REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2000

(CIVIL)

GOVERNMENT OF KERALA

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APPENDICES

PREFACE

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

Chapters I and II of this Report respectively contain Audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2000.

The remaining Chapters deal with the findings of performance audit and audit of transactions in the various departments including the Public Works and Irrigation Departments, audit of Stores and Stock, audit of Autonomous Bodies and departmentally run commercial undertakings.

The Report containing the observations arising out of audit of Statutory Corporations, Boards and Government Companies and the Report containing such observations on Revenue Receipts are presented separately.

The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 1999-2000 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 1999-2000 have also been included wherever necessary.

OVERVIEW

This Report includes two chapters containing the observation of Audit on the State's Finance and Appropriation Accounts for the year 1999-2000 and five chapters, comprising four audit reviews and sixty two paragraphs (including nine general 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. Review of the State's finances

The assets of the State Government increased from Rs 10574.78 crore in 1998-99 to Rs 11365.45 crore in 1999-2000 (7 per cent), while the liabilities grew from Rs 17416.65 crore to Rs 21829.48 crore during the same period (25 per cent). The excess of liabilities over the assets increased from Rs 6841.87 crore at the end of 1998-99 to Rs 10464.03 crore at the end of 1999-2000. This was mainly due to vast increase in revenue deficit (79 per cent) during 1999-2000 compared to the previous year. The ratio of assets to liabilities declined from 0.71 to 0.52 during 1996-97 to 1999-2000.

During 1999-2000, the revenue receipts of the State Government were Rs 7941.75 crore against which revenue expenditure was Rs 11565.96 crore, resulting in a revenue deficit of Rs 3624.21 crore, up from a deficit of Rs 2029.96 crore in the previous year. While revenue receipts grew by 10 per cent, the revenue expenditure grew by 25 per cent during 1999-2000. Balance from Current Revenue (BCR) became increasingly negative during the year from negative balance of the previous year indicating that the State had no means to meet the Plan expenditure from its own revenues.

The fiscal deficit increased to Rs 4534 crore in 1999-2000 up from Rs 1303 crore in 1995-96. The ratio of Revenue Deficit to Fiscal Deficit increased from 0.31 in 1995-96 to 0.80 in 1999-2000 indicating that a lion's share of the borrowings was utilised to meet the revenue expenditure. The sharp increase in interest payment indicated substantially reduced availability of the borrowed funds for programme spending.

The payment of interest on the borrowings of the Government increased by 111 per cent from Rs 924 crore in 1995-96 to Rs 1952 crore during 1999-2000 up from Rs1446 crore in 1998-99.

Assistance to local bodies and others during 1999-2000 declined to 29 per cent from 34 per cent of the revenue expenditure.

The share of capital expenditure in total Government expenditure had all along been less than 10 per cent during 1995-2000 and declined gradually from 9 per cent in 1995-96 to 5 per cent in 1999-2000. There was negative growth rates in 1998-99 and 1999-2000 indicating the pressure of rising revenue expenditure and lesser availability of borrowed funds for investment. Even the limited investments fetched insignificant returns and large amount of funds were locked up in incomplete projects.

As on 31 March 2000, 2 statutory corporations and 57 Government companies, in which Government had invested Rs 636 crore, were running in loss and the accumulated loss amounted to Rs 1458 crore as disclosed in the accounts rendered by them for various years from 1988-89 to 1999-2000. The public sector undertakings, joint stock companies and co-operative banks and societies in which Government invested Rs 1775 crore as of March 2000, were giving only insignificant return ranging from 0.31 per cent to 0.56 per cent.

Internal debt of the State Government increased by 108 per cent, from Rs 2486.28 crore in 1995-96 to Rs 5164.24 crore in 1999-2000. Other liabilities like small savings, provident funds, deposits, etc., also increased significantly by 154 per cent during the same period. This had imposed a huge interest burden. Only 10 per cent of the borrowings are available after repayments of principal and interest during 1995-96 to 1997-98 with marginal improvement in the subsequent two years.

Addition to small savings, provident funds, deposits, etc., increased from Rs 4122 crore in 1995-96 to Rs 12901 crore in 1999-2000, though the net inflow of funds from these sources was not significant.

Outstanding public debt of Government burgeoned from Rs 6724.53 crore as of March 1996 to Rs 11638.40 crore as of March 2000, a growth of 73 per cent.

*For several years State Government was living beyond their means as seen from galloping revenue deficit and fiscal deficit, stagnating tax to GSDP ratio and huge interest payments. Moneys are borrowed to pay salaries and pensions, which was grown in double digits**. *The plan expenditure on Capital account was stagnating while plan expenditure on Revenue account increased significantly. What the citizens are getting out of such expenditure is the moot. Further conversion of loans into equity of loss making Electricity Board though brings down the interest liability, does not really help the Electricity Board in the absence of cash flow and results in the liability of the Government being under-projected. Very high supplementaries indicated weak budgeting system.*

(Paragraphs 1.1 to 1.11)

II. Summary of Appropriation Accounts

Excess expenditure of Rs 1412.46 crore for the years 1983-84 to 1998-99 and Rs 530.99 crore for the year 1999-2000 was yet to be regularised by the Legislature mainly due to the failure of Government to furnish explanation to the Public Accounts Committee.

The overall savings of Rs 786.71 crore was the result of saving of Rs 1322.12 crore in 91 Grants and Appropriations offset by excess of Rs 535.41 crore in 9 Grants and Appropriations.

* in terms of percentage

Supplementary provision obtained during the year constituted 32 per cent of original provision as against 21 per cent in the previous year.

Substantial saving of Rs 1 crore or more and also more than 10 per cent of the provision occurred in 34 cases.

There was persistent saving of Rs 10 lakh or more and also more than 10 per cent of provision in 20 Grants for the last three years.

Expenditure of Rs 2.04 crore was incurred without provision in 7 cases.

In 36 cases, savings of Rs 1 crore or more in each case aggregating to Rs 652.94 crore remained unsurrendered at the end of the year.

Out of total surrender of Rs 802.11 crore, Rs 801.51 crore was surrendered on the last day of the financial year.

In 10 cases, amount in excess of actual saving was surrendered resulting in excess surrender of Rs 131.96 crore.

Under 16 major heads of account, more than 50 per cent of expenditure was incurred during the last quarter of the financial year.

Review of expenditure and budgetary control system in two Grants (Grant No. VI & XXXVII) revealed defective budgeting, delay in submission of budget proposals, lack of control of expenditure, injudicious reappropriation of funds, non/belated surrenders, rush of expenditure, keeping of money in deposit accounts, etc.

(Paragraphs 2.1 to 2.4)

III Performance review of schemes/department

1. Implementation of Prevention of Food Adulteration Act

In 1954, Government of India enacted the Prevention of Food Adulteration (PFA) Act with the objectives of eradicating the menace of food adulteration, making available pure and wholesome food to the consumers and reducing the risk to the health of people due to adulteration.

The enforcement of the provisions of the PFA Act was very poor. Formal licences were not issued to shops and establishments. Sufficient funds were not made available with Food Inspectors for collection of the required number of samples. Analytical laboratories were ill-equipped and necessary equipment to carry out tests were not available. Posts of District Food Inspectors, Chief Food Inspectors and Analysts remained vacant for long periods.

Out of 37.44 lakh received from Government of India during 1995-2000 for purchase of machinery and equipment for laboratories, Rs 24.22 lakh remained unspent.

The posts of 14 District Food Inspectors and 3 Chief Food Inspectors had been vacant for the last six years.

No system of monitoring and issuing a formal licence to the shops and establishments was in vogue. Rupees 41.88 lakh was due to Government from Municipalities/Panchayats towards fees for analysis of food samples.

The recommendations of the Public Accounts Committee to form a separate department for implementation of PFA Act and of the State Finance Commission to revise the licence fees have not been implemented.

The capacity of Analytical Laboratories was underutilised to the extent of more than 50 per cent in three out of five years ending March 2000. The laboratories failed to acquire sophisticated equipment for analysis of modern food items.

Delays of one month to more than five years occurred in institution of prosecution cases.

(Paragraph 3.1)

2. Implementation of Environment Acts and Rules relating to Water Pollution

For Kerala, a State with a high population density, environmental pollution is a great hazard affecting the lives and living conditions of people. Kerala State Pollution Control Board (PCB) constituted in September 1974 is the agency entrusted with enforcement of statutory provisions for protection of environment, control of pollution and improvement in quality of water sources. The review revealed that enforcement of provisions of the Acts/Rules relating to water pollution by the PCB has not been effective due to several factors like reluctance to invoke the legal provisions of the Act, lack of monitoring and supervision, failure to conduct comprehensive surveys of polluting units in the State, absence of co-ordination between the Board and the licence granting authorities and lack of adequate manpower and laboratory facilities.

Due to failure of PCB to conduct comprehensive survey of industries in the State, only 2250 were identified as highly polluting and 1383 (61 per cent) brought under consent out of a total number of 2.17 lakh industries registered.

PCB failed to take effective follow-up action even in cases of complaints regarding discharge of untreated effluents, contamination of underground water, etc., received from public.

Huge shortfall in inspection of industrial units for monitoring effluent standards was noticed. Out of 418 Industrial units test checked the shortfall in prescribed inspections in respect of 179 units ranged from 79 to 82 per cent.

Due to insufficient monitoring of effluent treatment by industries as well as the PCB, Periyar river was polluted with high concentration of chemicals.

A general reluctance/disinclination to invoke statutory powers against the defaulting industries was noticed and only 67 cases were launched in 21 years.

Due to defective equipment and non-availability of essential equipment, laboratories could not analyse effluent samples for different parameters.

PCB's notices were ignored by Kerala Water Authority which continued to pollute River Killi and Parvathy Puthanar by discharging untreated sewage.

PCB's directive to Travancore Devaswom Board to install a treatment plant to prevent contamination of river Pamba during festival season was not complied with.

Travancore Titanium Products Limited functioning without consent of PCB from 1996, was discharging untreated effluent to sea causing degradation of sea water at Veli.

Assessment of manpower requirements of PCB has not been done so far.

(Paragraph 3.2)

3. Urban Employment Generation Programme

Government of India (GOI) has formulated various schemes aimed at alleviating poverty among urban and rural poor and the schemes now in implementation are Prime Minister's Rozgar Yojana (PMRY) and Swarna Jayanti Shahari Rozgar Yojana (SJSRY) which came into existence from October 1993 and December 1997 respectively. The earlier two schemes viz. Nehru Rozgar Yojana and Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP) were merged with SJSRY. The review revealed deficiencies in identification of urban poor, delay in release and short release of funds by State Government, administrative expenses in excess of prescribed limit and non-achievement of targets.

The identification of urban poor was flawed as income criterion was ignored.

Delay ranging upto 9 months was noticed in release of funds to Urban Local Bodies (ULBs) by State Poverty Eradication Mission and there was short provision of State share to the tune of Rs 1.05 crore under PMIUPEP.

Implementation of various programmes under SJSRY by 7 out of 15 ULBs was delayed by 6 to 20 months.

Non-contribution of municipal share of Rs 2.41 crore to Urban Poverty Alleviation Fund and unauthorised diversion of money from the Fund by ULBs to the tune of Rs 25.50 lakh was noticed.

The implementing authority failed to achieve the targets under PMRY, PMIUPEP and SJSRY.

Administrative expenses set apart by the State Urban Poverty Alleviation Cell was in excess of the prescribed limit by Rs 32.42 lakh.

(Paragraph 3.3)

4. Fishery Harbour Projects

Fishery harbour projects are intended to help fishermen obtain increased fish catch by providing safe landing facilities resulting in increase in number of fishing days.

Out of 8 projects taken up for execution between August 1981 and March 1995, five projects were completed with time overrun of 3 to 5 years and cost overrun of 11 to 49 per cent. The remaining 3 projects were delayed by 2 to 6 years with cost overrun of Rs 17.74 crore as of March 2000. Delay in completion and commissioning of 5 fishery harbours had resulted in loss of revenue amounting to Rs 11.58 crore towards user charges for the periods of delay. Projects with fictitious projections were undertaken without considering their financial viability and more Central assistance obtained.

Actual returns from completed projects were far less than the projections. Benefit-cost analysis of the projects could not be done as there was no system for collection of data about fish landings in the project sites.

Project fund of Rs 22.63 lakh received from GOI was diverted for construction of office building away from the project.

Premature dredging even before construction of breakwaters for Kayamkulam project resulted in infructuous expenditure of Rs 25.06 lakh.

(Paragraph 4.1)

5. Family Welfare Programme

The Family Welfare Programme is a 100 per cent Centrally sponsored scheme. A review of the implementation of the programme in the State during 1995-2000 revealed the following.

State Government did not take initiative to get reimbursement of Rs 5.30 crore admitted by GOI for the period 1986-87 to 1991-92 and also to claim Rs 133.61 crore due from GOI for the subsequent years 1992-93 to 1998-99.

GOI funds of Rs 1.35 crore released in January 1997 for giving interest free loans to Junior Public Health Nurses for purchase of mopeds remained unutilised as of August 2000.

Recurring grant of Rs 2.13 crore due from GOI for the period 1995-2000 relating to maintenance of post partum wards was not demanded by State Government.

Extra liability of State Government due to spending in excess of norms on drugs and dressings in connection with sterilisation during 1996-99 was Rs 2.53 crore.

Nearly 30 per cent of funds (Rs 5.99 crore) for Reproductive Child Health Programme remained unutilised with the State Committee on Voluntary Actions.

(Paragraph 3.12)

6. Working of the Kerala State Insurance Department

Kerala State Insurance Department, declared as "Commercial" in October 1979, is transacting insurance business relating to both life insurance and general insurance branches.

Financial results of the working of the department could not be evaluated due to non-preparation of pro forma accounts from 1991 onwards. Due to delay in issue of insurance policies by the district offices, insurance premia of Rs 1 crore for October 1997 to September 1999 due from new entrants to Government service could not be collected. Crop insurance business was not financially viable and caused loss of Rs 1.91 crore during 1994-95 to 1998-99. Non- renewal of policies led to non- collection of premia of Rs 26.80 lakh due from loanees of State financing institutions.

