country for

commemorating 125th birth anniversary celebrations of Mahatma Gandhi. The main objective of the scheme was to provide full time employment to 1000 khadi and village industry artisans in each block in three years time. The Kerala Khadi and Village Industries Board (KKVIB) selected (November 1994) Wandoor block (Malappuram District) for implementation of the scheme in the State and a charitable society* (Society) in Alappuzha District was identified (January 1995) as the nodal agency. The Society, however, did not possess a 'Khadi Certificate' issued by KVIC without which it could not implement Khadi programmes.

A charitable institution not connected with the khadi and village industry - selected for implementing the employment generation scheme, misappropriated Rs 16 lakh.

KKVIB sanctioned (between March 1995 and March 1996) an amount of Rs 16.01 lakh (loan : Rs 15 lakh; grant : Rs 1.01 lakh) to the Society and deposited the amount in a Treasury Public Account (TPA) opened for the purpose at District Treasury, Malappuram. During April 1995 to November 1996, the Project Officer, Malappuram (PO) permitted the Society to withdraw Rs 15.5 lakh without ensuring that utilisation of funds released was commensurate with the progress of implementation of the scheme. The Society was also given 25 *charkas* (approximate cost : Rs 1.03 lakh) and leather goods (cost : Rs 0.26 lakh) for use in the spinning/leather goods units to be set up.

The Vice-Chairman, KKVIB soon after assuming his charge in December 1996 noticed that the Society had closed all its industrial units in Wandoor Block in January 1997. As ordered by KKVIB in February 1997, the Law Officer of

* Yaseen Charitable Society, Alappuzha (Register number: A/62/89)

KKVIB conducted an enquiry in June 1997. He detected that the entire amount drawn by the Society had been misappropriated with involvement of some officials of KKVIB.

In July 1997, PO was directed to initiate action against the Board of Directors of the Society to recover the sum of Rs 16 lakh plus 18 *per cent* interest thereon. However, proposals to initiate revenue recovery proceedings were furnished to KKVIB by PO only in July 1998 and KKVIB issued registered notice in November 1998.

KKVIB stated (July 1998) that two officials concerned had been suspended from service and that Government had been addressed in July 1997 to institute a vigilance enquiry on the matter. Further developments regarding the vigilance enquiry were awaited (October 1998).

The matter was referred to Government in June 1998; reply had not been received (November 1998).

7.12. Failure to start a Khadi Processing Unit for a decade

Comments were made in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1990 (Civil) about the unfruitful expenditure of Rs 31.10 lakh on the construction of a building for the printing and dyeing unit by the Kerala Khadi and Village

Kerala Khadi and Village Industries Board failed to get consent of the Pollution Control Board for starting a dyeing and printing unit and Rs 2 crore sanctioned for this purpose lying locked up.

Industries Board (Board) in Ernakulam District. Apprehending serious pollution problems, the Kerala State Pollution Control Board (PCB) advised the Board in December 1987 against the setting up of the unit.

A further scrutiny (December 1997) of the project revealed that the PCB refused (August 1995) to give their consent for setting up of the unit as the Board did not install satisfactory facilities for the treatment and disposal of effluents in accordance with the provisions in the Water Act. However, the Board during December 1994 to January 1998 drew funds amounting to Rs 1.70 crore for setting up of the unit and kept the amount in a nationalised bank contravening the codal provisions.

Thus, due to the failure of the Board in setting up satisfactory facilities for treatment and disposal of effluents and getting consent of the PCB, the unit could not be set up. Drawal of funds far ahead of requirement thus resulted in locking up of Rs 2.01 crore. The Board stated (October 1998) that the construction of plant for the treatment of effluents would be started during the current year.

The matter was referred to Government in December 1997; reply had not been received (October 1998).

IRRIGATION DEPARTMENT

7.13. Command Area Development Programme

7.13.1. Introduction

The Command Area Development Programme (CADP) was launched in 1974-75 as a Centrally sponsored scheme with the objective of bridging the gap between irrigation potential and its utilisation in order to increase agricultural production on a sustainable basis. For implementation of the programme, 50 *per cent* Central assistance was provided for all components including establishment expenditure and *cent per cent* for two components, viz., (i) orientation training and (ii) evaluation studies. The programme envisaged soil and topographical surveys, construction of field channels and drains with related structures, introduction of 'Warabandhi'* system, organisation of beneficiary farmers associations, adaptive trials, large scale demonstration of agricultural practices, etc. CADP was implemented in the State through the Command Area Development Authority (CADA), an autonomous institution constituted under the CADA Act 1986.

Ten completed projects** declared as commercial having a total culturable command area (CCA) of 97200 hectares were brought under CADA in 1985. Four more projects***, with an aggregate CCA of 84205 hectares were brought under CADA in 1992-93.

* Equitable distribution of water by rotation according to a pre-determined time table to beneficiaries

** Malampuzha, Mangalam, Pothundy, Walayar, Gayathri, Peechi, Vazhani, Cheerakuzhi, Chalakudy and Neyyar projects

*** Periyar Valley Irrigation Project (PVIP), Pamba Irrigation Project (PIP), Chitturpuzha Irrigation Project (CIP) and Kuttiady Irrigation Project (KyIP)

7.13.2. Organisational set up

The Secretary to Government, Irrigation Department was the Ex-officio Chairman of CADA. An Administrator-cum-Chief Engineer was the chief executive who was assisted by 27 other official/non-official members and a Water Management Specialist. There were six divisions headed by Executive Engineers.

7.13.3. Audit coverage

Some aspects of the working of CADA for the period 1991-92 to 1997-98 were reviewed during December 1997 to March 1998. For this purpose, records in the State Secretariat (CADA cell), Headquarters office at Thrissur, in addition to those of 5 command area development (CAD) divisions managing 13 Irrigation projects, 2 Irrigation Divisions (Neyyar and Thrissur) and the Board of Revenue were test checked. Results of review are discussed in the succeeding paragraphs.

7.13.4. Highlights

- Central assistance of Rs 4.39 crore released for CADP during 1994-95 to 1996-97 was not utilised. Unutilised year end cash balances during 1991-92 to 1997-98 ranging from Rs 5.69 crore to Rs 25.77 crore were mainly attributable to belated release of funds by the State Government.

(Paragraph 7.13.5)

- Physical achievement in On Farm Development (OFD) works was only 57 per cent in the case of *Warabandhi* and marginal for field drains (9 per cent).

(Paragraph 7.13.6(a))

- Though the entire *ayacut* of 76958 hectares under 8 projects was reportedly fully covered by field channels and *Warabandhi*, etc., field channels were actually not completed for an area of 28361 hectares as of March 1998. Thus, reporting was inflated. Expenditure incurred by CADA for field channels exceeded the norms by Rs 17.02 crore.

(Paragraph 7.13.6(b))

- While only completed projects had to be included in CADP as per Government of India (GOI) guidelines, three partially commissioned irrigation projects were included from 1992-93 and Rs 26.31 crore were spent on these projects.

(Paragraph 7.13.8)

- Project reports were not prepared in 10 out of 14 projects of CADA and therefore OFD works implemented in these projects were not approved by GOI. The necessity or otherwise of those works could not be examined in audit.

(Paragraph 7.13.9)

- In 5 projects, Rs 2.72 crore were diverted on 89 works like vented cross bar, rectificatory works, etc., outside the guidelines during 1991-92 to 1994-95.

(Paragraph 7.13.10(i)(e))

- While introducing *Warabandhi* in 76449 hectare during 1991-92 to 1996-97 at a cost of Rs 10.60 crore, expenditure incurred in excess of GOI norms worked out to Rs 7.95 crore.

(Paragraph 7.13.10(ii)(a))

- The mean yield of wet paddy in Adaptive trial/ Demonstration plots in 4 projects during 1994-95 to 1996-97 was found to be lesser than in plots outside the trial/demonstration plots.

(Paragraph 7.13.10(vi))

- No farmers' training programme was conducted by CADA in the three projects, viz., Pamba, Periyar valley and Kuttiyadi projects.

(Paragraph 7.13.10(vii))

- Only 1235 out of 3683 beneficiary farmers' associations received managerial subsidy as of March 1997.

(Paragraph 7.13.11)

- Rupees 1.92 crore released by GOI to CADA during 1985-88 for disbursement to farmers as loan were retained and the State Government had to bear the interest liability for Rs 1.24 crore as of March 1998.

(Paragraph 7.13.12)

- Out of Rs 3.43 crore provided for payment of subsidy to small and marginal farmers for digging new wells and installation of pump sets, only Rs 75.20 lakh were disbursed.

(Paragraph 7.13.13)

- Rate of water cess had not been revised since 1974. As against 1.81 lakh hectares of total *ayacut* area, only 1.05 lakh hectares were brought under assessment of water cess. Out of total cess of Rs 1.84 crore due as of February 1998, Rs 0.68 crore were pending collection and Rs 0.61 crore were under stay/remission/write off, etc.

(Paragraph 7.13.15)

- During 1994-97, in three projects, Rs 4.58 crore were spent on 400 excess staff who were transferred from erstwhile Irrigation project divisions.

(Paragraph 7.13.16)

- No separate monitoring cell was set up in any project. In the absence of records, action taken on the recommendations of the internal evaluation wing of CADA could not be verified. Recommendations of CWRDM, an external evaluation agency, were pending with the State Government since September 1994.

(Paragraph 7.13.18)

7.13.5. Financial outlay

The Budget estimates, assistance released by GOI as disclosed in the accounts, funds released by Government to CADA, expenditure incurred and unspent balance at the end of each year for the period 1991-92 to 1997-98 were as under:

(Rupees in crore)

Year	Budget provision	Central assistance received*	Funds released	Actual expenditure**	Unspent balance**
1991-92	16.54	2.67	17.07	12.90	8.73
1992-93	18.00	10.24	17.80	11.65	15.18
1993-94	21.00	6.30	20.90	17.87	17.26
1994-95	21.10	7.23	21.00	16.69	21.50
1995-96	21.10	7.74	20.21	16.40	25.77
1996-97	21.10	4.67	21.00	18.54	17.92
1997-98	21.10	2.00	8.00	19.94 [@]	5.69
TOTAL	139.94	40.85	125.98	94.03	

* Accounts figures

** As per Annual Accounts of CADA

@ As per Annual Report of CADA

The extent of utilisation of funds on major component activities under CADP is depicted in the following table:

(Rupees in crore)

Component activity		1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	Total
Construction of field channels from outlets up to 5-8 hectares block	T	4.19	9.70	12.22	10.97	8.44	9.92	55.44
	A	4.50	4.99	12.42	10.30	9.15	10.32	51.68
Construction of field channels within 5-8 hectares block	T	0.36	0.24	0.49	0.49	0.72	0.24	2.54
	A	0.01	0.29	0.09	0.04	0.02	0.02	0.47
Warabandhi	T	4.14	3.57	2.48	1.32	1.13	0.57	13.21
	A	4.94	3.01	1.74	0.49	0.17	0.25	10.60
Field drain	T	0.38	0.24	0.06	0.42	0.36	0.93	2.39
	A	0.31	0.16	Nil	Nil	Nil	0.38	0.85
Adaptive trials	T	0.07	0.04	0.07	0.16	0.16	0.08	0.57
	A	0.01	0.01	0.03	0.01	0.02	0.01	0.09
Large scale demonstration	T	0.14	0.52	0.94	1.38	1.55	1.21	5.74
	A	0.08	0.22	0.66	0.60	0.76	0.85	3.17
Others	T	7.26	3.69	4.75	6.35	8.75	8.14	38.94
	A	3.04	2.97	2.93	5.24	6.28	6.71	27.17

(T – Financial target; A – Financial achievement)

Source: Annual reports and Annual accounts for the respective years published by CADA

Except during 1991-92, expenditure on various activities other than construction of field channels up to 5-8 hectares block fell far behind the financial target.

In the case of 5 components for which Central assistance of Rs 21.43 crore was released during 1994-97, the non-utilisation of funds (Rs 4.39 crore) ranged between 15 and 87 per cent.

Non-utilisation of funds was heaviest under field drains (78 per cent) and Warabandhi (58 per cent) vide Appendix 16.

Non-utilisation of Central assistance for 5 component works ranged between 15 per cent and 87 per cent during 1994-97.

The shortfall in achievement of financial target and the accumulation of heavy cash balance were attributed by the Administrator, CADA mainly to delay in sanction of funds by

Government and delay in arranging works, etc. It was noticed that 38 to 83 per cent of

38 per cent to 83 per cent of funds received during 1991-98 by CADA was released only in the last quarter of the respective years.

the total funds was sanctioned by Government during the last quarter of each year *vide* Appendix 17.

7.13.6. Physical progress

(a) The physical target (T) and achievement (A) under important CAD programmes during 1991-92 to 1996-97 were as under :

(in hectares)

Programme component		1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	Total
Construction of field channels up to 5-8 hectares block	T	8410	13757	19764	20721	19015	18200	99867
	A	10014	9252	20897	16907	17422	14402	88894
Construction of field channels within 5-8 hectares block	T	Nil	13757	18500	26510	14201	Nil	72968
	A	936	7305	4665	1084	233	Nil	14223
<i>Warabandhi</i>	T	17635	23600	29481	31953	9950	21250	133869
	A	36035	8140	13453	11117	3983	3721	76449
Field drains	T	Nil	5833	29137	15987	14327	13215	78499
	A	Nil	2633	Nil	Nil	Nil	4210	6843
Adaptive trials	T	2420	2420	6420	6420	2413	Nil	20093
	A	3167	6788	1911	2049	1814	Nil	15729
Large scale demonstration	T	3301	9714	12800	19630	11580	10710	67735
	A	2989	7689	7738	7620	8709	8795	43540

Source: Annual reports and Annual accounts for the respective years published by CADA

The shortfall in physical achievement was significant under (a) *Warabandhi* (43 per cent) (b) field drains (91 per cent) and adaptive trials (88 per cent). The shortfall was attributed by CADA to small size of holdings, reluctance of farmers to part with land free of cost for construction of field channels and drains, delay in finalisation of tenders, formation of Beneficiary Farmers' Associations (BFAs) and non-availability of cement, paucity of staff, etc.

(b) Defective reporting of physical progress

According to the latest Status Reports (January 1997), works on field channels in an *ayacut* of 28361 hectares were pending completion in 8 projects. However, the Annual Report of CADA for 1996-97 disclosed that

OFD works like field channels and *Warabandhi* were executed in the entire *ayacut* of 76958 hectares. This claim was not corroborated in the absence of details supporting

Though the entire ayacut of 8 projects was stated to be covered by field channels, the coverage was less by 28361 hectares and expenditure in excess of norms was Rs 17.02 crore.

the coverage of the remaining *ayacut* of 28361 hectares between January-March 1997. The inflated reporting was due to correlating physical achievement with the expenditure norms (Rs 6000 per hectare) for field channels. With reference to the monetary ceiling of Rs 6000 per hectare, CADA had incurred excess expenditure of Rs 17.02 crore (Rs 6000 x 28361 hectares) for completion of field channels in 48597 hectares. Government stated (September 1998) that GOI had been addressed to provide additional funds as a special case for completing field channels in the uncovered *ayacut* of 28361 hectares.