(Paragraph 6.2)

7. Working of Kerala State Cashew Workers Apex Industrial Co-operative Society (CAPEX)

CAPEX, Kollam, is an apex society of cashew workers for procurement, distribution and marketing of cashew and thus to provide employment to cashew workers. Scrutiny of the records of CAPEX revealed the following:

Shortfall in procurement of raw cashew nuts led to substantial reduction in generation of employment during 1996-99.

Post-tender decision for additional supplies of raw nuts during May-August 1997 resulted in procurement of inferior variety resulting in a loss of Rs 36.63 lakh.

Driage loss and godown shortage were in excess of norms involving a loss of Rs 0.82 crore.

Potential loss of revenue owing to low recovery of kernels worked out to Rs 4.49 crore.

(Paragraph 7.7)

8. Municipal Corporation of Thiruvananthapuram

Scrutiny of the records of the Municipal Corporation of Thiruvananthapuram (MCT) with reference to the implementation of Plan schemes revealed the following:

Government grants received by the Corporation during 1995-2000 aggregated to Rs 74.84 crore of which Rs 42.34 crore represented untied funds meant for *implementation of schemes under People's Plan Campaign. There was shortfall to the extent of 27 per cent in utilisation of tied funds.*

677 cheques for Rs 74.78 lakh drawn in June 1998 were issued only during July-August 1998 which meant that cheques were drawn in advance of requirement to project financial achievement and to obtain full release of first instalment of plan funds during 1998-99.

Release of third and fourth instalments of grants without ensuring the utilisation of earlier releases resulted in funds amounting to Rs 3.84 crore and Rs 3.32 crore remaining unutilised at the end of 1998-99 and 1999-2000 respectively.

Six slum improvement works costing Rs 1.51 crore entrusted in June 1998 to beneficiary committees were not completed as of February 2000 though advances of Rs 31.23 lakh were paid to the convenors in June 1998. Against the cost of Rs 2600 per latrine approved by MCT for the 'Urban Basic Service for the Poor Scheme' the average cost adopted by MCT for preparation of estimate under the scheme was Rs 19,547 which led to an excess expenditure of Rs 30.68 lakh.

The beautification and development of the area in front of Sree Padmanabha Swami Temple stipulated for completion by October 1998 at a cost of Rs 14.50 lakh had not been completed even by October 2000 though Rs 28.39 lakh had already been spent.

Tenders were not invited by MCT for purchase of 9 articles costing Rs 3.09 crore.

A refuse collector purchased at a cost of Rs 12.57 lakh in June 1996 for Solid Waste Management Project was used only for three days in May-June 1998 as the vehicle suffered from defects and was found not suitable for use on city roads.

(Paragraph 7.16)

IV Blocking of funds

(i) Release of funds of Rs 1.77 crore during 1997-2000 to the Palakkad Nelkrishi Vikasana Agency for development of paddy cultivation in Palakkad district without reference to actual requirement resulted in blocking of Government funds for over 3 years.

(Paragraph 3.4)

(ii) Failure of Government to acquire the full extent of land for establishment of Industrial Growth Centre in Mallappally taluk of Pathanamthitta district resulted in blocking of Government funds of Rs 2.41 crore for more than 2 years.

(Paragraph 3.18)

(iii) Failure to take over land by Revenue authorities even after 3 years of its acquisition for Vamanapuram Irrigation project resulted in blocking of funds to the tune of Rs 1.50 crore.

(Paragraph 3.22)

(iv) A lift irrigation scheme sanctioned by Government in May 1993 is still languishing consequent on failure of Superintending Engineer, MI Circle, Ernakulam to coordinate execution of various components of the scheme. SE took up only that portion of the work which mainly involved supply of pipes which led to idle investment of Rs 75.42 lakh.

(Paragraph 4.3)

(v) A new hull constructed at a cost of Rs 45.63 lakh in December 1998 by the Ports Department was lying in the open exposed to the vagaries of nature pending sanction for new engines. The supply of stores viz. two barges, a tug, diesel generator and electrical cranes for which orders were placed during March 1996 to March 1998 had not been completed (October 2000) though the firms were given stage payments of Rs 2.01 crore between March 1996 and March 1999.

(Paragraph 5.2)

(vi) Though 691 Grama Panchayats and 88 Block Panchayats paid Rs 7.79 crore to Director of Panchayats/Commissioner for Rural Development out of Plan funds for 1997-98 for purchase of photocopiers, the purchase had not materialised even as of October 2000 as Government had not finalised the purchase procedures.

(Paragraph 7.17)

(vii) Two schemes under power sector approved under the People's Plan Campaign during 1997-98 and 1998-99 by Kozhikode Zilla Panchayat had not been completed which led to blocking of plan funds amounting to Rs 3.36 crore with Kerala State Electricity Board.

(Paragraph 7.20)

V Non-achievement of objectives

(i) Despite release of Government subsidy and loan of Rs 3.12 crore to 18 coir cooperative societies in Kollam District, the scheme for establishment of motorised treadle ratts capable of producing superior yarn failed to achieve its objective.

(Paragraph 3.19)

(ii) The upgradation of the Centre for Taxation Studies into a full fledged State Institute of Public Finance did not materialise for the last four years though assistance of Rs 1 crore was made available in 1995-96.

(Paragraph 7.21)

VI Avoidable/Unfruitful/Infructuous/Wasteful expenditure

(i) Contrary to provisions in Kerala Education Rules, Government allowed functioning of 142 schools having less than 75 students, creating annual liability of Rs 3.67 crore.

(Paragraph 3.11)

(ii) Inadequate soil investigation and defects in estimate led to drastic changes in design and specification for foundation and superstructure of a regulator-cum-bridge during execution of the work, entailing avoidable expenditure of Rs 39.29 lakh.

(Paragraph 4.4)

(iii) Superintending Engineer, Roads and Bridges, Thiruvananthapuram arranged construction of a bridge work without conducting soil investigation and before finalising design, involving extra expenditure of Rs 1.12 crore.

(Paragraph 4.7)

(iv) Failure to properly evaluate firm's alternative proposal to execute a bridge work with its own design of pile foundation and to effect timely supply of material and payment of contractors dues led to avoidable financial commitment of Rs 1.24 crore.

(Paragraph 4.8)

(v) Irregularities in considering tenders necessitated repeat tender calls and caused avoidable additional financial commitment of Rs 62.90 lakh, apart from delaying execution of work on the water treatment plant for 'Varkala Water Supply Scheme' by more than 3 years.

(Paragraph 7.9)

(vi) Delay in execution of works on the source and lack of planning in execution of the other components in a time bound manner resulted in inordinate delay in completion of three water supply schemes in Kannur, Malappuram and Palakkad districts and unproductive expenditure of Rs 9.87 crore.

(Paragraph 7.12 to 7.14)

(vii) Substitution of premo pipes for AC pipes in Urban Water Supply Scheme to Manjeri Municipality resulted in extensive leak in joints of pipes leading to disruption in supply of water and avoidable extra expenditure of Rs 1.11 crore.

(Paragraph 7.15)

VII Unintended benefit to contractors/suppliers

(i) Major deviations and alterations from original agreed contract conditions in respect of the project 'Four-laning and strengthening of NH 47 from Aluva to Vytilla and Aroor to Cherthala' led to unintended benefit totalling Rs 2.64 crore to the contractor.

(Paragraph 4.5)

(ii) The price of cement and steel adopted in the tender document for the purpose of payment of escalation was lower than the rates considered for estimate purpose which resulted in undue monetary benefit of Rs 1.42 crore to the contractor.

(Paragraph 4.6)

(iii) A contractor who was responsible for slow progress and cancellation of original contract was given undue benefit by Government first by allowing re-entry to the work and then by allowing extra increase in rates on grounds of delay, for which the same contractor was responsible. The extra financial commitment due to entrustment of the balance work to the original contractor was Rs 47.58 lakh at tender stage.

(Paragraph 4.10)

VIII Fictitious purchase of cement and steel

The Divisional Officer, Karapuzha Irrigation Project purchased during 1994-96, 14437.25 tonnes of cement costing Rs 4.32 crore locally of which 12477.25 tonnes were purchased through two contractors disregarding Government orders. Scrutiny of the bills and the assessment records of the Sales Tax Department revealed that (i) the contractors were paid at the uniform rate less than the amount billed for (ii) the bills of different dealers contained identical mistakes (iii) payment was made on the basis of stock certificate though quantity and cost was not indicated in the bill (iv) bills produced included those of non-existent firms (v) values of sales purported to have been made to the division were not included in the turn-over for 1995-96 while filing the Sales Tax return by the dealers (vi) inflating of purchase accounts by dealers to account for bogus bills, etc. These would indicate that the departmental officers had made huge payments for fictitious purchase of cement and steel to the extent of Rs 2.52 crore.

(Paragraph 5.1)

IX Other topics of interest

(i) Advances aggregating to Rs 59 crore drawn through 747 Abstract Contingent bills by 31 Drawing and Disbursing Officers (DDOs) during 1989-2000 were pending adjustment as of March 2000. Adjustment bills for Rs 39.32 crore drawn by two DDOs (Principal Agricultural Officer, Kottayam – Rs 19.17 crore during 1992-99 and Text Book Officer – Rs 20.15 crore during 1990-2000) were not submitted or not even prepared.

(Paragraph 3.6)

(ii) Mistake in reckoning the date of effect of enhanced rate of certain allowances like HRA, CCA, etc., as a result of pay revision orders issued by Government in November 1998 resulted in excess payment of Rs 53.32 lakh to Government employees in 936 Offices.

(Paragraph 3.9)

(iii) Expenditure of Rs 83.98 crore incurred by the State Government on National Highways remained to be reimbursed by GOI.

(Paragraph 3.21)

(iv) Arrear pay and allowances of Rs 1.36 crore were paid in excess to 128 former Casual Labour Roll workers in two subdivisions under Minor Irrigation Division, Ernakulam disregarding the effective date ordered by Government for giving the monetary benefits.

(Paragraph 4.2)

(v) Transactions relating to the periods from 1968-69 were outstanding under 'Miscellaneous Works Advances'. Divisional Officers persisted with credit sales by debit to 'Miscellaneous Works Advances' in violation of Government Orders. The cost of materials issued on 'credit basis' by three Divisional Officers amounted to Rs 1.01 crore.

(Paragraph 4.15)

(vi) The construction of 750 houses for homeless scheduled tribe beneficiaries in Wayanad District taken up in 1997-98 under People's Plan Campaign was delayed inordinately though Rs 3.37 crore were made available to Kerala State Nirmithi Kendra in June 1998. As of June 2000, only 183 houses were completed and the balance of Rs 2.50 crore remained unutilised with the Kendra.

(Paragraph 7.18)

(vii) Two projects in Alappuzha Town approved by GOI in March 1993 for implementation under the Centrally Sponsored Scheme of Integrated Development of Small and Medium Towns had not been completed as of June 2000 though assistance twice the estimated cost of Rs 87.50 lakh of the projects was received by Alappuzha Municipality in March 1993/March 1998.

(Paragraph 7.19)

CHAPTER I

AN OVERVIEW OF THE FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

This chapter discusses the financial position of the State Government, based on the analysis of the information contained in the Finance Accounts. The analysis is based on the trends in the receipts and expenditure, the quality of expenditure and the financial management of the State Government. In addition, the chapter also contains a section on the analysis of indicators of financial performance of the Government, based on certain ratios and indices developed on the basis of the information contained in the Finance Accounts and other information furnished by the State Government. Some of the terms used in this chapter are described in Appendix I.

1.2 Financial position of the State

In the Government accounting system, comprehensive accounting of the fixed assets like land and buildings etc., owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred by the Government. *Exhibit I* gives an abstract of such liabilities and the assets as on 31 March 2000 compared with the corresponding position on 31 March 1999. While the liabilities in this statement consist mainly of internal borrowings, loans and advances from the Government of India, receipts from the Public Account, the assets comprise mainly the capital outlay, loans and advances given by the State Government and the cash balances. It would be seen from *Exhibit* I that while the liabilities grew by 25 *per cent*, the assets increased by only 7 *per cent* during 1999-2000, mainly as a result of high (53 *per cent*) growth in the deficit on the Government account. This shows a marked deterioration in the already worsening financial health of the Government.

EXHIBIT – I
SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF KERALA AS ON 31 MARCH 2000

(Rupees in crore)

As on 31 March 1999	Liabilities	As on 31 March 2000	
4424.36	Internal Debt		5164.24
3418.17	Market Loans bearing interest	3958.38	
0.85	Market Loans not bearing interest	0.72	
417.64	Loans from Life Insurance Corporation of India	580.93	
463.89	Loans from other Institutions	578.42	
123.81	Ways and Means Advances from Reserve Bank of India	45.79	
5648.14	Loans and Advances from Central Government		6474.16
303.56	Pre – 1984-85 Loans	273.46	
2363.89	Non-Plan Loans	2884.23	
2923.18	Loans for State Plan Schemes	3260.96	
16.31	Loans for Central Plan Schemes	15.39	
41.20	Loans for Centrally Sponsored Plan Schemes	40.12	
24.84	Contingency Fund		25.00
5627.78	Small Savings, Provident Funds, etc.		8537.66
25.12	Shortfall with Reserve Bank Deposits		128.65
1598.83	Deposits		1428.11
67.58	Reserve Funds		71.66
17416.65	**Total**		**21829.48**

As on 31 March 1999	Assets	As on 31 March 2000	
6709.48*	Gross Capital Outlay on Fixed Assets –		7357.66
1639.76	Investments in share of Companies, Corporation, etc.	1775.43	
5069.72	Other Capital Outlay	5582.23	
3126.82*	Loans and Advances –		3391.04
1197.73	Loans for Power Projects	1242.18	
1775.70	Other Development Loans	1946.47	
153.39	Loans to Government servants and Miscellaneous loans	202.39	
4.56	Reserve Fund Investments		4.56
2.49	Advances		2.82
355.15	Suspense and Miscellaneous Balances		256.75
353.19	Remittance Balances		324.12
23.09	Cash-		28.50
9.33	Cash in Treasuries and Local Remittances	15.04	
1.04	Departmental Cash Balance	0.73	
0.19	Permanent Advances	0.20	
12.53	Cash Balance Investments	12.53	
6841.87*	Deficit on Government Accounts –		10464.03
	(i) Revenue Deficit of the Current year	3624.21	
	(ii) Less: Miscellaneous Capital Receipts	2.05	
	Accumulated deficit upto March 1999	6841.87	
17416.65	**Total**		**21829.48**

* Figures appearing in the Report of 31 March 1999 changed due to *pro forma* corrections vide Serial No.5 of explanatory notes at page 5.