7.13.7. Potential created and utilised

According to the Annual reports for the years 1991-92 to 1996-97 the details of irrigation potential created (PC) and potential utilised (PU) ranged between 76 to 95 *per cent* (*vide* Appendix 18). Scrutiny revealed that these achievements were based on the assumption that potential of the system to irrigate the entire *ayacut* was about 50 *per cent* each for autumn (I crop) and summer (III crop) and 100 *per cent* for winter (II crop) and release of water for all the three crops in all the projects.

However, in seven out of ten projects (47226 hectares) water used to be released for irrigation during winter only. It was only in three projects (Peechi, Chalakkudy and Neyyar) water was released during summer.

The figures of PC and PU furnished by CADA did not therefore reflect correctly the position of the actual utilisation. Government stated (September 1998) that calculation of PC and PU was made on the basis of certain assumptions as no specific norms existed for the purpose.

7.13.8. Incomplete projects included in CAD programme

Only fully completed projects were to be included under CAD Programme for Central assistance. Three irrigation projects, viz., Pamba (PIP), Periyar valley (PVIP) and Kuttiyadi (KyIP) were brought under CADA from 1992-93 onwards declaring them as completed projects with a total *ayacut* of 68505 hectares.

In 1992-93, 3 incomplete irrigation projects were brought under CADA against GOI guidelines incurring an expenditure of Rs 26.31 crore as of March 1997.

Scrutiny revealed that works like canal extension, distributary, aqueduct, lift irrigation, missing links, etc, covering *ayacut* of 4208 hectares (3551 hectares in PVIP, 417 hectares in PIP and 240 hectares in KyIP) had not been completed. CADA

spent Rs 26.31 crore on these three new projects as of March 1997. However, as the Irrigation Department did not execute any further works, these 3 projects continued to remain incomplete as of September 1998.

7.13.9. Project reports

Implementation of OFD works in 10 out of 14 projects was not based on any Project reports prepared by CADA and approved by GOI as required.

For implementation of CADP in 10 projects, no project report had been prepared.

GOI approved these projects on the basis of Mangalabhanu committee report and a Government publication on Basic Information on Irrigation Projects included under CADA. A scrutiny of 8 draft reports revealed that 5 of them were mere replies to a questionnaire. In the three remaining cases the draft reports were not based on any comprehensive study of the canal/branch canal system in the whole *ayacut* but only on one selected branch canal in each project. In absence of comprehensive project reports covering the entire command, the necessity or otherwise for execution of OFD works could not be verified in audit.

7.13.10. Progress in implementation of various activities

(i) Field channels

(a) Even though field channels up to 5-8 hectare blocks were constructed over an area of 88894 hectares during 1991-97, field channels within 5-8 hectare blocks reported to have been constructed during the period covered only 14223 hectares. Thus, the two works had not kept pace with each other as required. The heavy shortfall was due to the fact that these channels were to be constructed by the farmers availing loan from CADA and the loan component of the scheme, being only Rs 200 per hectare was very unattractive.

Though field channels covering an area of 88894 hectares were completed during 1991-97 field channels within 5-8 hectare blocks were constructed in 14223 hectares only.

(b) In Palakkad Division covering 6 projects* water could be taken over to an extent of 24697 hectares only as against total *ayacut* of 47356 hectares due to defective and damaged canal systems and lack of timely maintenance. As such, the

* Malampuzha, Mangalam, Pothundy, Walayar, Gayathri and Cheerakuzhi Irrigation Projects

expenditure of Rs 13.60 crore incurred in respect of field channels over an area of 22659 hectares turned out to be unproductive. Government stated (September 1998) that maintenance of canals was attended to by the Irrigation Department and CADA had no control over them.

(c) The work on field channels was to be completed within 3 to 4 months from handing over of site to the agencies (convenors/contractors) by CADA. Test check in 5 sub-divisions revealed that 19 works in two projects (PVIP and Neyyar) for which materials (value : Rs 6.09 lakh) were issued to convenors/contractors during 1994-95 to 1997-98 were either not started or remained incomplete due to various disputes in BFA, delay in issue of sanction for road-crossing by Public Works Department, etc.

(d) The field channels were required to be transferred to the BFAs after obtaining an undertaking from them for future management including maintenance. Though the field channels in 1.42 lakh hectares in 13 projects were handed over to the BFAs, no record to that effect was kept in any division.

(e) In 5 projects expenditure on 89 works, not covered under field channel works, was charged to field channel. The diversion of CADP funds during 1991-92 to 1994-95 on such works amounted to Rs 2.72 crore.

CADP funds of Rs 2.72 crore diverted for execution during 1991-95 of works not specified in the guidelines.

(ii) *Warabandhi*

(a) According to GOI norms, the maximum cost ceiling prescribed for *Warabandhi* works was Rs 350 per hectare till March 1996 and Rs 300 per hectare from April 1996. However, actual expenditure on the total area covered (76449 hectares) under *Warabandhi* works during 1991-92 to 1996-97 was Rs 10.60 crore involving excess expenditure of Rs 7.95 crore beyond norms.

Expenditure on Warabandhi works exceeded monetary limits by Rs 7.95 crore during 1991-97.

(b) In three projects (KyIP, PVIP and Chitturpuzha) the area covered under *Warabandhi* was less than the area under field channels, while in three other projects (PIP, Cheerakuzhi and Peechi) *Warabandhi* works were ahead of field channel work leading to idle investments under *Warabandhi*. In Walayar project, no *Warabandhi* work was done though field channel were stated to have been

Execution of works on Warabandhi and field channels in 6 projects was not synchronised.

constructed in the ayacut of 4122 hectares. This was stated to be due to insufficiency of water in the reservoir during the period covered in test check. Government attributed (September 1998), the poor progress in completion of *Warabandhi* to the low cost ceiling per hectare.

(c) According to the Evaluation report of CADA, 67 to 76 *per cent* of the farmers in three projects (Walayar, Peechi and Neyyar) felt that canal water was insufficient during winter and summer due to defects in the canal system, difference in the levels of farm fields and field channels, insufficient range of CAD works, etc. A scrutiny of the minutes of the Canal project committee and Co-ordination committee on Neyyar and Malampuzha Irrigation Projects disclosed that farmers' complaints regarding non-receipt of irrigation water in the tail ends, non-release of water during summer, etc., were referred to Irrigation Department for remedial action. However, CADA did not pursue the matter any further. Seepage loss in the two projects was in the range of 10 to 28 *per cent*. Stabilisation of cropping pattern which was dependent on availability of irrigation water had not been achieved in the two projects as of March 1998.

(d) An extent of 250 hectares in Pamba Irrigation Project had no facility for irrigation as the existing Lift Irrigation (LI) schemes in the area were discontinued with the inclusion of the project under CADP. A proposal submitted (January 1997) by CADA to revive the LI schemes, in the absence of sufficient canal water had been pending with GOI as of March 1998.

(iii) *Field drains*

The extent of drainage works required in the ayacut of the 14 projects had not been assessed by CADA as of March 1998. Physical achievement during

1991-92 to 1996-97 was only 6843 hectares as against target of 78499 hectares (8 *per cent*). The heavy shortfall was due to the loan-linked nature of the work, meagre amount of loan (Rs 500 per hectare) and consequent lack of demand among farmers in availing of the facility. Government stated (September 1998) that after GOI had removed the loan-content, the work on field drains were arranged in full swing.

Drainage works in the 14 projects were not assessed as of March 1998.

(iv) *Land levelling and shaping*

The total area in the *ayacut* of the 14 projects requiring levelling and shaping had not been identified and determined as of March 1998. Against a target of 2590 hectares land levelling and shaping during the period 1991-92 to 1996-97 was done in only 1120 hectares (43 *per cent*). The heavy shortfall in identification of areas for levelling and shaping was attributed (September 1998) by Government to meagre staff (in soil conservation wing under CADA).

Areas for land levelling and shaping in the 14 projects had not been assessed as of March 1998.

(v) *Adaptive trials*

CADA laid out Adaptive trials from 1989 onwards with the objective of trying the adaptability of advanced technologies in agriculture developed by Universities and Research Institutes and to chalk out new cropping and water release pattern in each project. A test check in 11 projects revealed the following points:

(a) Though no *Warabandhi* was introduced in Walayar Project, adaptive trials were undertaken over an *ayacut* of 352 hectares during 1991-92 to 1995-96.

(b) In 5 projects where trials were carried out in an area of 4073 acres, the area selected per spout was in the range of 6 to 77 acres as against 1 to 2 acres as per the norms.

(c) 10 items of trials such as advancing cropping season by resorting to weedicide application, frequency of irrigation, etc., sanctioned in March 1989, were implemented from 1989-90 to 1995-96 without limiting it to three years as prescribed, thereby forfeiting a chance to try a different set of trials from 1992-93 onwards.

(d) In one project (Chitturpuzha) the above set of trials was conducted in an area of 221 hectares for one year, *i.e.* 1994-95 only, making a comparative assessment of results impossible.

(e) According to evaluation conducted in May 1997, trials were not conducted covering the entire *ayacut* but the repeated trials were to the same area and lacked publicity.

(vi) *Large scale demonstration plots*

CADA was laying out large scale demonstration (LSD) plots since 1989-90 relating to all aspects of crop production and water management by providing incentives to the selected farmers in the form of subsidies for inputs like planting materials, fertilizers, plant protection chemicals, pesticides, etc. The programme was confined to 11 out of 14 projects. A test check of the records disclosed that:

(a) even though demonstration plots were taken up from 1987-88, CADA started assessing the results from 1994-95 only and

(b) that the mean yield of wet paddy in demonstration plots in four projects (Walayar, Malampuzha, Peechi and Vazhani) was less than that in plots outside demonstration plots as revealed in the evaluation conducted during 1994-95 to 1996-97.

(vii) *Training*

CADA had been conducting farmers' training programmes like half day training, one day camp for farm leaders, training for farm labour, project level seminars, training tour to neighbouring states, etc., in order to motivate them towards group actions. The financial and physical achievement during the period 1991-92 to 1996-97 were as indicated below:

In the 3 new projects brought under CADP in 1992-93, no training of farmers was conducted.

Year	Financial		Physical	
	Target	Achievement	Target	Achievement
	(Rupees in lakh)		(No. of programmes/seminars)	
1991-92	5.10	2.10	289	283
1992-93	4.76	3.12	488	440
1993-94	11.00	3.09	920	303
1994-95	10.50	4.65	440	291
1995-96	10.15	3.60	357	309
1996-97	3.30	1.89	459	384
Total	44.81	18.45	2953	2010

Both financial and physical achievement lagged far behind the target during 1991-97. No training institute/centre was set up in any project for imparting training to farmers as prescribed. No training programmes were conducted in the 3 new projects, viz. PIP, PVIP and KyIP due to non-sanctioning of staff in the non-engineering wings. A test check in the Neyyar Irrigation Project revealed that no canal/branch canal-wise details of training programmes were maintained. External evaluation (September 1994) revealed that farmer's participation was low, being 22 per cent in Neyyar and 49 per cent in Malampuzha projects. Government stated (September 1998) that usually the trainings were conducted for the live BFAs only and hence farmers from defunct BFAs stood excluded. No evaluation of the training programmes conducted since 1992-93 had been done.

7.13.11. Inadequate participation of farmers in water management

During 1991-92 to 1996-97, Rs 40.39 crore were utilised for payment of managerial subsidy against earmarked funds of Rs 103.09 crore.

The number of BFAs formed in the *ayacut* of the 14 projects as at the end of March 1997, was 3683. A test check of the records in 5 divisions revealed that 1235 BFAs who claimed and received managerial subsidy during April 1990 to March 1997 as against 3683 BFAs formed in the *ayacut*.

Most of the BFAs were dormant. They did not claim managerial subsidy and renew their annual registration.

Apparently, most of the BFAs were dormant. No subsidy was released in the 3 new projects (PIP, PVIP and KyIP) as of March 1997, even though 896 BFAs were formed in these projects. Government stated (September 1998) that subsidy could not be paid up to 31 March 1997 due to non-functioning of Agriculture and Co-operation wings of CADA.

The revised one-time managerial subsidy of Rs 500 per hectare sanctioned by GOI from 1 April 1996 had not been released to the BFAs in any projects as of March 1998 pending issue of detailed guidelines by CADA. Government stated (September 1998) that the draft rules were approved by CADA in its meeting held on 30 May 1998. Approval of Government is awaited (October 1998).

7.13.12. Non-disbursement of loan assistance to beneficiaries

During 1985-88, Rs 1.92 crore were released by GOI to the State Government for disbursement of loan to farmers for construction of field channels

Non-disbursement of loans to farmers resulted in avoidable interest liability of Rs 1.24 crore on Government of India funds (Rs 1.92 crore) retained by CADA.

within 5-8 hectares. But the loan funds were not disbursed as the rate of loan i.e., Rs 200 per hectare for field channels was considered low by farmers and the consequent lack of demand. The interest liability of the State Government for the period 1988-98 on the GOI loans worked out to Rs 1.24 crore.

7.13.13. Subsidy to Small and Marginal farmers

The subsidy scheme in the State is confined mainly to digging of new wells and installation of pump sets.

Out of Rs 3.43 crore provided during 1992-97 for payment of subsidy, the amount disbursed was Rs 75.20 lakh only (22 per cent). Against the targeted coverage of 7299 hectares the achievement was 2094 hectares and this was attributed to dearth of staff for field inspection, lack of vehicles and poor response from farmers in the tail end area of the *ayacut*. The programme had not been implemented in the three new projects (PIP, PVIP and KyIP) as of March 1998 for want of staff in the soil conservation wing of CADA.

7.13.14. Reclamation of water logged areas in irrigated commands

For 'Reclamation of water logged areas in irrigation commands', though project reports in respect of 12 projects with an estimated cost of Rs 21.26 crore covering 19157 hectares of water logged area were prepared and submitted to GOI in December 1997 – January 1998 none of the projects had been sanctioned as of October 1998. In respect of 2 projects viz., Cheerakuzhi and KyIP, no project report had been prepared as of October 1998.

It was seen in audit that the project reports were not based on extensive *ayacut* surveys, soil and water quality tests, etc., as envisaged in the guidelines. Government stated (September 1998) that such an elaborate exercise was found unnecessary as water logged area was less in Kerala compared to other States. As more than 10 per cent of the total command had been identified as water logged, the reply was not tenable. Since the project reports were not based on detailed study on scientific line, the justification for the works proposed could not be ascertained in audit.

7.13.15. Levy/collection of water cess

(i) Water cess was levied and collected by the Revenue Department. The extent of *ayacut* liable for assessment in the 14 projects under CADA as of February 1998 was only 1.19 lakh hectares (65 per cent) as against the total *ayacut*

Collection of water cess arrears of Rs 61.03 lakh stayed/written off and Rs 68.31 lakh was pending as of February 1998. Area not brought under assessment was 0.76 lakh hectare.

of 1.81 lakh hectares. The area brought to assessment was only 1.05 lakh hectares. The total demand for water cess as of February 1998 including arrears was Rs 184.21 lakh of which Rs 61.03 lakh was under stay/remission/write-off etc., and out of the collectable demand of Rs 123.18 lakh the balance pending collection as of February 1998 was Rs 68.31 lakh.

(ii) The rate of water cess had not been revised since 1974.

(iii) Even though 10 out of 14 projects were to end their project periods during December 1997 to March 1999, the verification of *ayacut* and preparation of *ayacut* registers remained incomplete in 6 projects. The extent of area verified in these projects was 19173 hectares as against the total *ayacut* of 60897 hectares, the percentage of verification being in the range of 3 to 64. The shortfall in verification was attributed to want of adequate staff in the Revenue wing.

In respect of 4 projects where the full *ayacut* was verified, actual extent of *ayacut* on verification was found to be only 31359 hectares as against the originally envisaged *ayacut* of 36303 hectares.

(iv) Joint verification of the *ayacut* of Malampuzha and Neyyar Irrigation Projects by Public Works (Irrigation) and Revenue Departments in full revealed that the extent found liable for assessment of water cess in the 2 projects was only 28892 hectares as against 33387 hectares originally envisaged.

7.13.16. Excess establishment expenditure

The Central assistance for establishment expenditure of CADA is limited to 50 per cent of the total establishment expenditure which should not exceed 20 per cent of the annual expenditure on OFD

Establishment expenditure during 1994-97 in 3 projects exceeded the norms prescribed by Rs 4.58 crore.

works, viz., construction of field channels, drains and *Warabandhi* works. However, a sum of Rs 4.58 crore was spent in excess of the norms by 3 project authorities towards establishment charges during 1994-95 to 1996-97.

The excess expenditure was due to retention of 400 surplus staff including blacksmith, roller/boat driver, loco cleaner etc., attached to the erstwhile Irrigation

Divisions of Pamba, Periyar Valley and Kuttiady Irrigation projects converted as such into CAD Divisions. Government stated (September 1998) that the Administrator had been directed to identify the surplus posts and to report back to Government.

7.13.17. Unfruitful outlay on wireless net work

Installation of wireless net work in 9 out of the 14 projects was sanctioned during January 1993 to March 1995 at an estimated cost of Rs 71.47 lakh including cost of 4 Ambassador cars for mobile units. Out of 90 fixed and 14 mobile units in 6 projects, 35

Expenditure of Rs 25.61 lakh incurred on 71 wireless equipment remained largely unproductive.

fixed and 14 mobile units had not been installed so far for want of antenna masts and 19 fixed stations for want of building with A.C power supply. Out of the remaining 36 installed units, 12 were not working for want of introducing improvements suggested and details of working of 24 units called for were awaited. The total expenditure of Rs 25.61 lakh incurred on purchase of equipment and installation charges during August 1993 to February 1997 remained unfruitful. The four cars purchased at a cost of Rs 9.75 lakh during the period January 1994 to May 1995 for mobile wireless units had not been put to use for the purpose but are being utilised for other purposes.

7.13.18. Monitoring and evaluation

(a) No separate monitoring cell was set up in any of the 14 projects as required.

(b) The evaluation wing of the CADA conducted internal evaluation studies only in 10 projects. No internal evaluation had been conducted (October 1998) in respect of 4 projects, viz., PIP, PVIP, CIP and KyIP, brought under CADA in 1992-93. The bench mark evaluation survey disclosed that tail end farmers of Blachira branch canal (Chalakudy project) were not getting sufficient water during winter and summer and that 70 out of 160 metres of field channel from spout no.5 (Cheerakuzhi project) was left unfinished due to pending court case and that majority of the farmers in Anakkapara branch canal (Pothundy project) were not getting water during winter due to defects in the main branch canal. But there was no record of any follow up action in any projects on such findings and recommendations of the Evaluation wing.

(c) An external evaluation was conducted (June 1992 to September 1994) through the CWRDM, Kozhikode in respect of Malampuzha and Neyyar Irrigation Project at a cost of Rs 3.10 lakh. No follow up action was taken as of March 1998.

Government stated (September 1998) that abridged report of the recommendations furnished by CADA was under various stages of processing.

IRRIGATION (WATER SUPPLY) DEPARTMENT

Kerala Water Authority

7.14. Rajiv Gandhi National Drinking Water Mission

7.14.1. Introduction

The National Drinking Water Mission launched in 1986 financed fully by Central Government was renamed as Rajiv Gandhi National Drinking Water Mission (Mission) in 1991. The main objective of the Mission was to provide safe drinking water to uncovered no source villages. The Accelerated Rural Water Supply Programme (ARWSP) under implementation in the State from 1972-73 was also brought under the Mission.

7.14.2. Organisational set up

The implementation of the scheme was carried out by Kerala Water Authority (KWA), an autonomous body through its 25 Public Health/ Water Supply divisions, World Bank Project Division, Thiruvananthapuram and one Mechanical division. Schemes for the benefit of Scheduled Castes (SC) and Scheduled Tribes (ST) were implemented by the District Collectors from 1995-96.

7.14.3. Audit coverage

A review of the working of the Mission for the period 1991-92 to 1997-98 was conducted during April-July 1997 and updated in June 1998 with reference to the records in the Headquarters of KWA, 9* Public Health/Water supply divisions, 2** Quality Control divisions, Mechanical division, Kochi and 14 Collectorates.

7.14.4. Highlights

- While the GOI assistance was received as grant-in-aid, State Government released the GOI assistance of Rs 126.38 crore to KWA as loan during 1986-87 to 1996-97.

(Paragraph 7.14.5(b))

- GOI reduced Central assistance to the tune of Rs 2.79 crore during 1996-98 due to under-utilisation of assistance.

(Paragraph 7.14.5(c))

* Aluva, Idukki, Kannur, Kollam, Kottayam, Kozhikode, Palakkad, Thiruvalla, and Thrissur divisions

** Aluva and Kozhikode divisions

- Though ARWSP was to be completed within a period of 2-3 years, implementation of many schemes was delayed. Excess cost of such delayed schemes amounting to Rs 50.86 crore was met by diversion of Central funds though expenditure on incomplete/spill-over schemes was to be incurred from State funds.

(Paragraph 7.14.5(f))

- Thirty schemes due for completion between 1986 and 1997 had not been completed as of June 1998 and thus expenditure of Rs 42.75 crore remained unfruitful.

(Paragraph 7.14.5(g))

- Though the scheme started in 1991, survey to identify the habitations and to determine the quality of available water was completed by KWA in June 1994 only. Out of 9711 partially covered/not covered habitations due to be covered by 2000 AD, only 1682 habitations (17 *per cent*) were covered as of June 1998.

(Paragraph 7.14.6(a))

- Out of 114 Piped Water Supply Schemes sanctioned between 1986-87 and 1993-94 at a total approved cost of Rs 100 crore, only 49 schemes at a cost of Rs 19.97 crore were completed as of June 1998. Fifteen schemes sanctioned in 1995-96 with an estimated cost of Rs 43.50 crore did not commence as of July 1998.

(Paragraph 7.14.6(b))

- During 1995-98, KWA released Rs 34.03 crore to 14 District Collectors for implementing 1318 schemes in SC/ST habitats. Only 481 schemes were implemented during 1995-98 at a cost of Rs 12.39 crore (36 *per cent*), and Rs 21.78 crore (including interest) remained with the District Collectors as unutilised balance. Funds were released on uniform scale to all the Districts without reference to the population or requirement.

(Paragraph 7.14.6(c)(i))

- Rupees 1.25 crore released during 1991-92 for implementing water supply scheme to SC/ST habitats as part of Ambedkar centenary celebrations were diverted for implementing other schemes.

(Paragraph 7.14.6(c)(ii))

- Due to the failure of local bodies to provide the required land, 27 schemes sanctioned between 1987 and 1996 in 11 districts at an estimated cost of Rs 71.68 crore did not take off. In 20 schemes, expenditure of Rs 16.88 crore on procurement of pipes, etc., remained unfruitful.

(Paragraph 7.14.6(d))

- For Kuttanad Water Supply Project, estimated cost increased from Rs 6.13 crore to Rs 14 crore due to delay in completion of the project. The revised project is yet to be approved.

(Paragraph 7.14.7)

- KWA had not installed defluoridation plants though drinking water in rural areas were contaminated. In 154 habitations in six districts, available water contained fluorides beyond tolerance limits. No effective measures were taken to ensure distribution of water free of chemical pollutants.

(Paragraph 7.14.9(a))

- Surveillance tests of the water samples collected from rural water supply schemes disclosed that available water supplied did not meet the prescribed hygienic standards.

(Paragraph 7.14.9(b))

- No effective monitoring of the schemes was done. No evaluation of the progress achieved by the Mission was also attempted.

(Paragraph 7.14.10)

7.14.5. Financial progress

(a) Details of funds released by GOI to the State Government/KWA and the funds released by State Government to KWA and actual expenditure during 1990-91 to 1997-98 were as under:

(Rupees in crore)

Year	Amount released by GOI to		Amount released by State Government to KWA	Total funds released to KWA	Expenditure
	Government	KWA			
1990-91	10.91	-	10.81	10.81	15.25
1991-92	14.79	-	13.93	13.93	13.68
1992-93	12.27	-	13.13	13.13	11.35
1993-94	21.37	-	15.28	15.28	15.65
1994-95	17.25	-	16.95	16.95	12.78
1995-96	6.50	27.50	11.65	39.15	31.11
1996-97	9.85	23.89	10.99	34.88	28.34
1997-98	35.75	-	35.48	35.48	39.16
Total	128.69	51.39	128.22	179.61	167.32

Out of the shortfall in release of Rs 6.09 crore during 1993-94 to KWA by the State, Rs 5.15 crore were released only in 1995-96. Rupees 10 lakh each received in 1990-91 and 1994-95 for maintenance of monitoring cell had not been passed on by Government to KWA as of June 1998.

(b) *Grants sanctioned by GOI was released to the implementing agency as loan*

Funds required for implementation of the scheme were released by GOI as grants. GOI sanctioned grants totalling Rs 129.45 crore during 1986-87 to 1996-97. However, the State Government released the Central grants of Rs 126.38 crore as loan carrying interest to KWA. This irregularity was pointed out by GOI in August 1996, but no action was taken by the State Government in this regard as of June 1998.

GOI grants amounting to Rs 126.38 crore to the State was released as interest bearing loan to KWA.

(c) *Reduction of Central assistance due to underutilisation*

According to the norms issued by GOI for implementation of the scheme, maximum permissible carry over of funds to the succeeding year was 25 per cent of the total allocation for the year. Failure to adhere

Underutilisation of assistance resulted in reduction of Central assistance by Rs 2.79 crore during 1996-97 and 1997-98.

to these norms during 1995-96 and 1996-97 resulted in reduction of Central assistance to the tune of Rs 1.30 crore during 1996-97 and Rs 1.49 crore during 1997-98.

(d) *Establishment expenses beyond norms*

Establishment charges of Rs 12.48 crore (17.45 per cent) for the period from 1994-95 to 1996-97 had been debited to the Mission which was in excess of the permissible limit (5 per cent of the cost of project)

KWA debited Rs 9.70 crore on the scheme towards establishment charges in excess of the prescribed limit.

by Rs 9.70 crore. The total expenditure of the scheme as reported to the GOI was, therefore, overstated to that extent.

(e) *Monitoring charges in excess of the prescribed limit*

GOI released Rs 10 lakh every year for maintenance of monitoring and investigation units. However, an amount of Rs 35.27 lakh was diverted by KWA from ARWSP funds for meeting expenditure on maintenance of monitoring and investigation units during 1994-95 (Rs 11.24 lakh) and 1995-96 (Rs 24.03 lakh) in excess of the prescribed limit.

(f) *Funds meant for new projects were spent on on-going projects*

Piped water supply schemes taken up under ARWSP were to be completed within a period of 2 to 3 years and State Government was to bear the cost over-run on the projects which remained incomplete out of State funds under Minimum Needs Programme (MNP). However, funds sanctioned for implementation of new projects were diverted for execution of incomplete/old projects instead of completion of such schemes from MNP funds.

Contrary to GOI guidelines, the cost over-run of Rs 50.86 crore on 126 schemes was met out of funds released for execution of new schemes.

As against the approved cost of Rs 52.19 crore on 126 schemes sanctioned between 1972 and 1993, Rs 103.05 crore were spent up to March 1998 on these schemes. The cost over-run of Rs 50.86 crore was met out of the funds sanctioned for implementation of new schemes in violation of guidelines.

(g) *Non-completion of old schemes*

Thirty schemes (24 per cent) sanctioned between 1983 and 1994 which should have been completed between 1986 and 1997 remained incomplete as of June 1998 though Rs 42.75 crore were spent on them as of June 1998.

Thirty schemes sanctioned between 1983 and 1994 remained incomplete till June 1998 even after spending Rs 42.75 crore.

(h) *Funds for Information, Education and Communication not utilised*

As per the guidelines, an Information, Education and Communication Project was to be set up in the Rural Development Department for creating

Out of Rs 1.22 crore released for creating public awareness about water use and sanitation, only Rs 2.61 lakh were spent as of June 1998.

awareness on water and sanitary sector. The project cost was to be shared equally by the Centre and the State. Three districts (Alappuzha, Kollam and Malappuram Districts) were selected for implementation of the project at a cost of Rs 1.22 crore during 1995-96. Though Central share (Rs 30.48 lakh) was released in 1996, the State Government released the entire funds (Rs 1.22 crore) only in March 1997. Out of this, only Rs 2.61 lakh were utilised as of June 1998.

7.14.6. Implementation of schemes

(a) *Low coverage (17 per cent) in providing drinking water to habitations*

A survey to identify 'not covered' (NC*) habitations and 'partially covered' (PC**) habitations and to ascertain the quality of water available in these habitations was scheduled to be conducted

Survey to identify the habitations and to ascertain the quality of water available in the habitations was delayed by 2 years. Up to June 1998, 17 per cent of the habitations was covered under the scheme.

between October 1991 and July 1992. The survey was completed in June 1994 only. According to the survey, there were 1916 NC habitations and 7795 PC in the State as of April 1995. As of June 1998, 17 per cent (1682 habitations) only were provided with drinking water under the scheme as against the target of covering all the PC and NC habitations by 2000 AD.

(b) *Slow implementation of Piped Water Supply Scheme*

Out of 114 schemes sanctioned by KWA between 1986-87 and 1993-94 at a total approved cost of Rs 100 crore, only 49 schemes (cost : Rs 19.97 crore) were completed as of June 1998 even though all the schemes were to be completed by

Out of 114 Piped Water Supply Schemes sanctioned between 1986-94, only 49 schemes were completed as of June 1998 and 15 schemes were not started.

March 1996. Fifteen schemes sanctioned in 1995-96 at an estimated cost of Rs 43.50 crore had not been started as of July 1998. Of this, 7 schemes were not started due to non-availability of land. Reasons for non-commencement of the remaining 8 schemes were not on record.