EXHIBIT II
ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 1999-2000

(Rupees in crore)

Receipts				Disbursements					
1998-99			1999-2000	1998-99					1999-2000
	Section – A: Revenue					**Non-Plan**	**Plan**	**Total**	
7198.12	1.Revenue Receipts		7941.75	9228.08	1. Revenue Expenditure	**9509.59**	**2056.37**	**11565.96**	**11565.96**
4649.56	Tax Revenue	5193.50		**3535.87**	**General Services**	**4972.86**	**4.19**	**4977.05**	
557.66	Non-Tax Revenue	530.72		**3349.16**	**Social Services**	**3433.12**	**773.25**	**4206.37**	
1382.30	State's share of Union Taxes and Duties	1535.22		1957.90	Education, Sports, Art and Culture	2460.58	148.91	2609.49	
90.77	Non-plan Grants	181.29		545.23	Health and Family Welfare	540.05	147.99	688.04	
214.98	Grants for State Plan Schemes	227.23		339.03	Water Supply, Sanitation, Housing and Urban Development	79.50	295.66	375.16	
246.40	Grants for Central Plan and Centrally Sponsored Plan Schemes	222.43		8.39	Information and Broadcasting	6.32	3.70	10.02	
56.45	Grants for special plan schemes	51.36		204.02	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	72.62	123.39	196.01	
				58.10	Labour and Labour Welfare	82.51	5.26	87.77	
				228.26	Social Welfare and Nutrition	180.46	48.34	228.80	
				8.23	Others	11.08	..	11.08	
				2292.87	**Economic Services:**	**1024.94**	**1278.93**	**2303.87**	
				697.89	Agriculture and allied activities	506.85	261.63	768.48	
				977.72	Rural Development	71.28	795.85	867.13	
				11.12	Special Areas Programmes		12.61	12.61	
				147.13	Irrigation and Flood control	83.35	68.74	152.09	
				21.79	Energy	0.04	1.24	1.28	
				133.66	Industry and Minerals	53.00	76.10	129.10	
				214.80	Transport	254.93	10.72	265.65	
				14.50	Science, Technology and Environment	3.70	11.74	15.44	
				74.26	General Economic Services	51.79	40.30	92.09	
				50.18	**Grants-in-aid and Contributions**	**78.67**	**..**	**78.67**	
2029.96	II. Revenue Deficit carried over to Section B		3624.21						
9228.08	**Total - Section A**		**11565.96**	**9228.08**					**11565.96**
	Section B:								
240.40	III. Opening Cash Balance including Permanent Advances and Cash Balance Investment		(-)2.03		III. Opening Overdraft from RBI				..
2.47	IV. Miscellaneous Capital Receipts		2.05	651.63	IV. Capital Outlay	**3.84**	**644.34**	**648.18**	**648.18**
				54.80	**General services:**	**3.72**	**43.55**	**47.27**	
				80.09	**Social Services:**	**(-) 0.42**	**66.36**	**65.94**	
				27.36	Education, Sports, Art and Culture		16.16	16.16	
				29.89	Health and Family Welfare		23.03	23.03	
				5.56	Water Supply, Sanitation, Housing and Urban Development	(-) 0.42	8.39	7.97	
				..	Information and Broadcasting	..	..	..	
				16.46	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	..	17.85	17.85	
				0.60	Social Welfare and Nutrition	..	0.85	0.85	
				..	Labour and Labour Welfare	..	..	..	
				0.22	Others	..	0.08	0.08	
				516.74	**Economic Services:**	**0.54**	**534.43**	**534.97**	
				47.00	Agriculture and allied activities	0.32	59.94	60.26	
				..	Rural Development	..	..	..	
				..	Special Areas Programmes	..	..	..	
				177.76	Irrigation and Flood control	..	169.57	169.57	
				0.18	Energy	..	..	..	
				79.88	Industry and Minerals	..	68.79	68.79	
				184.50	Transport	0.24	222.62	222.86	
				27.42	General Economic Services	(-) 0.02	13.51	13.49	

Receipts				Disbursements			
1998-99			1999-2000	1998-99			1999-2000
67.06	V. Recoveries of Loans and Advances		52.41	397.67	V. Loans and Advances Disbursed		316.6
	From Power Projects	..		124.65	For Power Projects	44.45	
24.40	From Government Servants	28.59		52.75	To Government Servants	77.59	
42.66	From Others	23.82		220.27	To Others	194.59	
	VI. Revenue Surplus brought Down		..	2029.96	VI. Revenue Deficit brought down		3624.2
1830.39	VII. Public Debt Receipts		2013.50	333.52	VII. Repayment of Public Debt		447.6
836.99	Internal Debt other than Ways and Means Advances and Overdraft	940.54		121.56	Internal Debt other than Ways and Means Advances and Overdraft	122.64	
123.81	Net transactions under Ways and Means Advances Including overdraft				Net transactions under Ways and Means Advances including overdraft	78.02*	
869.59	Loans and Advances from Central Government	1072.96		211.96	Repayment of Loans and Advances to Central Government	246.94	
	VIII. Appropriation from the Consolidated Fund		..		VIII. Appropriation to Contingency Fund		
0.32	IX. Amount transferred to Contingency Fund		0.16	0.16	IX. Expenditure from Contingency Fund		
14562.91	X. Public Account Receipts		20662.30	13292.64	X. Public Account Disbursements		17791.9
3415.55	Small Savings and Provident Funds	8768.99		3720.42	Small Savings and Provident Funds	5859.11	
65.38	Reserve Funds	69.65		63.96	Reserve Funds	65.57	
2958.51	Deposits and Advances	4065.44		4269.55	Deposits and Advances	4236.49	
1905.70	Suspense and Miscellaneous	4318.71		2354.30	Suspense and Miscellaneous	4220.31	
2458.16	Remittances	3439.51		2884.41	Remittances	3410.44	
	XI. Closing Overdraft from Reserve Bank of India		..	(-) 2.03	XI. Cash Balance at end		(-) 100.
				9.33	Cash in Treasuries and Local Remittances	15.04	
				(-) 25.12	Deposits with Reserve Bank	(-) 128.65	
				1.23	Departmental Cash Balance including Permanent Advances	0.93	
				12.53	Cash Balance Investment	12.53	
16703.55	Total – Section B		22728.39	16703.55	Total		22728.

* Represents receipts : Rs 3917.71 crore and disbursements: Rs 3995.73 crore

EXHIBIT III
SOURCES AND APPLICATION OF FUNDS

(Rupees in crore)

1998-99	Sources		1999-2000
7198.12	1. Revenue receipts		7941.75
67.06	2. Recoveries of Loans and Advances		52.41
1496.87	3. Increase in Public debt other than overdraft		1565.90
2.47	4. Miscellaneous Capital Receipts		2.05
1270.27	5. Net receipts from Public account		2870.38
1335.28	Increase in Small Savings & Provident Funds,etc	2909.88	
(-) 53.68	Decrease in Deposits and Advances	171.05	
4.11	Increase in Reserve Funds	4.08	
(-) 75.68	Add: Net effect of Suspense and Miscellaneous Transactions	98.40	
(-) 47.12	Add: Net effect of Remittance transactions	29.07	
0.16	6. Net effect of Contingency fund transactions		0.16
242.43	7. Decrease in closing cash balance		98.12
10277.38	Total		12530.77
	Application		
9228.08	1. Revenue expenditure		11565.96
397.67	2. Lending for development and other purposes		316.63
651.63	3. Capital expenditure		648.18
10277.38	Total		12530.77

Explanatory Notes for Exhibits I, II and III:

1. The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts.

2. Government accounts being mainly on cash basis, the deficit on Government account, as shown in *Exhibit I*, indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable, depreciation or variation in stock figures etc., do not figure in the accounts.

3. Suspense and Miscellaneous balances include cheques issued but not paid, payment made on behalf of the State and others pending settlement, etc.

4. There was a difference of Rs 212.79 lakh (net credit) between the figures reflected in the accounts and that intimated by the RBI under "Deposit with Reserve Bank". Only Rs 50 had been cleared (September 2000).

5. The amounts as on 31 March 1999 in respect of "Gross Capital Outlay", "Loans and Advances" and "Deficit on Government Account" shown in *Exhibit I* were at variance with those shown in last year's Report due to *pro forma* adjustments carried out in the progressive balances consequent on conversion of loan (Rs 26400000) granted to Thrissur Co-operative Spinning Mills into equity vide footnote (a) of Statement No.8 and decision (December 1999) to treat as grant-in-aid the amount of Rs 5770200 released to Oil Palm India Limited during 1994-95 and 1995-96 for establishment of Oil Palm Seed Garden at Thodupuzha by debit to capital expenditure vide footnote (O) of Statement No.13.

EXHIBIT IV
TIME SERIES DATA ON STATE GOVERNMENT FINANCES

(Rupees in crore)

	1995-96	1996-97	1997-98	1998-99	1999-2000
Part A. Receipts					
1. Revenue Receipts	**5424**	**6145**	**7118**	**7198**	**7942**
(i) Tax Revenue	*3383 (62)*	*3898 (63)*	*4501 (63)*	*4650 (65)*	*5194 (65)*
Taxes on Agricultural Income	26(01)	12(--)	21(--)	27(01)	14(--)
Taxes on Sales, Trade, etc.	2286(67)	2772(71)	3084(69)	3367(72)	3854(74)
State Excise	449(13)	419(11)	544(12)	530(11)	591(11)
Taxes on Vehicles	223(07)	248(06)	302(07)	323(07)	381(07)
Stamps and Registration fees	354(10)	360(09)	331(07)	301(07)	280(06)
Land Revenue	24(01)	22(01)	24(01)	33(01)	35(01)
Other Taxes	21(01)	65(02)	195(04)	69(01)	39(01)
(ii) Non Tax Revenue	*535(10)*	*514(08)*	*552(08)*	*558(08)*	*531(07)*
(iii) State's share in Union taxes and duties	*1037(19)*	*1243(20)*	*1272(18)*	*1382(19)*	*1535(19)*
(iv) Grants in aid from GOI	*469(09)*	*490(09)*	*793 (11)*	*608(08)*	*682(09)*
2. Miscellaneous Capital Receipts	..	..	06	02	02
3. Total revenue and Non debt capital receipts (1+2)	5424	6145	7124	7200	7944
4. Recovery of Loans and Advances	32	64	36	67	53
5. Public Debt Receipts	**1083**	**1050**	**1242**	**1830**	**2014**
Internal Debt (excluding Ways & Means Advances and Overdraft)	428	510	675	837	941
Net transactions under Ways and Means Advances and Overdraft	..	..	..	124	..
Loans and advances from Government of India[@]	655	540	567	869	1073
6. Total receipts in the Consolidated Fund (3+4+5)	**6539**	**7259**	**8402**	**9097**	**10011**
7. Contingency Fund Receipts[Δ]	(-) 9.80	(-) 22.78	35.28	(-) 24.68	0.16
8. Public Account receipts	7483	8425	10803	14563	20662
9. Total receipts of State (6+7+8)	**14013**	**15662**	**19240**	**23636**	**30673**
Part B. Expenditure/Disbursement					
10. Revenue Expenditure	**5826 (86)**	**6788 (88)**	**8241(86)**	**9228 (90)**	**11566(92)**
Plan	*920(16)*	*1233(18)*	*1787(22)*	*2111 (23)*	*2056(18)*
Non Plan	*4906(84)*	*5555(82)*	*6454 (78)*	*7117(77)*	*9510 (82)*
General Services (incl. Interest payment)	2339(40)	2624(39)	3081 (37)	3536 (38)	4977(43)
Social Services	2311(40)	2691(40)	3083 (37)	3349(36)	4206(36)
Economic Services	1101(19)	1357(20)	1948 (24)	2293(25)	2304(20)
Grants-in-aid and Contributions	75(01)	116(01)	129(02)	50(01)	79(01)
11. Capital Expenditure	**563 (09)**	**623 (08)**	**739 (08)**	**652 (06)**	**648 (05)**
Plan	*561(99)*	*625(100)*	*750(101)*	*661(101)*	*644(99)*
Non Plan	*02(01)*	*(-) 02(--)*	*(-) 11(-1)*	*(-) 09(-1)*	*04(01)*
General Services	23(04)	32(05)	54(07)	55(09)	47(07)
Social Services	69(12)	84(14)	79(11)	80(12)	66(10)
Economic Services	471(84)	507(81)	606(82)	517(79)	535(83)
12. Disbursement of Loans and Advances	**368(05)**	**341(04)**	**588(06)**	**397(04)**	**317(03)**
13. Total (10+11+12)	**6757**	**7752**	**9568**	**10277**	**12531**

[@] Includes Ways and Means Advances from GOI

[Δ] Minus figures due to lapsing of Ordinances which were issued in the previous financial year to augment the corpus

	1995-96	1996-97	1997-98	1998-99	1999-2000
14. Repayment of Public Debt	**164 (2)**	**191 (2)**	**249 (3)**	**334 (3)**	**448 (3)**
Internal Debt (excluding Ways and Means Advances and Overdrafts)	21	25	60	122	123
Net transactions under Ways and Means Advances and Overdrafts	..	..	..	..	78
Loans and Advances from Government of India[@]	143	166	189	212	247
15. Appropriation to Contingency Fund [Δ]	**(-) 10**	**(-) 25**	**25**	**(-) 25**	..
16. Total disbursement out of Consolidated Fund (13+14+15)	**6911**	**7918**	**9842**	**10586**	**12979**
17. Contingency Fund disbursements	**2.22**	**10.28**	**0.32**	**0.16**	..
18. Public Account disbursements	**7032**	**7712**	**9683**	**13293**	**17792**
19. Total disbursement by the State (16+17+18)	**13945**	**15640**	**19525**	**23879**	**30771**
Part C. Deficits					
20. Revenue Deficit (1-10)	**403**[#]	**643**	**1123**	**2030**	**3624**
21. Fiscal Deficit (3+4-13)	**1303**[#]	**1542**[#]	**2408**	**3010**	**4534**
22. Primary Deficit (21-23)	**378**[#]	**439**	**1122**	**1564**	**2582**
Part D. Other data					
23. Interest Payments (included in revenue expenditure)	**924**	**1103**	**1286**	**1446**	**1952**
24. Arrears of Revenue[✧] (Percentage of Tax & non -Tax Revenue Receipts)	122 (3)	253 (6)	477 (9)	463 (9)	578 (10)
25. Financial Assistance to local bodies, etc.	1537	1994	3013	3158	3404
26. Ways & Means Advances/Overdrafts availed (days)	Nil	7	41	207	289
27. Interest on WMA/Overdraft	Nil	0.13	0.31	2.34	5.74
28. Gross State Domestic Product (GSDP)	38762*	44460*	49484*	56436*	64792*
29. Outstanding Debt (year end)	6725	7583	8576	10073	11638
30. Outstanding guarantees (year end)	2082	1949	4091[$]	5113	7952
31. Maximum amount guaranteed (year end)	5167	5868	6657	9078	11432
32. Number of incomplete projects			43	34	55
33. Capital blocked in incomplete projects			1332	1252	1603

Note: Figures in brackets represents percentages (rounded) to total of each sub-heading.

[@] Includes Ways and Means Advances from GOI.

[Δ] Minus figures due to lapsing of Ordinances which were issued in the previous financial year to augment the corpus.

[#] These figures and those worked out according to the formulae indicated differ due to rounding off.

[✧] Source: Paragraph 1.4 of Audit Report (Revenue Receipts) of respective years.

[*] GSDP calculated taking 1993-94 as the base year. Figures for 1995-96 to 1998-99 differ from those in the previous Report, based on the revised figures intimated (November 2000) by the Director of Economic and Statistics. The figures for 1998-99 are provisional and for 1999-2000 quick estimates.

[$] The figure will differ from Finance Accounts figure, as Rs 799 crore related to 1997-98 could not be included in accounts for want of details.

1.3 Financial operations of the State Government

***1.3.1**. Exhibit II* gives the details of the receipts and disbursements made by the State Government. The Revenue expenditure (Rs 11565.96 crore) during the year outstripped the revenue receipts (Rs 7941.75 crore) resulting in a revenue deficit of Rs 3624.21 crore. The Revenue receipts comprised tax revenue (Rs 5193.50 crore), non-tax revenue (Rs 530.72 crore), State's share of Union taxes and duties (Rs 1535.22 crore) and grants-in-aid from the Central Government (Rs 682.31 crore). The major constituents of tax revenue were Sales Tax (74 *per cent*), State Excise (11 *per cent*) and Taxes on Vehicles (7 *per cent*). The main source of non-tax revenue continued to be 'State Lotteries' (19 *per cent*) and 'Forestry' (21 *per cent*).

1.3.2 The capital receipts comprised mainly receipts from public debt (Rs 5931.21 crore). Most of the expenditure on capital account was on repayment of public debt (Rs 4365.31 crore). Expenditure on capital outlay and disbursement of loans and advances were Rs 648.18 crore and Rs 316.63 crore respectively. The gross receipts and disbursements in the Public Account were Rs 20662.30 crore and Rs 17791.92 crore respectively. The net effect of the transactions in the Consolidated Fund, Contingency Fund and Public Account was a further erosion of the cash balance from *minus* Rs 2.03 crore to *minus* Rs 100.15 crore at the end of the year.

1.3.3 The financial operations of the State Government pertaining to its receipts and expenditure are discussed in the following paragraphs, with reference to the information contained in *Exhibit II* and the time series data for the five years period from 1995-96 to 1999-2000, presented in *Exhibit IV*.

1.4 Sources and application of funds

1.4.1 *Exhibit III* gives the position of sources and applications of funds during the current and the preceding year. The main sources of funds include the revenue receipts of the Government, capital receipts like recoveries of the loans and advances, public debt and the receipts in the Public Account. These were applied mainly on revenue and capital expenditure and the lending for developmental purposes. Revenue receipts constituted the most important source of fund for the State Government. However, its share decreased from 70.04 *per cent* of total receipts of Government in 1998-99 to 63.38 *per cent* during 1999-2000. The net receipts from the Public Account went up from 12.36 *per cent* in 1998-99 to 22.91 *per cent* in 1999-2000 mainly due to increase in Small Savings, Provident Funds, etc. and in deposits and advances. The share of public debt in total receipts decreased from 14.56 *per cent* to 12.50 *per cent.*

1.4.2 The application of funds was mainly on revenue expenditure which increased to 92.30 *per cent* from 89.79 *per cent* in 1998-99 and outpaced the share of revenues earned (63.38 *per cent*) by the State Government. This mismatch led to the revenue deficit. Capital expenditure declined during the year from the level of the previous year and its share slipped from 6.34 *per cent* to 5.17 *per cent* of total expenditure. Lending for development purposes decreased from 3.87 *per cent* of total expenditure in 1998-99 to 2.53 *per cent*. As a result assets grew by 7 *per cent* during the year compared to 9 *per cent* in the previous year. Evidently, asset formation was affected due to high growth in revenue expenditure during 1999-2000.

1.5 Revenue Receipts

1.5.1 The revenue receipts consist mainly of tax and non-tax revenues and receipts from Government of India (GOI). While the growth in revenue receipts at an average annual rate of 15 *per cent* during 1995-96 to 1997-98, it decelerated to only one *per cent* in 1998-99. During 1999-2000 it grew at 10 *per cent* compared to the rate of growth in 1998-99 but it still lagged far behind the growth rates of 1995-98. The relative shares of the three main components of revenue receipts during 1999-2000 are shown in the figure – I.

Figure 1
Revenue Receipts (Rupees in crore)

1.5.2 Tax Revenue

These constituted the major share (65 *per cent*) of the revenue receipts. During 1999-2000, the rate of growth of tax revenue was 12 *per cent* compared to growth of 3 *per cent* in the previous year and that of 15 *per cent* each during 1996-97 and 1997-98. The improvement in tax collection during 1999-2000 was attributable mainly to increase in Sales Tax (14 *per cent*), State Excise (12 *per cent*) and Taxes on Vehicles (18 *per cent*).

1.5.3 Non-tax Revenue

The share of non-tax revenue in the total revenues was low at 7 *per cent*. Even the low share declined from 10 *per cent* in 1995-96 to 7 *per cent* during 1999-2000.

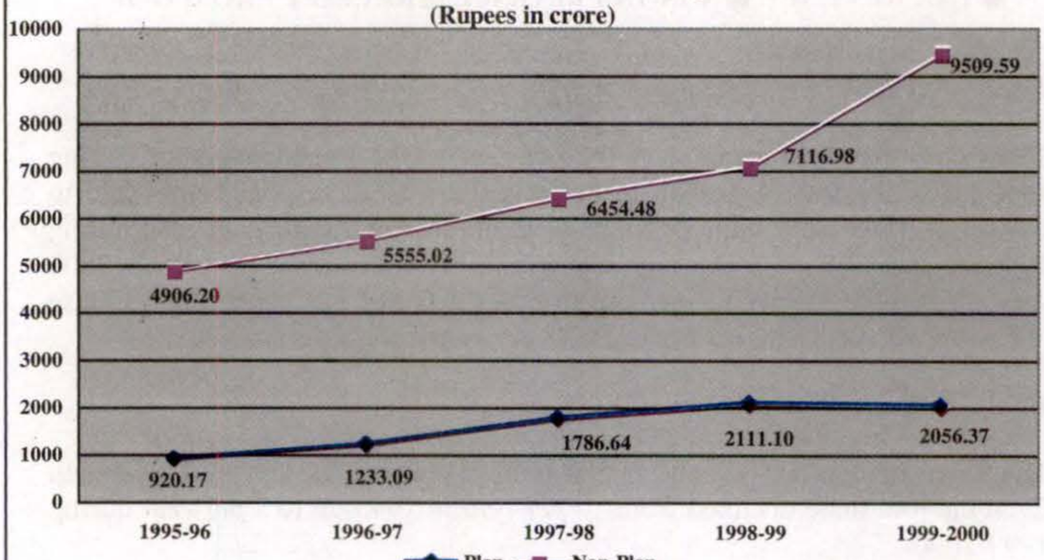
1.5.4 State's share of Union taxes and duties and grants-in-aid from the Central Government

The State's share of Union taxes (excise duties and income tax) and the grants-in-aid from the Central Government increased by 11 *per cent* and 12 *per cent* respectively during the year. Share of receipts from Government of India marginally increased to 28 *per cent* in 1999-2000 compared to 27 *per cent* in 1998-99.

1.6 Revenue expenditure

1.6.1 Revenue expenditure accounted for most (92 *per cent*) of total expenditure[@] of the State Government and increased steeply by 25 *per cent* during 1999-2000. The increase was mainly on account of Interest Payments (Rs 506 crore) and on Pension and Other Retirement Benefits (Rs 654 crore) under 'General Services' and for General Education (Rs 617 crore) under 'Social Services'. The steep increase under 'General Education' was attributable to increased payment of teaching grants (Rs 376 crore) to non-Government primary/secondary schools. Of the revenue expenditure the share of Plan expenditure declined to 18 *per cent* in 1999-2000 from 23 *per cent* in the previous year. The Non-Plan expenditure, however, increased sharply by 34 *per cent* during this year. The growth in Non-plan expenditure increased significantly by 94 *per cent* during 1995-2000. Of the Non-Plan revenue expenditure, salaries constituted 28 *per cent* (approximately Rs 2670[*] crore) and interest payments 21 *per cent* (Rs 1952 crore) during 1999-2000.

Figure 2
Growth of Plan and Non-Plan Revenue Expenditure
(Rupees in crore)



[@] Total expenditure represents total of Revenue and Capital expenditure (including loans and advances).

[*] Based on the compilation of the salary expenditure from the Treasury Vouchers by Accountant General (A&E).

1.6.2 Sector-wise analysis shows that the share of 'Economic Services' declined to 20 *per cent* from 25 *per cent* in 1998-99 whereas that of General Services increased to 43 *per cent* from 38 *per cent* in 1998-99 mainly due to less expenditure on other Rural Development Programmes and Rural Employment and more expenditure towards Pension and Retirement payments and interest payments. Expenditure on Social Services stood at 36 *per cent* as in the previous year. The proportion of expenditure on Social Services ranged from 36 *per cent* to 40 *per cent* and that of Economic Services from 19 *per cent* to 25 *per cent* during the five years ended March 2000.

1.6.3 Interest payments

Interest payments increased steeply by 111 *per cent* from Rs 924 crore in 1995-96 to Rs 1952 crore in 1999-2000. While the interest burden grew at an average annual rate of 15 *per cent* in the four years up to 1998-99, it shot up by 35 *per cent* in 1999-2000 compared to the rate of growth of 12 *per cent* in 1998-99. The interest outgo on Small Savings, Provident Funds, etc. and Internal Debt went up by 161 *per cent* and 132 *per cent* respectively during the period *vide* table below:

	1995-96	1999-2000	Growth and its percentage in brackets
	(Rupees in crore)		
Small Savings, Provident Funds, etc.	252.36	659.27	406.91 (161)
Internal Debt	253.64	589.23	335.59 (132)

The huge increase in interest payment affected the share of other expenditure. Implication of rising interest payment is discussed in the section on financial indicators *vide* sub para 1.11.3 (ii).

1.6.4 Financial assistance to local bodies and other institutions

Based on the information provided by the State Government, the quantum of assistance provided to different local bodies etc., during the period of four years ending 1999-2000 was as follows:

(Rupees in crore)

Sl. No.	Name of institution/groups	1996-97	1997-98	1998-99	1999-2000
1	Educational institutions (Aided schools, Private colleges, Universities, etc).	984.07	1058.58	1195.01	1603.88
2	Panchayat Raj Institutions	412.38	982.03	1135.51	1021.14
3	Municipalities, Corporations, etc	117.24	165.13	174.27	165.94
4	Development Agencies	36.19	33.60	34.42	37.40
5	Hospitals, Charitable institutions, etc	8.07	7.07	5.30	20.32
6	Other institutions	436.37	766.88	613.75	565.27
7	Total assistance paid	**1994.32**	**3013.29#**	**3158.26**	**3413.97**
8	Percentage of growth over previous year	30	51	5	8
9	Assistance as a percentage of revenue expenditure	29	31	34	29

Figures relating to periods since 1997-98 included loan assistance also.

The increased quantum of assistance provided during the year was mainly accounted for by the significant increase in assistance to Educational institutions while that for the Panchayat Raj institutions declined.

1.6.5 Loans and Advances by the State Government

The Government gives loans and advances to Government companies, corporations, local bodies, autonomous bodies, cooperatives, non-Government institutions, etc, for developmental and non-developmental activities. The statistical information relating to loans given by the State Government for the last five years as given below indicated that problems of poor return and failure to obtain repayments were not addressed at all and such a slack administration of loans was one of the main reasons for fiscal stress of the Government.

(Rupees in crore)

	1995-96	1996-97	1997-98	1998-99	1999-2000
Opening balance	1637*	1973	2249*	2799*	3127*
Amount advanced during the year	368	341	588	397	317
Amount repaid during the year	32	64	36	67	53@
Closing balance	1973	2250	2801	3129	3391
Net addition	336	277	552	330	264
Interest received	47	17	18	47	20

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

@ Higher rounding

During 1995-2000 the net addition ranged between Rs 264 crore and Rs 552 crore and loan repayment remained insignificant as in the previous years.

In respect of loans and advances the detailed accounts of which are maintained by Accountant General (A&E), recovery of Rs 1306 crore (principal: Rs 474 crore and interest: Rs 832 crore) was in arrears as on 31 March 2000 from the loanee institutions. The major defaulters were (i) Kerala State Electricity Board[$] (Rs 866 crore) (ii) Kerala State Road Transport Corporation (Rs 83 crore) and (iii) Kerala Water Authority (Rs 325 crore). The overdue arrears in repayment of loan and interest relating to local bodies and development authorities amounted to Rs 21 crore (Principal: Rs 10 crore, interest: Rs 11 crore). As the terms and conditions of repayment of loans amounting to Rs 887.30 crore given to Kerala State Electricity Board, Kerala State Road Transport Corporation and Kerala Water Authority were not prescribed by Government, the arrears could not be ascertained. Earliest of such loans for which terms and conditions were not prescribed as of March 2000 pertained to 1990-91.