* NC-Habitations with no assured source of drinking water within 1.6 km.

** PC - Habitations where the rate of water supply is less than 40 litres per capita per day.

(c) *Funds for water supply schemes to SC/ST habitats not spent/diverted for other schemes*

(i) Poor utilisation of funds earmarked for schemes for SC/ST areas

According to the guidelines, 35 per cent of the total allocations under the scheme were to be earmarked for the implementation of the schemes for SC/ST. But no such separate allocation of funds was done by KWA till 1995-96 when the responsibility of executing the works in SC/ST area was vested with the District Collectors. During 1995-96 to 1997-98, Rs 34.03 crore (1995-96 : Rs 10.57 crore; 1996-97 : Rs 7.05 crore; 1997-98 : Rs 16.41 crore) were released by KWA to 14 District Collectors at uniform rate of Rs 2.43 crore per district for implementation of schemes for SC/ST habitats. As concentration of the SC/ST population in the districts was uneven and varied widely from district to district ranging between 1.09 lakh and 4.14 lakh, allocation of funds on a uniform scale was unjustified. Out of 1318 schemes taken up, 481 schemes were completed as of June 1998 at an expenditure of Rs 12.39 crore. Four District Collectors deposited Rs 4.14 crore between November 1995 and June 1998 in Savings Bank Accounts/Fixed Deposits with Scheduled/Nationalised/District Co-operative Banks though such amounts were to be kept in Treasury Savings Bank Account.

Out of Rs 34.03 crore released during 1995-96 to 1997-98 for implementation of schemes for SC/ST habitats, only Rs 12.39 crore were spent as of June 1998 towards implementation of 481 schemes.

(ii) Low achievement in supply of safe drinking water

For supply of safe drinking water for SC/ST habitats as part of Ambedkar centenary celebrations during 1991-92, GOI released Rs 2.50 crore under ARWSP for 1055 schemes within one year. Till March

1995, KWA completed only 329 schemes at the cost of Rs 1.25 crore. KWA attributed low achievement to non-availability of source and difficulty in transporting rigs to the habitats. The unutilised balance of Rs 1.25 crore was diverted for implementation of other ARWSP schemes. Thus, the SC/ST habitats were deprived of the benefit of the programme to a great extent though sufficient funds were available.

Rs 1.25 crore released in 1991-92 for water supply schemes to SC/ST habitats were diverted for other ARWSP.

(d) *Schemes not implemented as land was not available*

The local bodies were to provide land required for construction of well-cum-pump house, treatment plants, overhead tank, etc., as soon as implementation of schemes

27 schemes sanctioned between 1987 and 1996 were not implemented as land was not made available by local bodies. Rs 16.88 crore rendered unproductive.

were sanctioned. In the case of 27 schemes (Appendix 19) sanctioned between 1987 and 1996 in 11 districts for an estimated cost of Rs 71.68 crore, land was not made available by local bodies for establishment of various units of the schemes. Appropriate action was not taken at Government level to provide land at the initial stages of planning of the schemes. Out of these schemes Rs 16.88 crore spent on purchase of pipes etc., for 20 schemes as of June 1998 remained unproductive. One scheme in Chengla Panchayat in Kasaragode District on which Rs 4.54 lakh were spent was abandoned in October 1996 due to non-availability of land and protest from local people against the scheme.

7.14.7. Kuttanad Water Supply Project

In March 1994, GOI approved a water supply project to be implemented in Kuttanad area within 2 years covering 3.5 lakh population of 18 villages in Alappuzha District as a sub-programme under the Mission at an estimated cost of Rs 6.13 crore. An Implementation and Monitoring Committee headed by the District Collector, Alappuzha was constituted to ensure speedy and effective implementation of the project. Out of Rs 3.06 crore released by GOI during 1993-94, Rs 2.22 crore were spent as of June 1998 leaving an unutilised balance of Rs 0.84 crore. As of May 1997, 8 major works costing Rs 5.54 crore were under various stages of execution. The project cost was revised to Rs 14 crore in March 1996, which was pending approval of GOI as of June 1998.

7.14.8. Gross underutilisation of rigs and idle wages for staff

KWA owned 4 rigs, 3 supplied by United Nations International Childrens Emergency Fund (UNICEF) and one purchased in 1987. A total number

Rigs were underutilised and only 7 per cent of the targeted borewells were drilled.

of 4656 bore wells were to be drilled during the period from April 1990 to June 1998 (using all the 4 rigs up to July 1995 and using 1 rig thereafter). As against this, the actual number of bore wells drilled was only 308 (7 per cent). The reason for the gross underutilisation of the rigs was attributed to frequent break down of the rigs. Idle wages paid for the staff retained, even after transfer of the 3 UNICEF rigs in July 1995 and that for the staff of the 4th rig idling from December 1995 onwards amounted to Rs 30.44 lakh as of May 1998.

7.14.9. Monitoring of water quality

(a) Defluoridation of water not ensured

The guidelines provided installation of defluoridation plants wherever necessary to control chemical contamination of water. The

Fluoride contamination in water supply in 154 habitations was not cleared before distribution of water.

survey conducted during 1991-93 revealed that the drinking water available in 154 rural habitations in 6 districts* was contaminated with fluoride far in excess of the prescribed limits. However, no action was taken by KWA to install defluoridation plants on the plea that its installation, operation and maintenance would involve huge expenditure. It was noticed that water supplied in many habitations (*vide* Appendix 20) contained other chemicals/chemical compounds beyond permissible levels. No action to install iron removal plants, desalination plants, etc., as envisaged in the guidelines had been taken.

(b) Quality of water not ensured

According to the Investigation and Planning and Design division of KWA, which monitored 68 schemes during 1994-95 and 1995-96, the total number of water samples tested

Only 40 per cent of water samples tested during 1994-96.

from 85 distribution points were only 12394 (40 per cent) as against the required number of 31353 tests. Reasons for the poor performance in testing water samples had not been furnished by KWA (October 1998). Surveillance reports submitted by the Quality Control Divisions revealed that water distributed was highly contaminated with coliform bacteria and drinking water supplied did not meet the hygienic standards.

7.14.10. Monitoring and evaluation

A monitoring cell headed by a Deputy Chief Engineer was receiving monthly physical and financial progress reports from the divisions. But, it did not analyse the causes for inordinate delays in completion of schemes and formulated effective remedial measures.

A High Level Committee headed by the Chief Minister, an Empowered Committee headed by the State Chief Secretary and a District Level Committee headed by the President of the District Panchayat were to be constituted. However, these Committees were formed only in November 1996. Consequently, monitoring of

* Alappuzha, Idukki, Kollam, Palakkad, Pathanamthitta and Wayanad Districts

implementation of the schemes at the appropriate level was not carried out as envisaged in the Mission.

No performance evaluation of the schemes implemented under the Mission had been conducted so far (August 1997).

The points mentioned above were referred to Government in July 1998; reply had not been received (October 1998).

7.15. A rural water supply scheme lying incomplete for fourteen years

The Superintending Engineer(SE), Public Health South Circle, Thiruvananthapuram awarded (January 1983) the civil works on the Accelerated Rural Water Supply Scheme (ARWSS) to Mulakkuzha Panchayat involving

Due to non-availability of land required for construction of collecting sump, ground level reservoir and pump house, work commenced in 1984 had not been completed as of March 1998.

construction of (i) a collecting sump, (ii) a double room pump house, (iii) a ground level reservoir of 2.4 lakh litre capacity and (iv) laying of gravity main and distribution system to a contractor for Rs 2.66 lakh for completion by July 1983. Though 80 per cent of works on the distribution system was completed by March 1984 the scheme could not be completed as the land required for construction of sump, ground level reservoir and pump house was not handed over by the Panchayat authorities till November 1998.

On the basis of an alternative proposal of the Executive Engineer, Public Health (PH) Division, Alappuzha to commission the distribution system already laid with treated water from ARWSS, Aranmula directly, 1700 metre of 200 mm asbestos cement pipes were laid at a cost of Rs 9.10 lakh. This interim measure intended to commission the distribution system, already in position, also did not succeed due to extensive leakages in the gravity main starting from ground level tank at Aranmula.

In March 1996, the SE, PH Circle, Kottayam of Kerala Water Authority (KWA) terminated the original contract without risk and cost and rearranged (March 1996) part of the work consisting of construction of pumping main and valve chamber at an agreed probable amount of contract of Rs 5.27 lakh. The work had not been started as of March 1998 as the design of the work had not been finalised (February 1998) for want of details called for by the Chief Engineer, Southern Region in September 1997. The expenditure incurred on the scheme as of January 1998 was Rs 27.47 lakh.

Thus as a result of the failure of the KWA to ensure availability of land before the work was taken up, the water supply scheme is lying incomplete even after 14 years of the commencement of works involving an unproductive expenditure of Rs 27.47 lakh. Further, the clear water pumping main additionally laid had also failed to serve any purpose. This would become redundant once the original works on the sump, ground level reservoir and pump house are completed and the scheme commissioned.

The matter was referred to Government in February 1998; reply had not been received (October 1998).

7.16. A water supply scheme is lying incomplete for thirteen years

Work on the Rural Water Supply Scheme to Kottamkara (estimated cost : Rs 51.25 lakh) in Kollam District was awarded to a contractor in February 1985. The scheme area had 2 zones - high level (HL) zone and low level (LL) zone. During execution, it was found (September 1985) that ground water tapping was not feasible for HL zone. The scheme for the LL zone was partially commissioned in September 1990.

Failure to locate an adequate source before arranging works on a water supply scheme delayed its completion by over 13 years.

After consideration of various proposals during the next 9 years for an alternative water source suitable for HL zone, a proposal for construction of an open well and an infiltration gallery was sanctioned by Kerala Water Authority in March 1995.

However, as the contractor was not willing to execute the work at the old rate the contract was terminated in November 1995. The balance works were completed in September 1997 at a cost of Rs 18.70 lakh.

The scheme, however, could not be commissioned in the absence of intake arrangements including provision for a valve chamber to draw water from the irrigation canal of Kallada Irrigation Project (KIP). The matter of providing valve arrangements was taken up only in September 1997. Government stated (September 1998) that the scheme was fully commissioned on 30 June 1998 and that valve arrangements with chamber to draw raw water from KIP canal would be completed before next summer (1999). The expenditure incurred on the scheme amounted to Rs 2.11 crore (September 1998).

Thus, inadequate survey to locate a proper and adequate water source before entrustment of the work for execution and delay of over 9 years in locating an alternative source and non-completion of an intake arrangement resulted in delay of over 13 years in completion of the scheme.

7.17. Water supply scheme remaining incomplete since 1991

The Accelerated Rural Water Supply Scheme to Kunnathur in Kollam District was sanctioned by the Kerala Water Authority (KWA) in July 1989 at an estimated cost of Rs 5.03 lakh. The work comprising of construction of 6 metre diameter well-cum-pump

Delay in supply of pipes and specials required for completing gap connections and providing street fountains led to non-completion of the water supply scheme taken up under AWRSP for 8 years.

house and laying of pumping main and distribution system was entrusted to a contractor in May 1990 for Rs 3.91 lakh for completion by March 1992.

During execution of the work, the diameter of the well was increased to 9 metres to spare water required for another scheme, and a supplementary agreement for extra items on account of change in the scope of the scheme was executed in November 1990. By June 1991, the contractor had completed construction of the well, pump house and laying of pumping main and distribution system except gap connections and street fountains due to non-availability of pipes and specials. Expenditure on the scheme up to June 1991 amounted to Rs 23.92 lakh. No work was done since June 1991 by the contractor on the ground of increase in labour charges.

The Notice Inviting Tender which form part of the agreement stipulated that in respect of extra items not contemplated in the agreement but the rates of which require sanction of higher authorities, the Divisional Officer might sanction advance up to an amount not exceeding 75 per cent of the amount for items at the rates worked out and certified by the Sub-Divisional Officer. However, Executive Engineer (EE) unauthorisedly made full payment of Rs 21.97 lakh to the contractor for the extra items without approval of the competent authority.

The request of EE to rearrange the work through fresh contract was pending (November 1998) with Superintending Engineer. The KWA had not intimated the probable time required for completing the work.

Thus, the scheme taken up in May 1990 remained incomplete since the last eight years and expenditure of Rs 23.92 lakh on the scheme was rendered unfruitful.

The matter was referred to Government in May 1998; reply had not been received (October 1998).

7.18. Avoidable expenditure and delay in completion of a water supply scheme due to change in design

A Comprehensive Water Supply Scheme to Sulthan Batheri and Noolpuzha panchayats sanctioned by Government under Minimum Needs Programme in May 1983 was taken up by Kerala Water Authority (KWA) in

July 1990 at an estimated cost of Rs 1.21 crore. Though the scheme was to be completed by March 1992, it was commissioned only by June 1998 at a cost of Rs 2.76 crore.

During execution of the scheme, design of the pumping main was changed by Executive Engineer which resulted in wasteful expenditure of Rs 25.60 lakh and avoidable delay of 6 years in commissioning the scheme.

Audit scrutiny revealed the following points:

The work of laying raw water pumping main from Muthanga well-cum-pump house to treatment plant at Nirapath was completed in December 1991 at a cost of Rs 25.60 lakh. However, trial pumping could be conducted only in July 1994 due to delay in construction of ground level tank, installation of pump set and obtaining power connection. During trial pumping, the pipes burst at many points. Audit scrutiny revealed that during execution, the design was altered by the Executive Engineer, Public Health Division, Sulthan Batheri (EE) to AC class 10/class 15 pipes on ground of economy without approval of competent authority. A high level committee headed by the Technical Member, KWA inspected the work and suggested (April 1995) necessary rectificatory measures. An estimate for dismantling the already laid pipes and for laying 250 mm cast iron class B pipes for a length of 3500 metres was proposed by Superintending Engineer (SE) in November 1995 which was subsequently limited to re-laying for 2500 metres only pending commissioning of the scheme. Chief Engineer approved the proposal in November 1996.

The work of dismantling was completed (June 1997) at a cost of Rs 22.14 lakh. As the work files were reported to be in the custody of Vigilance Wing, information regarding award of the work, present stage of the deferred portion of the work of replacement of pipes for 1000 metres, trial run, commissioning of the pipes since re-laid, etc., could not be ascertained in audit.

The specification of pipes adopted in the project report approved by KWA provided for 250 mm AC class 20 pipes. As EE had altered the specification and used AC class 10/class 15 pipes for the pumping main, those unsuitable pipes had to be exhumed and replaced with suitable class of pipes at a cost of Rs 22.14 lakh. EE admitted (May 1998) that use of unsuitable class of pipes for the initial 2000 metres and inordinate delay in charging the pumping main lying buried over long periods, were the reasons for frequent bursting of the pipes.

Thus, unauthorised alteration of design by substituting unsuitable pipes and 3 years delay to commission the subterranean pumping main resulted in delay of six years in completion of the scheme and wasteful expenditure of Rs 25.60 lakh.

The matter was referred to Government in June 1998; reply had not been received (October 1998).