[$] Government ordered (September 1998) conversion of loan (Rs 1025 crore) outstanding as on 31 March 1998 and interest (Rs 528 crore) outstanding as on 31 March 1997 as equity, the accounts adjustment of which has not been carried out for want of information.

Information furnished by the departments of Agriculture, Ports, Housing, Food and Industries revealed that outstanding loans pending recovery was Rs 480.19 crore (principal: Rs 184.13 crore, interest: Rs 296.06 crore) as on 31 March 2000. This amount however represents only part of the arrears. Out of 40 departmental officers, who are to maintain the detailed accounts for loans, 25 departmental officers did not furnish the details of overdue arrears (October 2000).

1.7 Capital expenditure

1.7.1 Capital expenditure leads to asset creation. In addition, financial assets arise from moneys invested in institutions or undertakings outside Government i.e. public sector undertakings (PSUs), corporations, etc and loans and advances.

1.7.2 However, the share of capital expenditure was less than 10 *per cent* of Government expenditure and declined sharply from 9 *per cent* in 1995-96 to 5 *per cent* in 1999-2000. During 1995-96 to 1997-98, there was an average annual growth rate of 18 *per cent* in capital expenditure. But the growth rate decelerated in 1998-99 by 12 *per cent* and by 0.5 *per cent* in 1999-2000 compared to the expenditure of respective previous years. The low capital expenditure has adverse implications for the State's finances in the long run. This has been further discussed in Para 1.11.

1.8 Quality of Expenditure

1.8.1 Government spends money for different activities ranging from maintenance of law and order and regulatory functions to various developmental activities. Government expenditure is broadly classified into Plan and Non-plan and Revenue and Capital. While the Plan and Capital expenditure are usually associated with asset creation, the Non-plan and Revenue expenditure are identified with expenditure on establishment, maintenance and services. By definition, therefore, in general, the Plan and Capital expenditure can be viewed as contribution to the quality of expenditure.

1.8.2 Wasteful public expenditure, diversions of funds and funds blocked in incomplete projects impinge negatively on the quality of expenditure. Similarly, funds transferred to Deposit heads in the Public Account, after booking them as expenditure, can also to be considered as a negative factor in judging the quality of expenditure. As the expenditure was not actually incurred in the concerned year it should be excluded from the figures of expenditure for that year. Another possible indicator is the increase in the expenditure on General services, to the detriment of Economic and Social Services. The following table depicts the trend in these indicators:

	1995-96	1996-97	1997-98	1998-99	1999-2000
1. Of the total Revenue expenditure					
Plan expenditure (*per cent*)	16	18	22	23	18
Non-Plan expenditure (*per cent*)	84	82	78	77	82
2. Of the total Capital expenditure					
Plan expenditure (*per cent*)	99	100*	101*	101*	99
Non-Plan expenditure (*per cent*)	1	--	(-)1	(-)1	1
3. Capital expenditure as a percentage of total expenditure$	9	8	8	6	5
4. Expenditure on General services (*per cent*)					
Revenue	40	39	37	38	43
Capital	4	5	7	8	7
5. Wasteful expenditure and diversion of funds detected during test audit (Rs in crore)	36	39	217	553	275
6. Unremunerative expenditure on incomplete projects (Rs in crore)		N.A.	1332	1252	1603
7. Unspent balances under deposit heads (including treasury public account), booked as expenditure at the time of their transfer to the deposit head (Rs in crore)		487	449	268	232#

It would be evident from the above table that there were continuous low outlay for asset creation. Besides, huge wastages and diversion of funds and unremunerative expenditure on incomplete projects during 1997-2000 as well as transfer of unspent balances under Deposit heads contributed to decline in the quality of expenditure during 1996-2000.

1.8.3 The decline in the quality of expenditure has also to be seen in the context of failure to provide for known liabilities in the Budget. The arrears in payment of contractors' bills is a case in point. The liability on contractors' pending bills, accumulated from 1995-96 onwards, amounted to Rs 645 crore[@] as of March 2000. Similarly, the liability towards subsidy payable to Kerala State Electricity Board (Rs 841.58[θ] crore) for ensuring Rate of Return of 3 *per cent* during the four years 1995-99, has also been left out.

1.9 Financial Management

The issue of financial management in the Government should relate to efficiency, economy and effectiveness of its revenue and expenditure operations. Subsequent chapters of this report deal extensively with these issues especially as they relate to the expenditure management in the

$ Total expenditure represents total of Revenue and Capital expenditure (including loans and advances).

* Percentage of more than 100 was due to adjustment of minus expenditure in non-plan

Rs 213 crore being balance under PD Account and Rs 19 crore shown in Appendix I of Appropriation Accounts 1999-2000.

@ Roads and Bridges: Rs 528 crore, Buildings and Local Works: Rs 64.27 crore and Irrigation: Rs 52.45 crore.

θ For 1995-96: Rs 40.51 crore; 1996-97: Rs 259.76 crore; 1997-98: Rs 289.68 crore and 1998-99 (Provisional); Rs 251.63 crore.

Government, based on the findings of the test audit. Some other parameters, which can be segregated from the accounts and other related financial information of the Government, are discussed in this section.

1.9.1 Investment and return

Investments are made out of the capital outlay by the Government to promote developmental, manufacturing, marketing and social activities. The sector-wise details of investments made and the number of concerns involved were as under:

(Rupees in crore)

Sector	Number of concerns	Amount invested		Return (percentage)
		As on 31 March 2000	During 1999-2000	
(1) Statutory Corporations	4	287.16	21.50	..
(2) Government Companies	96	1097.61	66.69	8.38 (0.8)
(3) Joint Stock Companies	32	7.09	..	0.62 (8.7)
(4) Co-operative Institutions	@	382.94	46.98	0.95 (0.3)
Total		**1774.80**	**135.17**	9.95 (0.56)

The returns realised during the last five years by way of dividend and interest were shown below:

(Rupees in crore)

Year	Investment at the end of the year	Return	Percentage of return	Rate of interest on Government borrowing (%)
1995-96	1111.28	5.78	0.52	14.00
1996-97	1266.21	3.90	0.31	13.85 and 13.75
1997-98	1464.23	5.89	0.40	13.05 and 12.30
1998-99	1639.63*	7.08	0.43	12.15 and 12.50
1999-2000	1774.80*	9.95	0.56	11.85 and 12.25

The above table shows that while the Government was borrowing at a high cost from the market, its investments in PSUs etc., yielded negligible returns. As per the accounts rendered for various period from 1988-89 to 1999-2000, 2 Statutory Corporations and 57 Government companies (out of 4 Statutory Corporations and 96 Government Companies) in which Government invested Rs 635.82 crore as of March 2000, were working under loss and the accumulated loss was Rs 1458.45 crore vide Appendix II.

@ Information not available

* Excludes Rs 0.63 crore being expenditure (Rs 0.13 crore in 1998-99 and Rs 0.50 crore in 1999-2000) incurred on infrastructure developments for Kannur Airport

1.9.2 Financial results of irrigation works

The financial results of eight irrigation projects with a cumulative outlay of Rs 119.90 crore at the end of March 2000 showed that revenue realised from these projects during 1999-2000 (Rs 1.37 crore) was only 1.14 per cent of total outlay. After reckoning the working and maintenance expenditure (Rs 4.20 crore) and interest charges (Rs 15.11 crore), the schemes suffered a net loss of Rs 17.94 crore (14.96 per cent on cumulative expenditure).

1.9.3 Incomplete Projects

As of 31 March 2000 there were 55 incomplete projects/works involving Rs 1603 crore including 7 major irrigation projects. The delay in completion of these projects ranged from 1 to 25 years. Out of these, three projects (Kallada, Pazhassi and Kanhirapuzha Irrigation Projects) are languishing since 1961. This showed that the Government was spreading its resources thinly and failed to chalk out a time bound programme to complete the long pending projects.

1.9.4 Arrears of revenue

The arrears of revenue pending collection as on 31 March 2000 based on information furnished by the Departments of Factories and Boilers, Power, Local Fund Audit and Stationery was Rs 577.97crore. The major revenue earning departments like Sales Tax and Excise Departments did not furnish the information of uncollected revenues for the current year. Though these departments had not furnished the arrears of revenue even for the last year's Audit Report, an audit review revealed that arrears of Sales Tax and Agricultural Income Tax pending collection as on 31 March 1999 amounted to Rs 1107 crore and Rs 71 crore respectively.

1.9.5 Ways and means advances and overdraft

Under an agreement with the Reserve Bank of India, the State Government had to maintain with the Bank a minimum daily cash balance of Rs 166 lakh on all days. If the balance fell below the agreed minimum on any day, the deficiency had to be made good by taking ways and means advances (WMA)/overdraft (OD) from the Bank. In addition, special ways and means advances are also made by the Bank whenever necessary. Recourse to WMA/OD means a mismatch between the receipts and expenditure of the Government, and reflects adversely on the financial management in Government.

During 1999-2000 Government availed ways and means advances for 204 days and overdraft on 85 days as against 174 days and 33 days respectively in 1998-99. Overdraft availed on 8 November 1999 alone was Rs 190.36 crore. At the end of fiscal 1999-2000, ways and means advances amounting to Rs 45.79 crore were outstanding. The increased ways and means advances and overdraft, also imposed on the State a correspondingly larger interest burden of Rs 5.74 crore during the year.

1.9.6 Deficit

1.9.6.1 Deficits in Government account is the gap between the receipts and payments. The nature of deficit is an important indicator of the prudence of financial management in the Government. Further, the ways of financing the deficit and the application of the funds raised in this manner, are important pointers of the fiscal prudence of the Government. The discussion in this section relates to three concepts of deficit viz., Revenue Deficit, Fiscal Deficit and Primary Deficit.

1.9.6.2 The Revenue Deficit (RD) is the excess of revenue expenditure over revenue receipts. The Fiscal Deficit (FD) is the excess of revenue and capital expenditure (including net loans given) over the revenue receipts (including grants-in-aid received). Primary Deficit (PD) is Fiscal Deficit less interest payments. Revenue Deficit increased steeply by 79 *per cent* during 1999-2000 from that of previous year. *Exhibit V* gives a break-up of the deficit in Government account and how these were financed:

EXHIBIT V

OVER-ALL FINANCIAL TRANSACTIONS OF GOVERNMENT

(Rupees in crore)

CONSOLIDATED FUND				
Receipt	Amount		Disbursement	Amount
Revenue	7941.75	Revenue Deficit: 3624.21	Revenue	11565.96
Miscellaneous capital receipts	2.05		Capital	648.18
Recovery of loans & advances	52.41		Loans & advances disbursement	316.63
Sub Total	7996.21	Gross fiscal Deficit: 4534.56	Sub Total	12530.77
Public debt	2013.50		Public debt repayment	447.60
Total	10009.71	**A: Deficit in Consolidated Fund: 2968.66**	Total	12978.37
CONTINGENCY FUND				
Amount transferred to Contingency Fund	0.16	**B: Surplus in Contingency Fund: 0.16**	Expenditure from Contingency Fund	--
PUBLIC ACCOUNT				
Small savings, Provident Funds, etc	8768.99		Small savings, Provident Funds, etc	5859.11
Deposits & advances	4065.44		Deposits & advances	4236.49
Reserve funds	69.65		Reserve funds	65.57
Suspense & miscellaneous	4318.71		Suspense & miscellaneous	4220.31
Remittances	3439.51		Remittances	3410.44
Total Public Account	20662.30	**C: Deficit in Consolidated Fund financed by Public Account: 2870.38**	Total Public Account	17791.92
Decrease in cash balance [A-(B+C)] = 98.12				

The exhibit shows that the Revenue Deficit of Rs 3624 crore was met by borrowings and net receipt of Public Account. The Fiscal Deficit of Rs 4534 crore was financed mainly by the surplus from Public Account (Rs 2870 crore) and partly by net proceeds of the public debt (Rs 1566 crore). *Exhibit IV* shows that both the deficits increased more steeply during 1997-98 to 1999-2000 compared to previous years.

1.9.6.3 Application of the borrowed funds (Fiscal Deficit)

The fiscal deficit represents total net borrowings of the Government. These borrowings are applied for meeting the Revenue Deficit (RD), for making the Capital Expenditure (CE) and for giving loans to various bodies for developmental and other purposes. The relative proportions of these applications would indicate the financial prudence of the State Government and also the sustainability of its operations because continued borrowing for revenue expenditure would not be sustainable in the long run. The following table shows the position in respect of the Government of Kerala for the last five years.

Ratio	1995-96	1996-97	1997-98	1998-99	1999-2000
RD/FD	0.31	0.42	0.47	0.67	0.80
CE/FD	0.43	0.40	0.30	0.22	0.14
Net loans/FD	0.26	0.18	0.23	0.11	0.06
Total	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**

The table would show that borrowed funds are being used increasingly to meet the revenue expenditure reaching an all time high of 80 *per cent* in 1999-2000. Consequently, there was little left to invest in capital expenditure. The application of most of the borrowings to revenue expenditure and lack of emphasis on capital formation indicates a situation of fiscal stress marked by deficit induced borrowings, heavy interest outgo, low capital investment and higher indebtedness.

1.9.7 Guarantees given by the State Government

Guarantees are given by the State Government for due discharge of certain liabilities like repayment of loans, share capital, etc., raised by the statutory corporations, Government companies and cooperative institutions. etc., and payment of interest and dividend by them. They constitute contingent liability of the State. No law under Article 293 of the Constitution 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.

Exhibit-IV shows the amounts of guarantees outstanding at the end of each year during 1995-2000. There was a significant increase in the amount of outstanding guarantees from Rs 5113 crore at the end of 1998-99 to Rs 7952 crore for 1999-2000 mainly due to guarantees given to Statutory Corporations and Boards by Rs 1482 crore (Kerala State Electricity Board – Rs 919 crore, Kerala State Road Transport Corporation – Rs 100 crore, Kerala State Housing Board – Rs 160 crore) and Government Companies

(Rs 1158 crore). While Rs 24.68[1] crore were received as guarantee commission during the year, Rs 56.55 crore of guarantee commission were outstanding recovery in 51 cases as on 31 March 2000.