7.19. Extra expenditure due to non-procurement and supply of pipes in time

The work 'Accelerated Rural Water Supply Scheme to Bela – Laying distribution system', under the Public Health Division, Kasaragod was awarded (March 1992) at 5 per cent below estimate to a contractor for Rs 6.39 lakh (excluding cost of pipes). The work was to be completed by July 1993. The contractor, however, did not commence work as pipes required for the work were not supplied by KWA. Consequently, the contract was cancelled by Superintending Engineer, Public Health Circle, Kannur in November 1993. The work was re-arranged through two fresh contracts in May 1995 for the first reach and June 1995 for the second reach for Rs 9.62 lakh and Rs 9.3 lakh respectively. The works were completed in March 1996 and final payment of Rs 20.05 lakh (Rs 10.37 lakh plus Rs 9.68 lakh) excluding cost of pipes made to the contractor in March 1996 and July 1996. The extra expenditure incurred by KWA due to delay in supply of pipes in this case worked out to Rs 13.66 lakh and the work was delayed by 3 years.

KWA failed to supply pipes required for laying distribution systems which led to extra expenditure of Rs 13.66 lakh and delay of 3 years in completing the water supply scheme in Bela.

The matter was referred to Government in June 1998; reply had not been received (October 1998).

7.20. Irregular payment of advance to a local firm

The Superintending Engineer, World Bank Project circle, Kerala Water Authority (KWA), Kollam invited (March 1991/April 1991) tenders for two works, viz., (i) supply and erection of two 11 KV 500 KVA transformers and three vertical

In disregard of rules, 90 per cent payment (Rs 40.69 lakh) was made in advance to a firm which failed to complete the work of erection/installation and commissioning of 4 transformers and six pumpsets. The work is lying incomplete since September 1991.

turbine pumps for the intake pump house at Punalur and (ii) two 11 KV 400 KVA transformers and three centrifugal pumps for the booster pump house at Kunnikode under the Bilateral Assisted Water supply scheme to Kundara and adjoining panchayats. The offers of Kollam firm for the two works at Rs 26.70 lakh and Rs 17.27 lakh were accepted during May and September 1991. The supply of transformers for both the works was to be completed by August 1991 and that of pumpsets by March 1992. The erection of transformers was to be completed within one month and installation of pumpsets within three months from the date of intimation from the Executive Engineer, Water Supply Project Division, Adoor (EE).

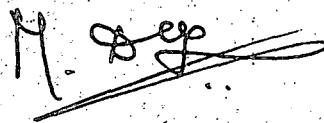
In September 1991, 90 per cent advance payment of Rs 40.69 lakh was made to the firm inclusive of erection charges. After supply of transformers and pumpsets costing Rs 28.90 lakh the firm discontinued the work. The firm was blacklisted by KWA and the contract was terminated in September 1997.

The transformers and pumpsets were idling since November 1991. On an inspection by the Chief Engineer, Southern Region, KWA, 17 items like panels, fittings, cables, relay electrodes, etc., valuing Rs 9.98 lakh were found to be missing. No action had been taken to recover the sum due to the KWA from the defaulting contractor. The EE stated (April 1998) that non-commissioning of the transformers and pump sets had delayed commissioning of the scheme and that action was underway for getting the balance work completed and for assessing the final liability of the firm.

Stores Purchase Manual stipulates that advance payment is permissible only in very exceptional cases when costly supplies are ordered from a distant firm and delay in payment is anticipated. Hence, payment of advance amounting to Rs 40.69 lakh to a local firm was in violation of the Codal provision and was not in the interest of KWA. Further, pumpsets and transformers worth Rs 28.90 lakh were

lying idle from November 1991 onwards and there was possibility of the equipment becoming obsolete. Thus, commissioning of the scheme initiated in March 1991 had been delayed inordinately and no concrete steps had been taken till date (October 1998) for early finalisation.

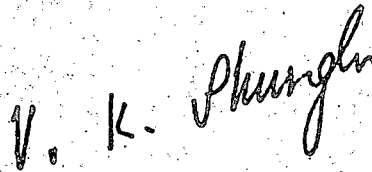
The matter was referred to Government in June 1998; reply had not been received (October 1998).



(M.DEENA DAYALAN)
Accountant General (Audit), Kerala.

Thiruvananthapuram,
The

Countersigned



(V.K.SHUNGLU)
Comptroller and Auditor General of India.

New Delhi,
The

APPENDICES

APPENDIX 1

List of Statutory corporations and Government companies having accumulated loss and investment in them by Government

(Reference : Paragraph 1.6.4; Page 28)

Sl. No.	Name of concern	Government investment as of 31 March 1998	Accumulated loss	Period upto which accounts were finalised
		(Rupees in crore)		
1	Kerala State Warehousing Corporation	3.25	0.49	1995-96
2	Kerala State Road Transport Corporation	60.77	322.46	1996-97
3	Kerala Industrial Infrastructure Development Corporation	86.24	1.80	1996-97
4	The Kerala Fisheries Corporation Limited	4.85	11.05(*)	1984-85
5	Kerala Tourism Development Corporation Limited	22.51	8.43	1993-94
6	Kerala Construction Components Limited	0.28	0.90	1990-91
7	Traco Cable Company Limited	12.82	4.47	1996-97
8	The Kerala Premo Pipe Factory Limited	1.31	1.11(*) (p)	1992-93
9	The Kerala Ceramics Limited	2.97	20.86(p)	1996-97
10	The Kerala Agro-Industries Corporation Limited	3.05	5.36	1995-96
11	Trivandrum Spinning Mills Limited	4.64	10.37	1996-97
12	Kerala Electrical and Allied Engineering Company Limited	12.15	27.94	1996-97
13	Kerala Soaps and Oils Limited	2.59	23.37	1991-92
14	Travancore Plywood Industries Limited	0.49	15.17	1996-97
15	Trivandrum Rubber Works Limited	2.75	15.80	1990-91
16	Kerala State Handloom Development Corporation Limited	10.57	7.14(p)	1997-98
17	Handicrafts Development Corporation of Kerala Limited	1.94	1.75	1991-92

(*) Under liquidation

(p) Provisional figure

APPENDIX 1 – Contd.

Sl. No.	Name of concern	Government investment as of 31 March 1998	Accumulated loss	Period upto which accounts were finalised
		(Rupees in crore)		
18	The Kerala State Cashew Development Corporation Limited	34.67	205.49(p)	1997-98
19	Chalakudy Refractories Limited	3.47	3.36*	1989-90
20	Kerala State Coir Corporation Limited	4.90	3.03	1997-98
21	Kerala State Drugs and Pharmaceuticals Limited	0.30	22.19	1992-93
22	Sitaram Textiles Limited	4.20	21.78(p)	1997-98
23	Kerala State Textile Corporation Limited	13.64	2.18	1995-96
24	The Kerala Land Development Corporation Limited	6.71	30.54	1994-95
25	Kerala State Electronics Development Corporation Limited	86.49	83.73	1994-95
26	The Travancore Sugars and Chemicals Limited	0.26	4.85	1996-97
27	The Kerala State Civil Supplies Corporation Limited	8.56	42.89	1991-92
28	The Kerala Forest Development Corporation Limited	4.19	0.73	1993-94
29	Scooters Kerala Limited	2.20	5.14(p)	1997-98
30	Kerala Automobiles Limited	3.47	15.43	1996-97
31	Steel Industries Kerala Limited	27.73	14.40	1996-97
32	Kerala State Construction Corporation Limited	0.88	6.98	1994-95
33	Kerala State Film Development Corporation Limited	12.02	13.37	1996-97
34	Kerala Livestock Development Board Limited	3.54	1.18(p)	1997-98
35	The Pharmaceutical Corporation (Indian Medicines) Kerala Limited	1.42	0.53	1995-96
36	Kerala State Coconut Development Corporation Limited	2.85	9.72	1991-92
37	Kerala Small Industries Development Corporation Limited	8.98	16.18	1995-96

* Under liquidation

(p) Provisional figure

APPENDIX 1 – Concl.d.

Sl. No.	Name of concern	Government investment as of 31 March 1998	Accumulated loss	Period upto which accounts were finalised
		(Rupees in crore)		
38	Overseas Development and Employment Promotion Consultants Limited	0.57	0.20	1996-97
39	Kerala Fishermen's Welfare Corporation Limited	0.42	1.00(*)	1982-83
40	Kerala State Engineering Works Limited	0.19	1.51(*)	1991-92
41	Metropolitan Engineering Company Limited	2.41	4.35	1993-94
42	The Kerala State Handicapped Persons' Welfare Corporation Limited	1.61	0.44	1987-88
43	Kerala Artisans' Development Corporation Limited	1.93	1.13	1995-96
44	Kerala State Development Corporation for Christian Converts from Scheduled Castes and the Recommended Communities Limited	3.68	0.30	1989-90
45	Transformers and Electricals Kerala Limited	11.20	30.53	1995-96
46	The Metal Industries Limited	0.38	0.60	1996-97
47	Meat Products of India Limited	0.98	2.41	1994-95
48	Kerala State Palmyrah Products Development and Workers' Welfare Corporation Limited	0.87	0.12	1995-96
49	Kerala State Women's Development Corporation Limited	2.70	0.08	1991-92
50	Kerala State Horticultural Products Development Corporation Limited	1.83	0.70	1993-94
51	Kunnathara Textiles Limited@	1.71	4.49	1988-89
52	Kerala Hitech Industries Limited	13.00	9.37	1995-96
53	Kerala School Teachers and Non-teaching Staff Welfare Corporation Limited	0.50	0.05	1992-93
54	Steel Complex Limited	3.00	26.70	1996-97
55	Kerala State Wood Industries Limited	0.25	5.65	1988-89
Total		510.89	1071.80	—

(Source : Statement No. 14 of Finance Accounts 1997-98)

(*) Under liquidation

@ The company is defunct

APPENDIX 2

(Reference : Paragraph 1.13(d); Page 44)

List of indices/ratios and basis for their calculation

	Indices/ratios	Basis for calculation	
Sustainability	- Balance from the current revenues	BCR	Revenue Receipts minus all Plan grants (under Major Head 1601,02,03,04 & 05) and Non-Plan revenue expenditure
	- Primary Deficit	Capital Outlay	Capital expenditure as per Paragraph No.1.6.1 of Audit Report
	- Interest ratio	Capital Receipts	Additions under Major Heads 6003 and 6004 plus net receipts under I-Small Savings, Provident Funds, etc. and Miscellaneous Capital receipts minus additions on account of Ways and Means advances/overdraft under major heads 6003 and 6004
	- Capital outlay vs Capital receipts		
	- Total tax receipts vs GSDP		
Flexibility	- State tax receipts vs GSDP		
	- Balance from current revenues	State Tax Receipts	As in 1.4.2 of the Report
	- Capital repayments vs capital borrowings	Total Tax Receipts	State Tax receipts plus State's share of Union Taxes
	- Incomplete projects	Capital repayments	Disbursements under Major Heads 6003 and 6004 minus repayments on account of Ways and Means advances/overdraft under both the major heads.
	- Total tax receipts vs GSDP	Capital Borrowings	Additions under Major Heads 6003 and 6004 minus additions on account of Ways and Means advances/overdraft under both the major heads
	- State tax receipts vs GSDP		
	- Debt vs GSDP		
Vulnerability	- Revenue deficit	Revenue deficit	Paragraph No.1.7.1 of Audit Report
	- Fiscal deficit	Fiscal deficit	Paragraph No.1.7.2 of Audit Report
	- Primary deficit vs Fiscal deficit	Primary deficit	Fiscal deficit minus interest payments
	- Total outstanding guarantees, including letters of comfort vs Total revenue receipts of the Government	Outstanding guarantees	Paragraph No. 1.10 of Audit Report
		Revenue Receipts	Paragraph No.1.4.1 of Audit Report
		Debt	Borrowings and other obligations at the end of the year
	- Assets vs Liabilities	Assets and Liabilities	Paragraph No. 1.3.2 of Audit Report

APPENDIX 3

Cases of unnecessary supplementary grants/appropriations

(Reference : Paragraph 2.3.2 ; Page 55)

(Rupees in crore)

Sl. No.	Number and name of grant	Original grant	Supplementary grant	Actual expenditure	Savings	Supplementary grant obtained in March 1998
REVENUE (VOTED) SECTION						
1	II- Heads of States, Ministers and Headquarters staff	53.51	3.85	48.88	8.48	3.06
2	III- Administration of Justice	49.61	1.19	49.72	1.08	0.64
3	VI- Land Revenue	98.35	7.42	82.08	23.69	0.78
4	IX- Taxes on Vehicles	9.33	0.17	8.82	0.68	0.03
5	X- Treasury and Accounts	29.54	0.04	28.46	1.12	0.02
6	XI- District Administration and Miscellaneous	91.56	2.83	90.00	4.39	2.40
7	XIV- Stationery and Printing and other Administrative Services	55.67	4.63	53.98	6.32	1.43
8	XVI- Pensions and Miscellaneous	1091.13	8.70	1010.82	89.01	0.39
9	XVII- Education, Sports, Art and Culture	2078.83	10.06	1797.81	291.08	2.79
10	XVIII- Medical and Public Health	488.80	1.74	419.61	70.93	1.73
11	XXIV- Labour and Labour Welfare	79.77	40.41	105.94	14.24	1.41
12	XXVII- Co-operation	38.26	0.10	31.64	6.72	0.09
13	XXIX- Agriculture	336.72	5.76	299.60	42.88	0.46
14	XXXIII- Fisheries	70.87	0.97	58.40	13.44	0.97
15	XXXIV- Forest	98.02	5.57	80.70	22.89	5.57
16	XXXV- Panchayat	684.03	19.02	693.54	9.51	0.24

APPENDIX 3 – Concl.d.

Sl. No.	Number and name of grant	Original grant	Supplem-entary grant	Actual expen-diture	Savings	Supplemen-tary grant obtained in March 1998
17	XXXVI- Community Development	262.88	0.62	103.50	160.00	0.62
18	XXXVII-Industries	118.35	23.75	108.85	33.25	10.15
19	XXXVIII-Irrigation	77.48	4.60	70.10	11.98	4.24
20	XLII- Tourism	33.41	4.27	23.50	14.18	1.99
REVENUE (CHARGED) SECTION						
21	XI- District Administration and Miscellaneous	0.48	0.58	0.47	0.59	0.58
CAPITAL (VOTED) SECTION						
22	XVII- Education, Sports, Art and Culture	23.93	9.74	30.22	3.45	3.00
23	XXII- Urban Development	17.10	2.50	9.92	9.68	2.50
24	XXIX- Agriculture	34.04	10.52	33.69	10.87	9.01
25	XXX- Food	12.58	5.68	15.66	2.60	0.18
26	XXXIV- Forest	5.61	0.15	5.59	0.17	0.15
27	XXXVIII-Irrigation	161.45	16.20	165.57	12.08	5.63
CAPITAL (CHARGED) SECTION						
28	XV- Public works	0.56	0.08	0.23	0.41	0.08
Total		6101.87	191.15	5427.30	865.72	60.14

APPENDIX 4

Cases of excessive supplementary grants/appropriations

(Reference : Paragraph 2.3.2 ; Page 55)

(Rupees in crore)

Sl. No.	Number and name of grant	Original grant	Supplementary grant	Actual expenditure	Savings	Supplementary grant obtained in March 1998
REVENUE (VOTED) SECTION						
1	IV- Elections	15.58	12.39	26.15	1.82	12.39
2	XIII- Jails	14.02	1.75	15.21	0.56	1.75
3	XV- Public Works	216.68	55.58	251.20	21.06	21.08
4	XXI- Housing	45.86	2.82	47.36	1.32	1.56
5	XXII- Urban Development	115.25	4.41	117.35	2.31	3.41
6	XXIII- Information and Publicity	7.93	0.63	8.00	0.56	0.63
7	XXV- Social Welfare including Harijan Welfare	314.61	26.67	324.56	16.72	25.54
8	XXXI- Animal Husbandry	67.26	5.19	70.90	1.55	5.19
9	XLI- Transport	9.36	1.37	10.43	0.30	1.37
10	XLIII- Compensation and Assignments	95.00	35.22	128.76	1.46	4.00
REVENUE (CHARGED) SECTION						
11	II- Heads of States, Ministers and Headquarters staff	12.08	0.86	12.41	0.53	0.86
CAPITAL (VOTED) SECTION						
12	XXVII- Co-operation	35.72	29.48	50.79	14.41	16.43
13	XXXVII- Industries	211.63	64.14	257.61	18.16	45.66
14	XLI- Transport	22.67	32.70	53.87	1.50	17.85
Total		1183.65	273.21	1374.60	82.26	157.72

APPENDIX 5

Cases of inadequate supplementary grants

(Reference : Paragraph 2.3.2; Page 55)

(Rupees in crore)

Sl. No	Number and name of grant	Original grant	Supplementary grant	Actual expenditure	Excess
REVENUE (VOTED) SECTION					
1	XIX- Family Welfare	49.84	0.53	69.43	19.06
CAPITAL (VOTED) SECTION					
2	XXV- Social Welfare including Harijan Welfare	19.99	1.85	25.77	3.93
3	XXXI- Animal Husbandry	2.87	0.62	3.78	0.29
Total		72.70	3.00	98.98	23.28

APPENDIX 6

Significant cases of savings in Plan expenditure

(Reference : Paragraph 2.3.4; Page: 59)

Sl. No.	Number and name of grant	Name of scheme	Amount of savings (Rupees in crore and percentage of savings)
REVENUE (VOTED) SECTION			
1	XVII - Education, Sports, Art and Culture	i) - Government Polytechnics	1.42 (57)
		ii) - Engineering College, Kannur	1.09 (44)
		iii) - Science and Technological Museum-Grant	1.00 (100)
		iv) - New source of energy including Integrated Rural Energy Programme-Grant-in-aid	5.70 (89)
2	XVIII - Medical and Public Health	i) - Tuberculosis-excluding operating cost (50% CSS)	1.15 (58)
		ii) - National Aids Control Programme-IEC activities (100% CSS)	1.17 (59)
		iii) - National Tuberculosis Programme	12.84 (99)
3	XX - Water Supply and Sanitation	Central Rural Sanitation-Model Sanitation Villages (50% CSS)	3.00 (95)
4	XXIV - Labour and Labour Welfare	World Bank project for modernising, diversifying and restructuring vocational programmes (50% CSS)	2.08 (52)
5	XXVIII - Miscellaneous Economic Services	i) - Timely reporting survey of agricultural statistics in Kerala (50% CSS)	1.14 (19)
		ii) - Economic Census (100% CSS)	1.24 (99)
		iii) - Strengthening of Revenue Machinery and updating of land records (50% CSS)	2.00 (100)

APPENDIX 6 - Contd.

Sl. No.	Number and name of grant	Name of scheme	Amount of savings (Rupees in crore and percentage of savings)
6.	XXIX - Agriculture	i) - Restructuring agricultural department at State and District level	1.00 (100)
		ii) - National Watershed Development Programme (100% CSS)	7.88 (66)
		iii) - Integrated Programme for development of spices (100% CSS)	7.55 (38)
		iv) - Coconut Development Board Scheme for integrated farming in coconut holding for productivity improvement (100% CSS)	1.22 (12)
		v) - Development of oil seeds under Technology Mission of oil seeds	1.36 (68)
		vi) - Soil Conservation in the catchment of river valley projects (100% CSS)	1.10 (55)
		vii) - Soil Conservation in the river valley project-Kabini (100% CSS)	2.00 (100)
		viii) - National Hydrology Project (Ground water component)	2.23 (74)
7.	XXXI - Animal Husbandry	Establishment of Intensive Cattle Development Projects	2.17 (73)
8.	XXXIII - Fisheries	Integrated Fisheries Development Project-Phase II (100% NCDC sponsored)	8.96 (65)
9.	XXXIV - Forest	i) - Establishment of an international centre for Bio-diversity studies (100% CSS)	2.73 (100)
		ii) - Eco development Global Environment Facilities	5.72 (78)
		iii) - Conservation of Bio-Diversity	1.50 (100)
10.	XXXVI - Community Development	Integrated and sustainable economic development of Attappady	39.00 (100)

APPENDIX 6 - *Contd.*

Sl. No.	Number and name of grant	Name of scheme	Amount of savings (Rupees in crore and percentage of savings)
11.	XXXVII - Industries	i) - Tool Room at Kalamassery (90% CSS)	15.71 (99)
		ii) - Craft Development Centres (75% CSS)	1.00 (100)
		iii) - House-cum-Workshed scheme for Artisans (59% CSS)	2.13 (100)
		iv) - Formation of Department for Sericulture industry	3.00 (100)
		v) - Construction of godown/ workshed/processing centre/showroom of Apex and Primary societies for handlooms (NCDC scheme)	15.10 (100)
CAPITAL (VOTED) SECTION			
12.	XV - Public Works	i) - Construction of other buildings- Police	1.17 (100)
		ii) - Construction of flats for MLAs in the Legislature Hostel Compound	4.43 (83)
		iii) - Establishment charges transferred on percentage basis from '2059 Public Works'	1.23 (13)
		iv) - Major District Roads-Bridges and culverts	3.91 (42)
		v) - Other District Roads-Bridges and culverts	1.70 (34)
		vi) - Village Roads-Bridges and culverts	5.62 (34)
		vii) - North South Express way	2.47 (100)
		viii) - Railway safety works	2.29 (77)

APPENDIX 6 - Contd.

Sl. No.	Number and name of grant	Name of scheme	Amount of savings (Rupees in crore and percentage of savings)
13.	XVII - Education, Sports, Art and Culture	i) - Construction of building under Operation Blackboard Scheme	1.00 (100)
		ii) - Construction of worksheds in schools for conducting vocational courses (CSS)	1.78 (89)
		iii) - Polytechnics-Buildings	2.32 (68)
14.	XXI - Housing	Judicial Officers Housing Scheme	3.00 (100)
15.	XXVII - Co-operation	i) - Loans for Integrated Development of Primary Agricultural Credit Societies (100% NCDC)	2.47 (62)
		ii) - Loans under Central Sector for financing small and medium sized co-operative processing units (100% NCDC)	1.30 (87)
		iii) - Loans for Integrated Project for Coconut Development Processing and Marketing KERALED (100% NCDC)	6.00 (100)
16.	XXIX - Agriculture	i) - Agricultural Development Finance Company-Share Capital contribution	5.00 (100)
		ii) - Surface Water-Lift Irrigation (District Plan)	2.83 (41)
		iii) - Surface Water-EEC aided schemes	2.28 (25)
17.	XXXIII - Fisheries	i) - Development of Vizhinjam Fishing Harbour (50% CSS)	1.28 (64)
		ii) - Loans to Matsyafed for Integrated Pilot Project for Fisheries Development (NCDC assisted)	4.91 (37)
		iii) - Loan for Kuwait Fund assisted project for prawn culture	2.07 (100)

APPENDIX 6 - Concl'd.

Sl. No.	Number and name of grant	Name of scheme	Amount of savings (Rupees in crore and percentage of savings)
18.	XXXVII - Industries	i) - Industrial Growth Centres-State share	7.25 (36)
		ii) - Kerala State Small Industries Corporation	2.00 (100)
		iii) - Loans for Integrated Coir Development Project for setting up of Defibering mills and motorised treadle ratts (NCDC scheme)	4.84 (97)
		iv) - Loans for construction of godowns/worksheds/processing centres/showrooms of Apex and Primary Handloom Weavers Cooperative Societies (100% NCDC Scheme)	3.64 (24)
19.	XXXVIII- Irrigation	i) - Idamalayar Project-works	12.05 (44)
		ii) - Moovattupuzha Project-Direction and Administration	1.17 (22)
		iii) - Kuriyarkutty-Karappara Project-works	2.81 (80)
		iv) - National Hydrology Project	4.43 (89)
		v) - Water Resources Revamping and Consolidation Programme	7.00 (100)

APPENDIX 7

Significant cases of savings in non-Plan expenditure

(Reference : Paragraph 2.3.5 ; Page 59)

Sl No.	Number and name of grant	Name of activity	Amount of savings (Rupees in crore and percentage of savings)
REVENUE (VOTED) SECTION			
1	II - Heads of States, Ministers and Headquarters staff	Secretariat	1.02 (16)
2	VI - Land Revenue	i) Collection charges – village establishment	11.26 (23)
		ii) Preparation of land records for the implementation of land reforms- Resurvey of areas where the records are in bad condition (Cadastral survey)	4.68 (16)
		iii) Preparation of land records from Resurvey records	5.14 (62)
3	VII - Stamps and Registration	Expenses on sale of stamps	1.07 (21)
4	VIII - Excise	i) Direction and Administration Superintendence	2.46 (19)
		ii) Range offices	2.73 (19)
5	X - Treasury and Accounts	Directorate of Treasuries	1.61 (61)
6	XI - District Administration and Miscellaneous	i) Special Land Assignment Limits for the regularisation of occupation of forest land prior to 1 January 1977	1.03 (53)
		ii) Other establishments-Taluk offices	1.97 (10)
7	XII - Police	i) Armed Police	11.79 (25)
		ii) District force	19.14 (10)
		iii) Wireless unit	2.59 (36)

APPENDIX 7 – Contd.

Sl. No.	Number and name of grant	Name of activity	Amount of savings (Rupees in crore and percentage of savings)
8	XIV - Stationery and Printing and other Administrative Services	Vigilance	1.10 (14)
9	XV - Public Works	i) General – Direction and Administration. – Execution	11.62 (33)
		ii) Roads and Bridges- General-Direction and Administration-Execution	8.81 (24)
		iii) Suspense – Stock	3.38 (42)
		iv) Renewals of communications	6.08 (12)
10	XVII - Education, Sports, Art and Culture	Elementary Education	52.64 (27)
		i) Government Lower Primary Schools	
		ii) Government Upper Primary Schools	45.18 (24)
		iii) Assistance to non-Government Primary Schools-Teaching Grant	68.56 (13)
		iv) Direction and Administration- Directorate of Public Instruction	1.22 (26)
		v) Government Secondary Schools	46.65 (21)
		vi) Grant to non-Government Special Schools	1.87 (27)
		vii) Technical High Schools	1.43 (17)
		viii) Government Polytechnics	1.26 (12)

APPENDIX 7 – Contd.

Sl. No.	Number and name of grant	Name of activity	Amount of savings (Rupees in crore and percentage of savings)
11	XVIII - Medical and Public Health	i) Urban Health Services-Allopathy-Hospitals and Dispensaries	19.31 (19)
		ii) Rural Health Services-Allopathy-Hospitals and Dispensaries except General, District, Taluk hospitals	4.89 (11)
		iii) Allopathy Medical College, Kottayam	1.16 (19)
		iv) Allopathy Medical College, Thrissur	1.48 (25)
		v) Prevention and control of diseases-Malaria eradication	3.27 (39)
		vi) Leprosy Control Schemes	2.37 (41)
		vii) Health Card for school children	1.34 (46)
12	XX - Water Supply and Sanitation	Sanitation Services-Centres under the control of the Director of Health Services	1.14 (51)
13	XXIV - Labour and Labour Welfare	Industrial Training Institutes	3.06 (25)
14	XXVI - Relief on account of Natural Calamities	Drought	1.40 (100)
		i) Supply of seeds, fertilizers and agricultural implements	
		ii) Drinking water supply	15.19 (80)
		Floods, Cyclones etc.	1.15 (97)
		i) Evacuation of population	
		ii) Assistance to farmers for purchase of agricultural inputs	1.55 (100)
15	XXVII - Co-operation	Transfer to Reserve Fund/Deposit Accounts-Calamity Relief Fund	12.91 (18)
		i) Direction and Administration-District Administration	1.16 (12)
		ii) Audit of co-operatives-General	2.26 (16)

APPENDIX 7 – Concl..

Sl. No.	Number and name of grant	Name of activity	Amount of savings (Rupees in crore and percentage of savings)
16	XXIX - Agriculture	Strengthening of agricultural administration and introduction of training and visiting system of extension	10.63 (24)
17	XXXIV - Forests	i) Forestry-District offices	3.50 (22)
		ii) Forest Consolidation and acquisition of private forests	1.45 (25)
18	XXXV - Panchayat	Maintenance and improvements of village roads-Grant-in-aid	2.83 (20)
19	XXXVI - Community Development	i) Recurring expenditure on personnel retained on NES pattern	5.42 (22)
		ii) Applied Nutrition Programme	1.51 (45)
20	XXXVIII- Irrigation	General-Direction and Administration-Execution	6.94 (38)
REVENUE (CHARGED) SECTION			
21	Debt charges	i) Interest on loans from the Life Insurance Corporation of India	2.62 (11)
		ii) Interest on loans from the Rural Industrial Development Fund of NABARD	8.11 (45)
22	XVI - Pensions and Miscellaneous	i) Commuted value of pensions – Payments in India	11.72 (13)
		ii) Gratuities	15.02 (22)
		iii) Family Pension	29.07 (22)
		iv) Pensioners Medical Benefit Scheme	1.20 (100)
CAPITAL (VOTED) SECTION			
23	XXXIII - Fisheries	i) Fisheries Road	3.25 (100)
		ii) Water supply to Fishermen Houses	1.75 (100)
24	XLV -Miscellaneous Loans and Advances	House Building Advance to State Service Officers	6.28 (18)
CAPITAL (CHARGED) SECTION			
25	Public Debt Repayment	Loans from the Life Insurance Corporation of India	1.31 (13)

APPENDIX 8

Persistent savings

(Reference: Paragraph 2.3.6; Page 59)

(Rupees in crore)

Sl. No.	Number and name of grant/appropriation	Amount of savings		
		1995-96	1996-97	1997-98
REVENUE (VOTED) SECTION				
1	II - Heads of States, Ministers and Headquarters staff	1.33	7.50	8.48
2	III - Administration of Justice	0.82	2.31	1.08
3	IV - Election	18.69	6.15	1.82
4	VI - Land Revenue	5.91	19.06	23.69
5	VII - Stamps and Registration	0.55	2.69	2.10
6	VIII - Excise	1.41	5.16	5.26
7	IX - Taxes on vehicles	0.40	1.48	0.67
8	XI - District Administration and Miscellaneous	2.14	5.75	4.39
9	XII - Police	21.34	27.99	29.29
10	XIII - Jails	0.51	0.91	0.56
11	XV - Public Works	2.38	19.72	21.06
12	XVI - Pensions and Miscellaneous	6.81	37.24	89.00
13	XVII - Education, Sports, Art and Culture	189.04	251.70	291.08
14	XVIII - Medical and Public Health	58.99	70.43	70.93
15	XXI - Housing	10.46	2.33	1.32
16	XXII - Urban Development	3.63	5.38	2.31
17	XXIII - Information and Publicity	0.37	0.59	0.56
18	XXIV - Labour and Labour Welfare	5.97	7.79	14.24
19	XXV - Social Welfare including Harijan Welfare	20.07	20.95	16.72
20	XXVII - Co-operation	4.65	6.36	6.72

APPENDIX 8 – Concl'd.