1.10 Public Debt and other liabilities

1.10.1 The Constitution of India provides that a State may borrow within the territory of India, upon the security of 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 had been passed by the State Legislature laying down any such limit. The details of the total liabilities of the State Government as at the end of the last five years are given in the following table.

(Rupees in crore)

Year	Internal debt	Loans and advances from Central Government	Total public debt	Other liabilities[2]	Total liabilities	Ratio of debt to GSDP
1995-96	2486.28	4238.25	6724.53	3948.97	10673.50	0.28
1996-97	2970.85	4612.54	7583.39	4785.41	12368.80	0.28
1997-98	3585.12	4990.51	8575.63	5900.64	14476.27	0.29
1998-99	4424.36	5648.14	10072.50	7294.19	17366.69	0.31
1999-2000	5164.24	6474.16	11638.40	10037.43	21675.83	0.33

During the five year period, the total liabilities of the Government had grown by 103 *per cent*. This was on account of 108 *per cent* growth in internal debt, 53 *per cent* growth in loans and advances from Government of India and 154 *per cent* growth in other liabilities.

The amount of funds raised through Public Debt, the amount of repayment and net funds available are given in the following table:

(Rupees in crore)

	1995-96	1996-97	1997-98	1998-99	1999-2000
Internal debt					
Receipt during the year	428	623	948	3102	4858[3]
Debt servicing (principal + interest)	274	456	722	2728	4707
Net funds available *(per cent)*	154(36)	167(27)	226(24)	374(12)	151 (3)
Loans & advances from GOI					
Receipt during the year	655	540	567	870	1073
Debt servicing (principal +interest)	561	661	740	819	951
Net funds available *(per cent)*	94(14)	(-)121(-22)	(-)173(-23)	51(6)	122 (11)
Other liabilities[2]					
Receipt during the year	4122	4725	6437	9444	12901
Debt servicing (principal + interest)	3842	4180	5669	8424	10817
Net funds available *(per cent)*	280(7)	545(12)	768(12)	1020(11)	2084 (16)
Aggregate of net funds available *(per cent)*	528(10)	591(10)	821(10)	1445(11)	2357 (13)

During 1999-2000, Government borrowed Rs 590.94 crore in the open market at interest rates of 11.85 and 12.25 *per cent* per annum. Only 10 *per cent* of borrowings was available for investment and other expenditure after meeting

[1] Included Rs 11.05 crore adjusted against the loan released to Kerala State Electricity Board in March 2000

[2] Other liabilities include Small Savings, Provident Funds, Reserve Funds and Deposits, etc.

[3] The huge increase was mainly due to availing of ways and means advances more frequently during 1999-2000 than in the previous years

the debt servicing obligations during 1995-96 to 1997-98 with marginal improvement in the next two years 1998-99 (11 *per cent*) and 1999-2000 (13 *per cent).* As outstanding debt and liability for debt servicing are increasing every year less and less funds out of fresh borrowings are available for other expenditure.

1.11 Indicators of the financial performance

1.11.1 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. 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 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, flexibility and vulnerability. These terms are defined as follows:

(i) Sustainability

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

(ii) 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.

(iii) 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.

(iv) 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.

1.11.2 Information available in Finance Accounts can be used to flesh out Sustainability, Flexibility and Vulnerability that can be expressed in terms of certain indices/ratios worked out from the Finance Accounts. The list of such indices/ratios is given in Appendix I and how the ratios for the current year were worked out shown in Appendix III. *Exhibit VI* indicates the behaviour of these indices/ratios over the period from 1995-96 to 1999-2000. The implications of these indices/ratios for the state of the financial health of the State Government are discussed in the following paragraphs.

EXHIBIT VI
FINANCIAL INDICATORS FOR GOVERNMENT OF KERALA

	1995-96	1996-97	1997-98	1998-99	1999-2000
Sustainability					
BCR (Rs in crore)	128	142	248	(-)437	(-)2069
Primary Deficit (PD) (Rs in crore)	378	439	1122	1564	2582
Interest Ratio	0.15	0.17	0.17	0.19	0.24
Capital outlay/Capital receipts	0.50	0.51	0.64	0.24	0.14
Total Tax receipts/GSDP*	0.11	0.12	0.12	0.11	0.10
State Tax Receipts/GSDP*	0.09	0.09	0.09	0.08	0.08
Return on Investment ratio	0.005	0.003	0.004	0.004	0.006
Flexibility					
BCR (Rs in crore)	128	142	248	(-)437	(-)2069
Capital repayments/Capital borrowings	0.15	0.18	0.20	0.20	0.18
State tax receipts/GSDP*	0.09	0.09	0.09	0.08	0.08
Debt/GSDP*	0.28	0.28	0.29	0.31	0.33
Vulnerability					
Revenue Deficit (RD) (Rs in crore)	403	643	1123	2030	3624
Fiscal Deficit (FD) (Rs in crore)	1303	1542	2408	3010	4534
Primary Deficit (PD) (Rs in crore)	378	439	1122	1564	2582
PD/FD	0.29	0.28	0.47	0.52	0.57
RD/FD	0.31	0.42	0.47	0.67	0.80
Outstanding Guarantees/revenue receipts	0.38	0.32	0.46	0.71	1.00
Assets/Liabilities	0.71	0.71	0.67	0.61	0.52

Note: 1. Fiscal deficit has been calculated as : Revenue expenditure + Capital expenditure + Net loans and advances – Revenue receipt – Miscellaneous capital receipts

2. In the ratio Capital outlay Vs Capital receipts, the denominator has been taken as Internal loans (excluding ways and means advance) + Loans and Advances from Government of India + Net receipts from small savings, PF etc., + Repayments of loans advanced by the State Government – Loans advanced by State Government.

1.11.3 The behaviour of the indices/ratios is discussed below:

(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.

* Based on the 1993-94 series.

The table shows that the State Government had positive BCR during 1995-96 to 1997-98 but in 1998-99 it became negative and in 1999-2000 the negative BCR steeply increased by nearly five times. Thus not only the Government had no funds for Plan expenditure, even the current expenditure was being largely met by borrowings. The position would be worse if the Government had cleared its established old liabilities of substantial nature like the arrears in payments to the contractors (*vide* details in Para 1.8.3).

(ii) Interest ratio

Interest ratio is defined as $\dfrac{\textbf{Interest payment-Interest receipts}}{\textbf{Total Revenue Receipts-Interest Receipts}}$

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.

In the case of Kerala, the ratio steadily increased from 0.17 during 1996-97 to 0.24 during 1999-2000 mainly due to increase in interest payments on market loans, loans from Government of India and Provident Funds. This indicated lesser availability of funds for programme spending with adverse implication on sustainability.

(iii) Capital outlay Vs Capital receipts

This ratio would indicate to what extent the capital receipts are applied for capital formation. A ratio of less than one would not be sustainable in the long term in as much 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.

In the case of Kerala, the ratio has been less than 1 indicating that part of capital receipts was applied to meet the revenue commitments. The ratio improved from 0.50 during 1995-96 to 0.64 in 1997-98, but it declined sharply thereafter to a low of 0.14 during 1999-2000 indicating the tremendous pressure of revenue expenditure on the capital receipts for non-capital purposes. An added factor was that Capital outlay was also not significantly productive as seen from the negligible return from investments, net loss in irrigation works and the locking up of huge amounts in incomplete projects.

(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.

Time series analysis shows that in the case of Kerala, this ratio marginally increased from 0.11 during 1995-96 to 0.12 in 1996-97 and remained constant in 1997-98. But it slipped thereafter to 0.10 in 1999-2000. Similarly the ratio of State tax receipts to GSDP which was static at 0.09 for three years 1995-98 slipped to 0.08 in 1999-2000. The declining ratios indicated a decline in respect of tax compliance and increased reliance of Government on borrowing to meet the galloping deficit.

(v) Return on Investment (ROI)

The ROI is the ratio of the earnings to the capital employed. A high ROI suggests sustainability. The table reveals that the return on Government's investments in Statutory Corporations, Government companies, joint stock companies and co-operative institutions has been negligible and has moved in the disproportionately narrow range of 0.3 *per cent* to 0.6 *per cent,* not at all comparable to the high cost of borrowing. Such meagre returns did not augur well for sustainability.

(vi) Capital repayments Vs Capital borrowings

This ratio would indicate the extent to which the capital borrowings are available for investment, after repayment of capital. The lower the ratio, the higher would be the availability of capital for investment. In the case of Kerala, this ratio has steadily increased from 15 *per cent* in 1995-96 to 20 *per cent* in 1997-98 and declined marginally to 18 *per cent* during 1999-2000. This was mainly due to increasing burden of repayment leaving little funds for investment.

(vii) Debt Vs Gross State Domestic Product (GSDP)

The GSDP is the total internal resource base of the State Government, which can be used to service debt. An increasing ratio of Debt/GSDP would signify a reduction in the Government's ability to meet its debt obligations and therefore increasing risk for the lender. In the case of Kerala, this ratio was steady at 0.28 during 1995-97 and shot up to 0.33 in 1999-2000. The sharp rise indicated that debt burden was expanding at a faster rate than the growth in GSDP and signified higher levels of indebtedness imposing further strains on the resource base of the State.

(viii) Revenue deficit Vs 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, the 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 non-productive 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.

In the case of Government of Kerala, 80 *per cent* of the borrowings were applied to revenue expenditure during 1999-2000 as compared to 31 *per cent* in 1995-96. This indicated a significant decline in the financial health of the Government in 5 years and a worsening financial position.

(ix) Primary deficit Vs Fiscal deficit

Primary deficit is the fiscal deficit minus interest payments. Primary Deficit is sustainable only when the economy grows at a rate higher than the interest rate on the borrowings. If that is not the case, then the sustainability would demand a reduction in primary deficit. In the case of Government of Kerala, this ratio was around 0.29 in 1995-97 and increased since 1997-98 to 0.57 in 1999-2000. While the net funds available during 1999-2000 increased by 63 *per cent* over the previous year, interest payment also grew by 35 *per cent* over the period. This increase was attributable to heightened borrowings and consequent availability of funds relative to the interest payment liability.

(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 the total outstanding guarantees to total revenue receipts of the Government would indicate the degree of vulnerability of the State Government. This trend in the ratio should be considered in the context of the fact that Government was not furnishing the full information of guarantees either in the Budget Document or to the Accountant General. Hence possibility of under-projection of the risk exposure of Government cannot be ruled out. Based on the available information, this ratio increased from 0.38 in 1995-96 to 1 in 1999-2000 indicating that the entire revenue receipts are now covered by guarantees. As many of the institutions, mostly PSUs, for which Government stood guarantee are perennially loss making ,the possibility of the lenders invoking the guarantees on loans given to these companies, etc., due to default of loan repayments looms large. Thus the risk exposure of the Government is very high with increased vulnerability of the State's finances.

(xi) Assets Vs Liabilities

This ratio indicates the solvency of the Government. It pertained to only financial assets and liabilities as disclosed in *Exhibit I.* A ratio of more than one would indicate that the State Government is solvent (assets are more than the liabilities) while a ratio of less than one would be a contra indicator. This ratio has all along been less than one and remained static at 0.71 during 1994 - 97 which deteriorated sharply to 0.52 in 1999-2000. The continuous fall in the ratio since 1997-98 is symptomatic of the worsening fiscal management by Government.

(xii) Budget

There was no delay in submission of the budget and its approval during the year. However, Chapter II of this Report includes detailed comments on the defective budgeting and inadequate control over expenditure as evidenced by persistent resumption (surrenders) of significant amounts every year *vis-a-vis* the final grant. During the year 4.4 *per cent* of budgeted funds were not spent. Further, 62 *per cent* of savings were surrendered at the fag end of the year. Significant variations (excess/saving) between the final grant and actual expenditure were also taking place persistently.

(xiii) Accounts

It was observed that the treasuries were not rendering the accounts on due dates and the delay ranged up to 79 days during 1999-2000. The number of accounts which were delayed by more than one month was 80. Delayed submission caused delay in finalisation of the accounts of the State Government.

1.11.4 Conclusion

For several years State Government was living beyond their means as seen from galloping revenue deficit and fiscal deficit, stagnating tax to GSDP ratio and huge interest payments. Moneys are borrowed to pay salaries and pensions, which was grown in double digits*. The plan expenditure on Capital account was stagnating while plan expenditure on Revenue account increased significantly. What the citizens are getting out of such expenditure is the moot. Further conversion of loans into equity of loss making Electricity Board though brings down the interest liability, does not really help the Electricity Board in the absence of cash flow and results in the liability of the Government being underprojected. Very high supplementaries indicated weak budgeting system.

* in terms of percentage

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

APPROPRIATION ACCOUNTS-AT A GLANCE 1999-2000

Appropriation Accounts: 1999-2000

Total No. of grants: 47

Total provision and actual expenditure:

Provision	Amount (Rupees in crore)	Expenditure	Amount (Rupees in crore)
Original **Supplementary**	**13543.40** **4313.90**		
Total gross provision	**17857.30**	**Total gross expenditure**	**17070.59**
Deduct – Estimated recoveries in reduction of expenditure	**175.69**	**Deduct – Actual recoveries in reduction of expenditure**	**174.50**
Total net provision	**17681.61**	**Total net expenditure**	**16896.09**

Voted and Charged provision and expenditure:

	Provision (Rupees in crore)		Expenditure (Rupees in crore)	
	Voted	Charged	Voted	Charged
Revenue	**10413.74**	**1790.37**	**9724.75**	**1989.86**
Capital	**1192.40**	**4460.79**	**989.34**	**4366.64**
Total Gross	**11606.14**	**6251.16**	**10714.09**	**6356.50**
Deduct – **Recoveries in reduction of expenditure**	**175.69**	**-**	**173.93**	**0.57**
Total: Net	**11430.45**	**6251.16**	**10540.16**	**6355.93**

2.1 Introduction

The Appropriation Accounts are prepared every year indicating the details of amounts on various specified services actually spent by Government vis-à-vis those authorised by the Appropriation Act.