(Rupees in crore)

Sl. No.	Number and name of grant/appropriation	Amount of savings		
		1995-96	1996-97	1997-98
21	XXVIII - Miscellaneous Economic Services	4.12	5.55	7.08
22	XXIX - Agriculture	2.77	33.70	42.88
23	XXX - Food	1.08	22.55	27.68
24	XXXI - Animal Husbandry	4.98	4.04	1.55
25	XXXII - Dairy	0.43	0.81	0.94
26	XXXIV- Forest	13.22	14.96	22.89
27	XXXVI- Community Development	23.91	35.82	160.00
28	XL - Ports	0.34	1.19	0.53
REVENUE (CHARGED) SECTION				
29	II - Heads of States, Ministers and Headquarters staff	0.51	0.95	0.53
30	Debt Charges	9.92	18.77	29.88
31	XVI - Pensions and Miscellaneous	0.41	6.93	3.61
CAPITAL (VOTED) SECTION				
32	XVII - Education, Sports, Art and Culture	6.21	2.67	3.45
33	XXI - Housing	0.67	2.32	3.96
34	XXVII - Co-operation	20.73	1.40	14.41
35	XXIX - Agriculture	9.38	11.19	10.87
36	XXX - Food	4.04	1.80	2.60
37	XXXIII - Fisheries	1.99	20.31	10.00
38	XXXVII- Industries	13.55	15.29	18.16
39	XXXVIII- Irrigation	6.40	14.09	12.08
40	XL - Ports	0.40	1.77	0.66
CAPITAL (CHARGED) SECTION				
41	XV - Public Works	0.45	0.35	0.42
42	Public Debt Repayment	506.29	152.95	16.51

APPENDIX 9

Injudicious reappropriation of funds

(Reference: Paragraph 2.3.10; Page 63)

(Rupees in crore)

Sl. No.	Number and name of grant, head of account and purpose	Provision (Original plus Supplementary)	Reappropriation	Final grant	Actual expenditure	Excess(+) Savings(-)
V - Agricultural Income Tax and Sales Tax						
1	2040-00-101-97 District Offices	27.79	(-) 1.40	26.39	28.46	(+) 2.07
X - Treasury and Accounts						
2	2054-00-097-98 Sub-treasury establishment	12.61	(+) 0.50	13.11	12.80	(-) 0.31
XII - Police						
3	2055-00-104-99 Armed Police	47.61	(-) 13.60	34.01	35.82	(+) 1.81
4	2055-00-109-99 District Force	200.75	(-) 21.19	179.56	181.60	(+) 2.04
XV - Public Works						
5	5054-03-101-99 Bridges and culverts	8.98	(-) 1.04	7.94	8.66	(+) 0.72
6	5054-03-337-98 Developments and improvements	20.43	(-) 0.56	19.87	20.32	(+) 0.45
7	5054-04-800-97 Major District Roads-Bridges and culverts	9.23	(-) 4.61	4.62	5.32	(+) 0.70
8	5054-04-800-91 Village Roads-Developments and improvements	29.74	(+) 8.62	38.36	38.08	(-) 0.28
9	5054-04-800-90 Village Roads-Bridges and culverts	16.76	(-) 6.09	10.67	11.13	(+) 0.46

APPENDIX 9 – Contd.

(Rupees in crore)

Sl. No.	Number and name of grant, head of account and purpose	Provision (Original plus Supplementary)	Reappropriation	Final grant	Actual expenditure	Excess(+) Savings(-)
XVI - Pensions and Miscellaneous						
10	2071-01-101-99 Pension to Kerala Government Pensioners	550.00	(-) 75.00	475.00	529.50	(+) 54.50
11	2071-01-102-99 Commuted value of Pensions-Payments in India	87.50	(-) 15.60	71.90	75.78	(+) 3.88
12	2071-01-104-99 Gratuities	69.50	(-) 16.50	53.00	54.48	(+) 1.48
13	2071-01-105-99 Family Pension	132.00	(-) 32.00	100.00	102.93	(+) 2.93
14	2071-01-109-99 Pensionary benefits to employees of state aided educational institutions	143.50	(-) 8.50	135.00	139.12	(+) 4.12
XVII - Education, Sports, Art and Culture						
15	2202-01-101-98 Upper Primary Schools	188.54	(-) 46.37	142.17	143.36	(+) 1.19
16	2202-02-109-99 Secondary Schools	219.25	(-) 50.92	168.32	172.59	(+) 4.27
17	2202-02-110-99 Teaching grant	310.00	(-) 32.49	277.51	288.37	(+) 10.86
XVIII - Medical and Public Health						
18	2210-01-110-97 Allopathy Medical College Hospitals, Kozhikode	16.34	(-) 1.44	14.90	15.54	(+) 0.64
19	2210-03-103-96 Strengthening of Public Health Centres and sub-centres and opening of new Public Health Centres and sub-centres (DPP)	2.25	(-) 0.26	1.99	5.07	(+) 3.08

APPENDIX 9 – Concl.d.

(Rupees in crore)

Sl. No.	Number and name of grant, head of account and purpose	Provision (Original plus Supplementary)	Reappropriation	Final grant	Actual expenditure	Excess(+) Savings(-)
20	2210-06-101-99 National Malaria Eradication Programme (50% CSS)	1.00	(-) 0.48	0.52	1.14	(+) 0.62
XX -Water Supply and Sanitation						
21	2215-01-190-99 Grant-in-aid to Kerala Water Authority	109.97	(+) 47.75	157.72	137.72	(-) 20.00
XXVI - Relief on account of Natural Calamities						
22	2245-02-101-99 Cash Doles	0.90	(-) 0.90	Nil	1.08	(+) 1.08
23	2245-02-106-99 Repairs and restoration of damaged roads and bridges	35.50	(+) 16.32	51.82	51.22	(-) 0.60
24	2245-02-113-99 Assistance for repairs/ reconstruction of houses	3.83	(+) 2.24	6.07	5.52	(-) 0.55
XXXI - Animal Husbandry						
25	2403-00-101-98 Hospitals and Dispensaries	17.23	(-) 1.62	15.61	16.24	(+) 0.62
26	2403-00-102-99 Intensive Cattle Development Projects	12.94	(-) 1.04	11.90	12.20	(+) 0.30
XXXIII - Fisheries						
27	4405-00-800-99 Buildings (Fishery Schools and Training Centres)	1.20	(-) 0.96	0.24	1.30	(+) 1.06
XXXV - Panchayat						
28	2515-00-800-95 Maintenance and improvements of village roads-Grant-in-aid	14.37	(-) 4.00	10.37	11.54	(+) 1.17
XLV - Miscellaneous Loans and Advances						
29	7610-00-201-98 House Building Advances - State Service Officers	35.00	(-) 7.02	27.98	28.72	(+) 0.74

APPENDIX 10

Details of foreign travel undertaken by Ministers, Government officials and Executives of PSUs/ABs

(Reference : Paragraph 3.7(i) ; Page 108)

Sl. No.	Name of Minister	Period of tour	Country/ Place visited	Members of delegation	Period of tour	Country/ place visited	Purpose of tour	Expenditure out of Government funds	Expenditure met by PSU
								(Rupees in lakh)	
1	Sri. E.K. Nayanar Chief Minister	3 July 1996 to 8 July 1996	Dallas	Sri. E.N. Muraleedharan Nair, Private Secretary to Chief Minister Sri. G. Vijaya Raghavan, Chief Executive Officer, Technopark	3 July 1996 to 8 July 1996 - do -	Dallas	To participate in the International convention of federation of Kerala Association in North America. Discussion with Keralites and Industrialist - do -	3.34	2.94 (Techno park)
2	Sri. P.J Joseph Minister for Education, and Works	29 June 1996 to 13 July 1996	Dallas, London and Frankfurt	Sri. John Mathai, Principal Secretary, Industries Sri. T.U. Kuruvila, Chairman, Kerala State Housing Board, (KSHB) Smt Minnie Mathew, Secretary, Housing	29 June 1996 to 8 July 1996 29 June 1996 to 13 July 1996 -do-	Dallas Dallas, London and Frankfurt -do-	Discussion on Education at London and Frankfurt	4.79	4.12 (Malabar Cements) 4.33 (KSHB)
3	Sri. T.K. Ramakrishnan, Minister for Fisheries	2 October 1996 to 6 October 1996	Germany				To participate in the International seminar on golden jubilee celebrations of Indian Independence	1.13	
4	Sri. Pinarayi Vijayan Minister for Electricity and Co-operation	13 October 1996 to 26 October 1996	Canada, Washington and London	Sri.K. Mohanachandran, Secretary, Power Dr. Rajagopalan, Chairman, KSEB Sri. K.G. Rajasekharan Nair, Member (Accounts) KSEB	13 October 1996 to 26 October 1996 -do- -do-	Canada, Washington and London	Discussion on Rehabilitation of Hydro Electric projects.. Visited Washington for discussion with World Bank authorities for getting assistance .	2.52	3.02 (KSEB) This included Rs 0.64 lakh, being expenditure incurred for Sri.K. Mohana chandran paid by Government to KSEB

APPENDIX 10 – Contd.

Sl. No.	Name of Minister	Period of tour	Country/ Place visited	Members of delegation	Period of tour	Country/ place visited	Purpose of tour	Expenditure out of Government funds	Expenditure met by PSUs
								(Rupees in lakh)	
5	Sri. P.J. Joseph Minister for Education and Works	2 November 1996 to 3 November 1996	Baharin and Kuwait	Dr. V. Venu, Special Officer, Non Resident Indian (NRI)	2 November 1996 to 3 November 1996	Baharin, Kuwait	To attend the International Congress of NRIs and Kuwait Malayalee Cultural Congress	0.52	
6	Sri. E.K. Nayanar Chief Minister	15 November 1996 to 24 November 1996	Germany, Netherlands, Switzerland and UAE	Sri. E.N. Muraleedharan Nair, PS to CM Smt Minnie Mathew, Secretary, Housing	15 November 1996 to 24 November 1996	Germany, Netherlands, Switzerland and UAE	To inaugurate European Malayalee Conference in Germany. Visited Switzerland for discussion on Education and Dairy Development	8.32	
7	Sri. P.J. Joseph Minister for Education and Works			Dr. G.C. Gopala Pillai, Managing Director (MD) (KINFRA) Dr. V. Venu, MD, Bekal Resorts Sri. G. Vijayaraghavan, CEO, Technopark					0.93 (Bekal resorts) 1.24 (Technopark)
8	Sri. E.K. Nayanar Chief Minister	10 June 1997 to 22 June 1997	Canada, USA, France and Italy	Sri. E.N. Muraleedharan Nair, PS to CM	10 June 1997 to 22 June 1997	Canada, USA, France and Italy	For discussion with Canadian Government on Cancer Hospital at Kannur. Discussion with Keralites and members of Chamber of Commerce at Chicago	14.50	
9	Sri. Pinarayi Vijayan, Minister for Electricity and Co-operation			Sri. Sanjeev Kaushik, Spl Officer, Indian Institute of Management					
10	Sri. P.J. Joseph, Minister for Education and Works			Dr. G.C. Gopala Pillai MD, KINFRA					1.72 (KINFRA)
11	Sri. K. Radhakrishnan, Minister for Welfare	24 July 1997 to 14 August 1997	Havana, and Cuba	Sri. UP Joseph, PS to Welfare Minister	24 July 1997 to 14 August 1997	Havana and Cuba	To participate in World Festival of Youth and students	2.50	
12	Sri. K.E. Esmail, Minister for Revenue.	18 August 1997 to 28 August 1997	Qatar and UAE	Sri. M.P. Achuthan, PS to Minister, Revenue	18 August 1997 to 28 August 1997	Qatar and UAE	To attend programmes arranged by Indian Cultural Centre, Qatar, Indian Association at Sharjah and Indian Social Centre at UAE	1.87	

APPENDIX 10 – Concl'd.

Sl. No.	Name of Minister	Period of tour	Country/ Place visited	Members of delegation	Period of tour	Country/ place visited	Purpose of tour	Expenditure out of Government funds	Expenditure met by PSU
								(Rupees in lakh)	
13	Sri. A.C. Shanmughadas, Minister for Health and Family Welfare	8 May 1997 to 22 May 1997	New York and London				To participate in the Valedictory function of Indian Independence celebrations and discussion with Board of Directors of Ayurveda Academy.	2.48	
14	Sri. P.R. Kurup Minister for Transport and Forests	19 September 1997 to 3 October 1997	USA, Germany, Netherlands and Sweden	Sri. M.N. Krishnamoorthy, MD, Kerala State Road Transport Corporation (KSRTC) Sri. D Ramarajan, Executive Director, KSRTC	19 September 1997 to 3 October 1997	USA, Germany, Netherlands and Sweden	To attend the conference of American public transport Association, USA and to hold discussion on starting bus body building unit	3.12	5.39 (KSRTC)
15	Sri. T.K. Ramakrishnan Minister for Fisheries	26 September 1997 to 27 September 97	Kuwait				To attend free and voluntary classes for Keralites organised by Kerala Art Lovers Association, Kuwait	1.00	
16	Sri. K.E. Esmail Minister for Revenue	30 September 1997 to 4 October 1997	Kuwait				To inaugurate various cultural programmes of United Malayalee Organisations, Kuwait	0.94	
17	Sri. G Karthikeyan, Minister for Electricity	30 September 1995 to 23 October 1995	Canada, Switzerland, Sweden, Norway, USA and UK				For discussion on power projects	4.17	
18				Dr. V.Venu, MD Bekal Resorts	9 March 1996 to 13 March 1996	Berlin	To give publicity to Bekal Resorts Development Corporation		2.21 (Bekal Resorts)
19				Dr. V. Venu* Dr. D Babu Paul, Director	May 1996	New York -do-	-do-		4.49 (Bekal Resorts)
Total								51.20	30.39

APPENDIX 11

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

(Reference : Paragraph 3.20 ; Page 143)

Department	Number of cases	Amount (Rupees in lakh)
Agriculture Department	6	1.29
Animal Husbandry Department	2	0.37
Cultural Affairs Department		
(i) Archives	1	0.21
Finance Department		
(i) National Savings	1	0.45
(ii) Treasuries	10	57.53
General Education Department	12*	22.82
Health and Family Welfare Department		
(i) Health Services	10**	4.39
(ii) Medical Education	2	0.71
Higher Education Department		
(i) Collegiate Education	5*	1.65
(ii) Technical Education	4	1.23
(iii) Stationery and Printing	1	0.14
Home Department		
(i) Police	4	15.08
(ii) Administration of Justice	3*	0.25
Industries Department	2	0.41
Irrigation Department	21	28.11
Labour and Rehabilitation Department	1	1.82
Public Works and Transport Department		
(i) Buildings	12	1.31
(ii) Roads and Bridges	14	4.35
Revenue Department		
(i) Land Revenue	11	4.29
(ii) Survey and Land Records	1	5.60
Rural Development Department	4	2.55
Taxes Department		
(i) Lotteries	1	3.43
Scheduled Castes/Scheduled Tribes Development Department	2*	0.17
Total	130	158.16

* included one case where monetary value was not assessed

** included two cases where monetary value was not assessed

APPENDIX 12

Department wise details of writes off and waivers

(Reference : Paragraph 3.21 ; Page 143)

Sl. No.	Name of department	Writes off		Waivers	
		Number of cases	Amount (Rupees in lakh)	Number of cases	Amount (Rupees in lakh)
1	Agriculture Department	23	0.25	6	0.52
2	Co-operative Department	3	0.19	-	-
3	Cultural Affairs Department	5	0.11	-	-
4	Dairy Development Department	1	0.008	-	-
5	Fisheries and Ports Department	2	0.13	-	-
6	Food and Civil Supplies Department	5	1.05	-	-
7	General Administration Department	12	6.80	8	1.33
8	Higher Education Department	4	10.72	-	-
9	Home Department				
	(i) Police	-	-	1	0.26
	(ii) Vigilance	1	0.14	-	-
10	Housing Department	1	8.69	-	-
11	Industries Department	14	1.12	-	-
12	Labour and Rehabilitation Department	1	0.006	-	-
13	Local Administration Department	1	0.13	-	-
14	Power Department	1	0.002	-	-
15	Public Works and Transport Department	1	0.05	-	-
16	Revenue Department	3	1.27	-	-
17	Rural Development Department	5	0.54	-	-
18	Scheduled Castes/Scheduled Tribes Development Department	2	0.86	-	-
19	Taxes Department	6	0.005	-	-
Total		91	32.071	15	2.11

APPENDIX 13

Statement showing number of paragraphs in respect of which Action Taken Notes had not been furnished by the Administrative departments

(Reference : Paragraph 3.22 ; Page 144)

Sl. No.	Name of department	Year of Audit Report	Number of Audit Paragraphs
1	Agriculture (Animal Husbandry) Department	1995-96	2
2	Cultural Affairs Department	1995-96	3
		1996-97	1
3	Finance Department	1988-89	1
		1991-92	1
		1992-93	4
		1993-94	10
		1995-96	5
		1996-97	1
4	Fisheries and Ports Department	1986-87	1
		1995-96	3
		1996-97	5
5	Food and Civil Supplies Department	1994-95	1
6	Forest and Wild Life Department	1987-88 (No.6 of 1989)	1
		1991-92	1
		1993-94	3
		1996-97	1
7	General Education Department	1990-91	1
		1996-97	2
8	Health and Family Welfare Department	1992-93	2
		1995-96	2
		1996-97	3
9	Higher Education Department	1993-94	1
		1995-96	2
		1996-97	3
10	Home Department	1994-95	1
		1995-96	1
		1996-97	3

APPENDIX 13 - Concl'd.

Sl. No.	Name of department	Year of Audit Report	Number of Audit Paragraphs
11	Industries Department	1996-97	1
12	Irrigation Department	1988-89	1
		1989-90	1
		1990-91	2
		1991-92	5
		1992-93	4
		1993-94	3
		1994-95	6
		1995-96	8
		1996-97	9
13	Labour and Rehabilitation Department	1995-96	1
		1996-97	1
14	Local Administration Department	1987-88 (No.5 of 1989)	1
		1993-94	1
		1995-96	1
		1996-97	1
15	Power Department	1995-96	1
16	Public Works and Transport Department	1996-97	2
17	Planning and Economic Affairs Department	1994-95	1
18	Revenue Department	1996-97	2
19	Scheduled Castes and Scheduled Tribes Development Department	1996-97	1
20	Science, Technology and Environment Department	1987-88 (No.5 of 1989)	1
		1996-97	2
21	Social Welfare Department	1995-96	1
22	Taxes Department	1996-97	3
23	Irrigation (Water Supply) Department – Kerala Water Authority	1992-93	6
		1996-97	6
Total			137

* Paragraphs relating to KWA are examined by COPU.

APPENDIX 14

Cash loan housing schemes – Targets and Achievements

(Reference : Paragraph 7.7.8(i)(a); Page 205)

(Rupees in lakh)

Year	EWS Scheme				LIG Scheme				MIG Scheme				HIG Scheme				Total			
	Target	Number of houses completed	Amount received from HUDCO	Amount disbursed	Target	Number of houses completed	Amount received from HUDCO	Amount disbursed	Target	Number of houses completed	Amount received from HUDCO	Amount disbursed	Target	Number of houses completed	Amount received from HUDCO	Amount disbursed	Number of cases sanctioned	Number of houses completed	Amount received from HUDCO	Amount disbursed
1993-94	100000	1415	1008.82	299.68	30000	937	549.58	211.93	60000	626	594.53	422.01	6900	233	847.56	247.91	4853	3211	3009.49	1181.53
1994-95	100000	2935	1405.39	415.58	30000	1234	879.03	465.53	60000	714	1604.74	733.39	6900	152	1097.07	240.26	6219	5035	4986.23	1854.76
1995-96	100000	3965	1316.03	1342.40	30000	1579	3329.02	678.28	60000	1018	1710.42	1229.90	6900	248	1073.21	649.80	12784	6810	7428.68	3900.38
1996-97	100000	19261	7406.97	6637.16	30000	1698	3178.20	967.08	60000	1361	1774.08	2168.04	6900	461	532.06	1343.72	55745	22781	12891.31	11116.00
1997-98 (Upto February 1998)	100000	26963	6930.16	8286.1	30000	1553	2435.25	948.18	60000	1939	2562.61	3010.24	6900	627	1205.00	1686.11	38575	31082	13133.02	13930.63
Total	500000	54539	18067.37	6980.92	150000	7001	10371.08	3271.00	300000	5658	8246.38	7141.57	34500	1721	4754.90	4167.80	118176	68919	41439.73	31983.30

APPENDIX 15

Physical target and achievements under ROMHS

(Reference : Paragraph 7.7.8(i)(e); Page 207)

Sl. No.	Name of scheme	Annual target	Total target	Total achievement	Percentage of achievement
1	Housing scheme for EWS	10000	50000	4113	8
2	Housing scheme for EWS in urban areas (Cash loan)	90000	450000	19387	4
3	Cash loan housing scheme for LIG	30000	150000	5876	4
4	Cash loan housing scheme for MIG	60000	300000	4160	1
5	Cash loan housing scheme for HIG	6900	34500	3392	10
6	Public Housing Scheme	1150	5750	1156	20
7	Housing scheme for Non-Resident Indians	400	2000	34	10
8	Housing scheme for working journalists	50	250		-
9	Housing scheme for gazetted officers	300	1500		-
10	Rental housing scheme phase II	1200	6000		-
Total		200000	1000000	38118	3.8

APPENDIX 16

Statement showing non-utilisation of Central assistance in respect of five specific components

(Reference : Paragraph 7.13.5 ; Page 222)

(Rupees in crore)

Name of activity	Amount of Central assistance released during 1994-95 and 1996-97	Expenditure incurred	Amount of Central assistance utilised (5 per cent of expenditure)	Amount of unutilised Central assistance and its percentage
Field channels	17.71	30.28	15.14	2.57 (15)
Field drains	0.92	0.40	0.20	0.72 (78)
Warabandhi	1.39	1.16	0.58	0.81 (58)
Adaptive trials including large scale demonstration	1.40	2.24	1.12	0.28 (20)
Evaluation studies	0.01*	**	**	0.01® (87)
Total	21.43	34.08	17.04	4.39

-
- * Rupees 78 lakh only
 - ** Less than Rs 25 lakh
 - ® Rupees 68 lakh only

APPENDIX 17

Statement showing release of funds to CADA by the
State Government in the last quarter during 1991-98

(Reference: Paragraph 7.13.5; Page 223)

(Rupees in crore)

Period	Total amount released by the State Government to CADA	Amount released by the State Government in the last quarter	Percentage of release in the last quarter to total release
1991-92	17.07	12.81	75
1992-93	17.80	14.80	83
1993-94	20.90	8.98	43
1994-95	21.00	7.99	38
1995-96	20.21	15.35	76
1996-97	21.00	12.22	58
1997-98	8.00	6.50	81
TOTAL	125.98	78.65	

APPENDIX 18

Details of potential created/ utilised in respect of the CADA projects

(Reference: Paragraph 7.13.7; Page 224)

(Ayacut in hectares)

Sl. No.	Name of project	Up to 1990-91		Up to 1991-92		Up to 1992-93		Up to 1993-94		Up to 1994-95		Up to 1995-96		Up to 1996-97		
		PC	PU	PC	PU	PC	PU	PC	PU	PC	PU	PC	PU	PC	PU	
Major Irrigation Projects																
1.	Malampuzha	35462	27675	40054	31175	41706	37700	43866	40000	44396	40486	45026	40974	45696	41026	
2.	Peechi	17909	13845	22101	17195	26521	23900	29021	26200	33470	28800	36660	32994	41342	36207	
3.	Chalakudi	27707	20425	31031	23075	33721	30500	35621	32500	36677	33250	39103	35115	41523	37371	
4.	Neyyar	17206	12465	18258	13305	20358	18400	24193	22000	25027	23750	25027	23750	25027	23750	
5.	Chitturpuzha					9300	8600	21091	20000	35809	29200	36523	31024	36523	31024	
6.	Periyar Valley*	*(Brought under CADA in 1992-93)					1440	1300	16048	15000	32348	27400	49870	42390	60518	54466
7.	Pamba*						1079	1000	2347	1750	4155	3532	6723	5950		
8.	Kuttiyadi*						870	800	4590	2900	6628	5300	10160	9044		
Medium Irrigation Projects																
1.	Walayar	762	530	762	530	762	690	1601	1500	4659	4042	8221	6981	9489	8240	
2.	Pothundy	9639	7370	9733	7445	9733	8800	9833	9000	9930	9090	11262	10136	11822	10638	
3.	Gayathri	7530	6000	8114	6460	8354	7600	8710	8000	8710	8000	9366	8616	11464	10217	
4.	Vazhani	6324	4859	6964	5339	8064	7300	8954	8100	10474	9040	11430	10173	11926	10733	
5.	Cheerakuzhi	1202	780	1218	1100	1218	1200	1218	1200	1218	1200	1218	1200	1218	1200	
6.	Mangalam	5690	4295	6556	4985	6556	5900	6717	6100	6755	6136	6765	6224	7789	7010	
	Total	129431	98244	144791	110301	167733	151790	208822	191400	256410	225044	291254	258409	321220	286876	

PC – Potential Created; PU – Potential Utilised.

APPENDIX 19

List of schemes for which land had not been made available by local bodies

(Reference : Paragraph 7.14.6(d); Page 241)

SL. No.	District	Scheme	Date of sanction	Estimate (Rupees in lakh)	Expenditure on purchase of pipes etc.
1	Alappuzha	Ala-Ennakkadu	December 1996	366.50	-
2	Alappuzha	Bharanikkavu and adjoining villages	January 1993	129.60	96.16
3	Alappuzha	Kurattissery	January 1993	234.46	13.90
4	Idukki	Marayoor	July 1995	116.00	-
5	Idukki	Idukki Kanjikuzhi	July 1995	335.00	-
6	Idukki	Vandanmedu Anakkara	December 1996	529.00	-
7	Kannur	Irikkur and adjoining villages	September 1990	301.82	330.68
8	Kannur	Nediyanga Chuzhali	January 1993	211.20	-
9	Kannur	Thrippangotur	December 1996	320.00	1.61
10	Kasargod	Pady	October 1987	23.28	4.54
11	Kollam	Kulathupuzha and adjoining Villages Phase I	May 1993	191.00	76.99
12	Kollam	Kulathupuzha and adjoining Villages Phase .II	May 1993	227.00	6.86
13	Kollam	Pathanapuram	May 1993	378.00	46.68
14	Kottayam	Puthupally	May 1993	138.86	70.42
15	Kottayam	Veliyannur and adjoining Villages	July 1995	366.42	-
16	Malappuram	Amarambalam	December 1990	201.93	184.76
17	Malappuram	Irimbiliyam Valancherry	May 1993	272.00	75.57
18	Malappuram	Keezhuparamba	March 1996	130.00	26.37
19	Pathanamthitta	Vallikkode Kodumon	December 1996	383.59	-
20	Thiruvananthapuram	Kilimanoor and adjoining villages	January 1993	322.00	98.69
21	Thiruvananthapuram	Panavoor Pullampara	October 1993	350.00	125.28
22	Thiruvananthapuram	Marukil Mavanallur	October 1993	154.00	37.25
23	Thrissur	Kadangodu and adjoining Villages Ph.I	January 1993	456.00	141.61
24	Thrissur	Kadangodu and adjoining Villages Phase.II	March 1996	264.00	16.94
25	Thrissur	Paralam and adjoining Villages	March 1996	270.00	5.31
26	Thrissur	Thekkumkara and adjoining villages	December 1995	325.00	18.70
27	Wyanad	Vemom and Nellurnad	October 1987	171.00	309.29

APPENDIX 20

Statement showing the districts in which excessive chemicals/chemical compounds present in drinking water revealed in the survey conducted during 1991-93

(Reference : Paragraph 7.14.9(a); Page 242)

Name of district	Number of habitations	Chemical/chemical compounds present	Quantity present (range in part per million (ppm))	Permissible limit (ppm)
Alappuzha, Ernakulam, Kozhikode, Thrissur	13	Nitrate	Between 100 and 632.6	100
Alappuzha, Idukky, Kollam, Palakkad, Pathanamthitta, Wynad	154	Fluoride	Between 1.8 and 50	1.5
Alappuzha, Ernakulam, Kozhikode, Palakkad, Thrissur	317	Arsenic	Above 0.05	0.05
Alappuzha, Ernakulam, Idukky, Kannur, Kollam, Kozhikode, Malappuram, Palakkad, Pathanamthitta, Thiruvananthapuram, Thrissur, Wynad	498	Iron	Between 1 and 80	1
Alappuzha, Ernakulam	26	Brackishness	Between 1100 and 1200	1000