The objective of appropriation audit is to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 1999-2000 against grants/appropriations was as follows:

(Rupees in crore)

Nature of expenditure	Original grant/ appropriation	Supplementary grant/ Appropriation	Total	Actual Expenditure	Saving (-)/ Excess (+)
Voted					
I. Revenue	10148.49	265.25	10413.74	9724.75	- 688.99
II. Capital	698.59	186.61	885.20	672.71	- 212.49
III. Loans and Advances	259.35	47.85	307.20	316.63	+ 9.43
Total Voted	**11106.43**	**499.71**	**11606.14**	**10714.09***	**- 892.05**
Charged					
IV. Revenue	1687.28	103.09	1790.37	1989.86	+ 199.49
V. Capital	2.64	0.15	2.79	1.32	- 1.47
VI. Public Debt	747.05	3710.95	4458.00	4365.32	- 92.68
Total Charged	**2436.97**	**3814.19**	**6251.16**	**6356.50 ***	**+ 105.34**
Grand Total	**13543.40**	**4313.90**	**17857.30**	**17070.59****	**- 786.71**

* These are gross expenditure figures without taking into account the recoveries adjusted in accounts as reduction of expenditure (Revenue: Rs 148.65 crore and Capital Rs 25.85 crore, Total : Rs 174.50 crore).

** The total expenditure was inflated atleast to the extent of

(i) Rs 18.50 crore being the amounts drawn during the year and deposited in Deposit Account or kept as Demand Draft with the drawing officers (vide Appendix I of Appropriation Accounts 1999-2000).

(ii) Rs 2.49 crore being amounts drawn on abstract contingent bills during the year for which detailed contingent bills were not received.

2.2.1 Excess over provision relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, excess expenditure amounting to Rs 1412.46 crore for the years 1983-84 to 1998-99 and Rs 530.99 crore for the year 1999-2000 was yet to be regularised mainly due to failure of the Government to furnish explanations to Public Accounts Committee (PAC) in regard to such excess expenditure. Brief details are given below:

Year	No. of grants/ Appropriations	Grant/Appropriation Numbers	Amount of excess	Amount for which explanation not furnished to PAC
			(Rupees in crore)	
1983-84	2	XVII RV and CV	3.69	3.69
1984-85	1	XVII	29.36	29.36
1985-86	3	XVII RV and CV, XXVI	35.65	34.30
1987-88	5	II, III RV and RCh. XXV, XXXVI	3.31	Nil
1988-89	8	II, XV, XVIII, XXV, XXXVI, XL, XLI, XLIII	5.05	0.04
1989-90	14	III, VII, X, XIII, XVII, XXIII, XXIV, XXVI, XXXI, XXXIII, XXXIV, XL, XLII, XLV	44.35	5.84
1990-91	22	I,II, III RV and RCh. VI, VII, IX, X, XII, XIII, XVII, XIX, XXI, RV and CCh. XXVIII, XXX, XXXI, XXXIV, XXXIX, XLI, XLIII, PDR	194.53	191.39
1991-92	19	I,II, III RV and RCh., VII, IX, X, XI, XII, XV, XVII, RV and CV, XVIII, XXXI RV and CV XXXII, XLII, Debt charges, PDR	341.97	335.38
1992-93	9	VII, XXV, XXX RV and CV, XXXIV, XXXVIII, XLIII Debt charges, PDR	418.50	418.31
1993-94	13	V, VII, IX, XVI, XVII, XIX, XX, XXII, XXXIII, XXXVII, CV and RCh. Debt charges, PDR	112.63	89.21
1994-95	18	III, VII, X, XIV, XVI, XVIII CV and CCh., XIX, XX, XXV, XXX, XXXI, XXXII, XXXIV, XXXVIII RV and CV, XLIII, Debt charges	24.81	12.67
1995-96	15	V, VI, XIV RV and CV, XVI, XX, XXVI, XXXIII, XXXIV, XXXV, XXXIX, XLI, RV and CV, XLII, XLIII	46.11	43.98
1996-97	9	VI, XIV, XVIII, XXV, XXXII, XXXIV, XXXVII, XXXIX, XLIII	1.12	1.12
1997-98	10	I, V, XIV, XV, XVIII, XIX, XXV, XXXI, XXXIV, XLII	35.97	35.97
1998-99	15	I, III RV and RCh., V, X, XIV, XV, XVI, XIX, XXV, XXVIII, XXXIV, XLII, XLIII, XLV	115.41	115.41
1999-2000	8	I, II, IV, XIII, XVI, XIX, XXXIX Debt Charges	530.99	530.99
	171	**Total**	**1943.45**	**1847.66**

RV – Revenue (Voted)
CV – Capital (Voted)
RCh – Revenue (Charged)
CCh – Capital (Charged)
PDR – Public Debt Repayment

2.3 Results of Appropriation Audit

2.3.1(a) The overall saving of Rs 786.71 crore was the result of saving of Rs 1322.12 crore in 91 grants and appropriations offset by excess of Rs 535.41

crore in 7 grants and 2 appropriations. It is noticeable that under Voted (Revenue and Capital) the actual expenditure was even less than the original grant.

2.3.1(b) During the last three years the percentage of charged expenditure to total expenditure increased from 18 to 37 mainly due to repayments of public debt which increased from 28 *per cent* of the total charged expenditure in 1997-98 to 69 *per cent* in 1999-2000. Thus Legislative control over the expenditure was getting weakened due to the huge debt repayment liability and consequent increase in charged expenditure.

2.3.2 The supplementary provision (Rs 4313.90 crore) made during the year constituted 32 *per cent* of the original provision as against 21 *per cent* in the previous year. Against the Public Debt in the charged section, the supplementary provisions exceeded the original provision by 497 *per cent.*

2.3.3 Supplementary provision of Rs 129.54 crore made in 31 cases during the year proved unnecessary in view of aggregate saving of Rs 742.63 crore as detailed in Appendix IV.

2.3.4 In 14 cases, against additional requirement of Rs 3805.34 crore, supplementary grant and appropriation of Rs 4017.20 crore were obtained resulting in savings in each case exceeding Rs 10 lakh, aggregating Rs 211.86 crore. Details of these cases are given in Appendix V.

2.3.5 There was overall excess of Rs 324.18 crore under 7 grants and Rs 211.23 crore under 2 appropriations. The excess of Rs 4.42 crore in Revenue (Voted) portion of Grant No.XXXVII Industries was due to reclassification of expenditure originally debited to the Capital portion of the Grant to the Revenue portion in order to adopt authorised classification in Accounts. This excess arising due to reclassification need not be regularised. Therefore overall excess of Rs 530.99 crore in six Grants and two Appropriations require regularisation under Article 205 of the Constitution. Details of these are given in Appendix VI.

2.3.6 In 5 cases, supplementary provision of Rs 122.37 crore proved insufficient by more than Rs 10 lakh each leaving an aggregate uncovered excess expenditure of Rs 475.28 crore as per details given in Appendix VII.

2.3.7 In 34 cases, expenditure fell short by more than Rs 1 crore in each case and also by more than 10 *per cent* of the total provision as indicated in Appendix VIII.

2.3.8(a) In 20 cases, there were persistent savings in excess of Rs 10 lakh in each case and also 10 *per cent* or more of the provision during the last three years 1997-2000. Details are given in Appendix IX.

2.3.8(b) Persistent excess was noticed in two cases during the last 3 years 1997-98 to 1999-2000 vide table below:

Number and name of grant	Amount of excess (Rupees in crore)		
	1997-98	1998-99	1999-2000
REVENUE (VOTED) SECTION			
I – State Legislature	0.11	0.52	0.22
XIX – Family Welfare	19.06	20.66	21.95

The matter was reported in previous Audit Reports. Despite this, the excess continued. Persistent excess required investigation by the Government for remedial action.

2.3.9 Excessive/unnecessary re-appropriation of funds

Re-appropriation is transfer of funds between primary units of appropriation within a grant or appropriation before the close of the financial year. Details of cases where withdrawal or augmentation of provision of funds in excess of Rs 10 lakh proved excessive or resulted in savings by over Rs 10 lakh in each case are mentioned in Appendix X.

2.3.10 Expenditure without provision

As envisaged in the State Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds therefor. It was, however, noticed that expenditure of Rs 2.04 crore was incurred in 7 cases as detailed in Appendix XI, without the provision having been made in the original estimates/supplementary demands and no reappropriation orders were issued.

2.3.11 Anticipated savings not surrendered

2.3.11(a) According to rules framed by Government the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. In 36 cases, the amount of available saving of Rs 1 crore and above in each case not surrendered, aggregated Rs 652.94 crore. Some important cases involving substantial amounts are given below:

(Rupees in crore)

Grant No. & Name	Savings	Amount not surrendered
Revenue Voted		
VI. Land Revenue	44.49	31.29
XV. Public Works	58.86	52.61
XVII. Education, Sports, Art and Culture	241.79	194.06
XVIII Medical and Public Health	72.41	43.71
XXXV Panchayat	149.19	128.98
Capital Voted		
XV. Public Works	31.58	28.41
XXXVIII Irrigation	42.76	23.42

Failure of these departments to surrender such huge savings indicated poor budgetary management. Details are given in Appendix XII.

2.3.11 (b) Out of the total surrendered amount of Rs 802.11 crore, Rs 801.51 crore was surrendered on the last day of the financial year i.e. 31 March 2000 indicating gross disregard of rules and procedures of financial control over expenditure. Details are given in Appendix XIII.

2.3.12 Surrender in excess of actual savings

In 10 cases, the amount surrendered was in excess of actual savings indicating inadequate budgetary control. As against the total amount of actual savings of Rs 167.82 crore, the amount surrendered was Rs 299.78 crore, resulting in excess surrender of Rs 131.96 crore. Details are given in Appendix XIV.

The above instances of budgetary irregularities are reported from year to year in Chapter II of the Audit Report. If the precautions envisaged in the State Budget Manual are taken by all the departments, these could be minimised to a great extent.

2.3.13 Advances from 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 this Fund are to be made only for meeting unforeseen expenditure, the postponement of which till its authorisation by the Legislature would be undesirable.

The permanent corpus of the Contingency Fund of the State was Rs 25 crore. Twenty nine sanctions were issued during 1999-2000 advancing a total amount of Rs 15.22 crore from the Fund. Out of this two sanctions for Rs 1.71 crore were cancelled and advances of 6 sanctions amounting to Rs 1.83 crore were reduced by Rs 0.52 crore.

2.3.14 Trends of recoveries.

Under the system of gross budgeting followed by Government, the demands for grants presented to the Legislature are for gross expenditure and exclude all credits and recoveries which are adjusted in the accounts as reduction of expenditure. The anticipated recoveries and credits are shown separately in the budget estimates.

In 41 grants/appropriations the actual recoveries adjusted in reduction of expenditure (Rs 70.43 crore) exceeded the estimated recoveries (Rs 58.50 crore) by Rs 11.93 crore and in 7 Grants/appropriations the actual recoveries (Rs 104.07 crore) were less than the estimated recoveries (Rs 117.19 crore) by Rs 13.12 crore. More details are given in Appendix II of Appropriation Accounts.

2.3.15 Non-receipt of explanations for savings/excesses

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 Offices by the Accountant General (Accounts and Entitlement) for furnishing promptly the reasons for variation in general and those under important sub-heads in particular. The number of heads for which those reasons were not received as at the end of October 2000 was 556 representing 78 *per cent* of the total number of heads for which explanations for variation were required to be mentioned in the Appropriation Accounts.

2.3.16 Unreconciled expenditure

Departmental figures of expenditure are required to be reconciled every month with those in the books of Accountant General (Accounts and Entitlement) 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 1999-2000 and the number of reconciliation certificates due from them as of October 2000 are given in Appendix XV. Of the 2593 reconciliation certificates, 216 certificates were due from Director of Health Services.

2.3.17 Flow of expenditure

Under 16 major heads of account more than fifty *per cent* of expenditure was incurred during the last quarter of the financial year. In these cases 42 to 97 *per cent* of the expenditure was incurred only in the last month of the financial year. Details are given in Appendix XVI.

Since State Legislature approves the budget for meeting the disbursements during the financial year to which it pertains and not for subsequent years large amounts of funds released to implementing departments/agencies in March cannot constructively be spent during the year. Drawal/release of funds at the fag end of the financial year is indicative of deficient financial management.

2.4 Review of Expenditure and Budgetary control

Budgetary procedure and expenditure control was reviewed in respect of Grant Nos.VI-Land Revenue and XXXVII-Industries. Some of the important irregularities noticed during the review are detailed below.

2.4.1 Timely submission of budget proposals

Delay of over one month was noticed in the submission of budget proposals by Industries and Land Revenue Departments. The delay was due to the non-receipt of budget proposals from district offices and delay in consolidation of the figures.

2.4.2 *Defective/inaccurate budgeting*

(a) In the following cases provision made for the expenditure of the offices which were abolished had resulted in savings of almost the entire provision. During 1996-97, 1997-98 and 1998-99 also there were substantial saving under these heads.

Head of account	Budget provision	Saving
	(Rupees in lakh)	
1. 2029-102-96 Special Staff for assignment of Government Lands	370.73	370.73
2. 2029-102-94 Preparation of Land Records from Re-survey Records	809.93	807.16

(b) In the following cases provision made for schemes not sanctioned by NCDC and State Government had resulted in substantial savings.

Head of account	Budget provision	Saving
	(Rupees in lakh)	
6851-190-99(02)(P) Scheme for betterment of Handloom Weavers (67% CA)	200	150.18
6851-195-51 (P) Construction of godowns/ worksheds/processing centres/ showrooms of Apex and Primary Handloom Weavers Co-operative Societies	1500	712.64

Provision of such large amounts for abolished offices and schemes which were not sanctioned reveal that Budget estimates were not prepared with due care by the departments and no proper scrutiny of the accuracy of the estimate was being done by the Administrative and Finance departments of Government.

2.4.3 *Lack of control over expenditure*

There had been significant variations (excess or saving) between the final grant and the actual expenditure in many cases indicating that monitoring and the control over expenditure by the Chief Controlling Officers was inadequate. Few examples in which the expenditure have exceeded/fell short of the budget provision by a large extent are shown below:

Head of account	Final grant	Expenditure	Variation Excess (+)/Saving (-)
	(Rupees in lakh)		
2029-101-99	6775.27	5484.82	(-)1290.45
2029-101-97	222.12	195.56	(-) 26.56
2029-102-99	386.46	212.44	(-) 174.02
2029-102-98	17.97	9.65	(-) 8.32
2029-102-95	4361.27	3142.46	(-)1218.81
2029-103-98	603.96	295.18	(-) 308.78
2029-800-96	57.76	26.11	(-) 31.65
2029-800-86	199.94	154.19	(-) 45.75
2029-800-82	50.04	23.56	(-) 26.48
2851-102-94	48.60	29.61	(-) 18.99
2851-103-99	227.71	149.69	(-) 78.02

Head of account	Final grant	Expenditure	Variation Excess (+)/Saving (-)
	(Rupees in lakh)		
2851-103-98	29.35	19.53	(-) 9.82
2852-80-800-97	12.82	4.54	(-) 8.28
2853-02-001-99 (NP)	181.46	202.49	(+) 21.03
2853-02-004-99	6.20	0.19	(-) 6.01
4851-101-99	51.75	43.96	(-) 7.79
4851-102-99	11.00	2.11	(-) 8.89
4858-60-190-99	25.96	18.77	(-) 7.19

2.4.4 *Non-utilisation of appropriations*

The grants made by the Legislature have to be applied for the purpose for which they are intended according to Law, Rules and Regulations. In the following cases entire budget provision was surrendered without incurring any expenditure citing reasons like non-receipt of administrative sanction from GOI, want of revised sanction, want of continuance sanction, economy orders etc.

Sl. No.	Head of account	Appropriation	Amount resumed
		(Rupees in lakh)	
1.	2851-102-67-Tool Room at Kalamassery (90% CSS)	100.00	100.00
2.	2851-104-89-Craft Development Centres (75% CSS)	40.00	40.00
3.	2851-104-88-House-cum-workshed scheme for artisans (59% CSS)	100.00	100.00
4.	2851-104-85-Setting up of State/Regional marketing complex for Handicrafts	20.00	20.00
5.	2851-106-71-Assistance for setting up of diesel generator sets by units under ICDP	10.00	10.00
6.	4851-109-96-Coir Co-operative Societies Investment (50% CSS)	70.00	70.00
7.	4853-190-99- Kerala Mineral Development Corporation	10.00	10.00
8.	6851-106-95-Loans for setting up of diesel generator sets by units under ICDP	10.00	10.00

The fact that no part of the funds provided in the budget was utilised during the year indicates that the budget provision was made without proper assessment of requirements and was unnecessary.

2.4.5 *Injudicious reappropriation of funds*

Rules prescribe that reappropriation/resumption is to be made only when savings under any item are definitely foreseen. In the following cases funds were reappropriated/surrendered without assessing the actual requirement and consequently expenditure exceeded the final grant.

Head of account	Original grant	Amount reappropriated	Expenditure	Excess
	(Rupees in lakh)			
2851-104-87	80.00	(-)34.99	55.00	9.99
2852-80-800-96	75.00	(-)75.00	50.00	50.00
2851-106-99	340.79	(-)73.13	283.38	15.72
4851-104-99	45.00	(-)20.00	35.00	10.00
4885-190-98	1275.00	(-)200.00	1275.00	200.00
6885-60-800-94	25.00	(-)25.00	16.94	16.94

2.4.6 Non/belated surrenders

All anticipated savings are required to be surrendered, explaining the reasons therefor, without waiting till the end of the year unless they are required to meet excesses under other units which are definitely foreseen at the time.

(a) Non-surrender of savings

Substantial savings available under the following heads of account remained unsurrendered at the close of the year.

Head of account	Final grant	Saving
	(Rupees in lakh)	
2029-101-99	6775.27	1290.45
2029-101-97	222.12	26.56
2029-102-99	386.46	174.02
2029-102-95	4361.27	1218.81
2029-103-98	603.96	308.78
2029-800-96	57.76	31.65
2029-800-86	199.94	45.75
2029-800-82	50.04	26.48
2851-102-94	48.60	18.99
2851-103-99	227.71	78.02
4853-190-98	10.00	10.00

(b) Belated surrender of savings

In Grant No.VI (Rs 13.21 crore) and Grant No.XXXVII (Rs 29.83 crore) surrender of funds found in excess of requirements was made only on the last day of the financial year. Such belated surrender serves no purpose as these surplus funds cannot be used under any other heads within these Grants or under other Grants.

2.4.7 Rush of Expenditure

It is contrary to the interest of Government to spend money hastily or in an ill-conceived manner merely because it is available or just to avoid lapse of funds. The flow of expenditure should be so regulated throughout the year so that there is no rush of expenditure, particularly during the closing months of the financial year. Under the following heads of account the entire expenditure was incurred only in the last month of the financial year.

Head of account	Total expenditure	Expenditure During March
	(Rupees in lakh)	
2851-003-95	30.00	30.00
2851-102-66	70.00	70.00
2851-102-64	25.00	25.00
2851-102-63	12.75	12.75
2851-103-79	15.99	15.99
2851-106-94	44.81	44.81
2851-106-87	20.00	20.00
2851-106-73	124.75	124.75
2852-05-190-99	185.87	185.87
2852-07-202-97	500.00	500.00
2852-80-800-94	30.00	30.00
4851-101-97	1315.00	1315.00
4851-190-91	437.83	437.83
4858-190-99	141.49	141.49
4860-01-195-96	26.40	26.40
4885-01-190-99	2000.00	2000.00
4885-01-190-97	25.00	25.00
6851-109-76	15.00	15.00
6860-01-101-95	200.00	200.00
6885-01-190-99	300.00	300.00

2.4.8 Delay in sending proposals for reappropriation

Proposals of reappropriation of Rs 124 lakh, Rs 126 lakh and Rs 854 lakh were sent to Government by the Commissioner of Land Revenue, Director of Coir Development and Secretary of Industries Department respectively on the last day of the financial year.

2.4.9 Keeping of money in deposit account

In the following cases funds were drawn at the end of the financial year and kept in deposit accounts:

(i) Rs 15 crore was drawn on 31.3.2000 by the Director of Industries and Commerce and credited to the TP account of Kerala Industrial Revitalisation Fund Board. The amount remained unutilised as of July 2000.

(ii) Rs 4.80 crore provided in the Budget for loan to two Co-operative Societies for NCDC scheme was drawn by the Director of Handloom and Textiles on 31 March 2000 and credited to his TP account.

CHAPTER III

CIVIL DEPARTMENTS

SECTION A - REVIEWS

HEALTH AND FAMILY WELFARE DEPARTMENT

3.1 Implementation of Prevention of Food Adulteration Act

Highlights

In 1954, Government of India enacted the Prevention of Food Adulteration (PFA) Act with the objectives of eradicating the menace of food adulteration, making available pure and wholesome food to the consumers and reducing the risk to the health of people due to adulteration.

The enforcement of the provisions of the PFA Act was very poor. Formal licences were not issued to shops and establishments. Sufficient funds were not available to Food Inspectors for collection of the required number of samples. Analytical laboratories were ill-equipped and necessary equipment to carry out tests were not made available. Posts of District Food Inspectors, Chief Food Inspectors and Analysts remained vacant for long periods. The PFA authorities, did not inspect the food items stored in FCI godowns and fair price shops. The performance of the department in prosecuting the offenders was dismal. There was lack of deterrence due to low samples, poor follow up and non-utilisation of capacity of laboratories. The Director of Health Services failed to monitor and co-ordinate the implementation of the provisions of the PFA Act.

- **Out of Rs 37.44 lakh received from Government of India during 1995-2000 for purchase of machinery and equipment for laboratories, Rs 24.22 lakh remained unspent.**

[Paragraph 3.1.4]

- **The posts of 14 District Food Inspectors and 3 Chief Food Inspectors had been vacant for the last six years.**

[Paragraph 3.1.5(i)]

- **Food Inspectors appointed in Municipal Common service were given statutory training and vacancies of public analyst were filled up only after intervention by High Court.**

[Paragraph 3.1.5(iii)]

- **No system of monitoring and issuing a formal licence to the shops and establishments was in vogue. Rupees 41.88 lakh was due to Government from Municipalities/Panchayats towards fees for analysis of food samples.**

[Paragraph 3.1.6]

- **The recommendations of the Public Accounts Committee to form a separate department for implementation of PFA Act and of the State Finance Commission to revise the licence fees have not been implemented.**

[Paragraph 3.1.8]

- **Actual collection of samples was only 14 to 20 *per cent* of the required number on an average during the last five years.**

[Paragraph 3.1.9]

- **The capacity of Analytical Laboratories was underutilised to the extent of more than 50 *per cent* in three out of five years ending March 2000. The laboratories failed to acquire sophisticated equipment for analysis of modern food items.**

[Paragraph 3.1.10]

- **Delays of one month to more than five years occurred in institution of prosecution cases and in 50 *per cent* of the prosecution cases the accused were acquitted.**

[Paragraph 3.1.11]

3.1.1 Introduction

Government of India, with a view to preventing the adulteration of food stuff intended for human consumption during the stages of manufacture, storage and sale enacted the 'Prevention of Food Adulteration Act 1954' (PFA) and framed the Rules thereunder in 1955. In exercise of powers conferred under the Act, the State Government framed 'The Kerala Prevention of Food Adulteration Rules 1957', which came into force with effect from April 1957.

3.1.2 Organisational set up

Secretary, Health and Family Welfare is responsible for the implementation of the Act in the State. The Director of Health Services is the Food Health Authority in the State. The Deputy Director (PFA) is the Programme Officer of the Food Adulteration Wing in the Directorate of Health Services. The Deputy Director is assisted by two Technical Assistants, namely TA (PFA) and TA (Legal). Besides there are 14 District Food Inspectors, 60 Circle Food Inspectors and 3 Mobile Vigilance Squads each consisting of one Chief Food Inspector and two Food Inspectors. The Circle Office is headed by a Food Inspector who carries out the enforcement work in Panchayat area. (See Organisation chart at Appendix XVII)

The Analytical Laboratories function as a separate wing under the Deputy Director (PFA). There are three Analytical Laboratories in the State at Thiruvananthapuram, Ernakulam and Kozhikode. The Chief Government Analyst, Thiruvananthapuram is the controlling officer of the Analytical Laboratories.

3.1.3 *Audit coverage*

A review of the implementation of the PFA Act was included in Paragraph 3.6 of the Report of Comptroller and Auditor General of India (Civil) for the year 1981-82. The implementation of the Act from 1995-96 to 1999-2000 was reviewed during January-April 2000 in the Office of the Deputy Director (PFA), DHS, Thiruvananthapuram, four District Offices* (out of fourteen), three Analytical Laboratories, eight Circle Offices, three Corporations, three Mobile Vigilance Squads, six Municipalities, six Panchayats, Health and Family Welfare department of Secretariat, Directorate of Panchayat and Directorate of Municipalities.

3.1.4 *Budget provision and expenditure*

(i) The details of budget provision and expenditure for the last 5 years relating to Food Administration and Government Analytical Laboratories were as under:

(Rupees in crore)

Year	Food Administration				Government Analytical Laboratories			
	#Budget provision	Expen-diture	Saving (-)	% of saving	#Budget provision	Expen-diture	Saving (-)	% of saving
1995-96	1.40	1.20	(-) 0.20	14.00	1.08	1.05	(-) 0.03	3
1996-97	1.62	1.35	(-) 0.27	17.00	1.43	1.12	(-) 0.31	22
1997-98	1.83	1.54	(-) 0.29	16.00	1.55	1.30	(-) 0.25	16
1998-99	1.92	1.90	(-) 0.02	1.00	1.59	1.50	(-) 0.09	6
1999-2000	2.35	2.34	(-) 0.01	0.40	2.14	1.82	(-) 0.32	15
Total	**9.12**	**8.33**	**0.79**	**8.66**	**7.79**	**6.79**	**1.00**	**12.84**

Apart from this, Rs 37.44 lakh was received from Government of India during 1995-2000 for the purchase of machinery and equipment for laboratories of which Rs 24.22 lakh (65 *per cent*) remained unspent as of May 2000.

In the case of expenditure under Food Administration nearly 9 *per cent* of the provision could not be spent during 1995-2000.

* Ernakulam, Kollam, Thiruvananthapuram and Thrissur.

Final grant after reappropriation/resumption

There was huge variation in the expenditure figures of Accountant General (A&E) and the Department under plan expenditure as the controlling officer did not reconcile the departmental accounts with those of Accountant General.

(ii) Samples are not collected as funds are not provided

Analysis of the establishment expenditure and working expenses of Food Inspectors under Food Administration (Non-plan) in the State showed that an average of 96 *per cent* of the total provision was spent on staff cost during 1995-2000 while the expenditure on materials and other charges were insignificant as shown below:

(Rupees in crore)

Year	Total expenditure	Expenditure on salary and Travelling allowance	Percentage wrt total expenditure	Total expenditure on 'Other charges' and 'Materials and supplies'	Percentage to total expenditure
1995-96	1.09	1.04	95	0.01	0.97
1996-97	1.20	1.15	95	0.01	1.20
1997-98	1.37	1.31	96	0.01	1.03
1998-99	1.81	1.73	95	0.03	1.51
1999-2000	2.24	2.15	96	0.01	0.57

During 1995-2000 while expenditure on salary increased by more than 100 *per cent.* Expenditure on other expenses varied between 0.57 *per cent* and 1.51 *per cent* of total expenditure. Based on the expenditure incurred on the collection of samples, the deficiency in provision of funds for collection of samples ranged between 90 *per cent* to 92 *per cent*, for the period 1995-1999 in the Panchayat area for the whole state. (Appendix XVIII)

In the absence of sufficient funds for sample collection during all the five years under review, the enforcement activities suffered greatly as only about 20 *per cent* of the targets set for urban and rural areas taken together could be achieved during 1995-99. In the rural areas the achievement in sample collection was even less than 10 *per cent.*

In the case of urban areas shortfall in collection was due to the vacancies in the cadre of Food Inspectors. Against the sanctioned post of 32 Food Inspectors in urban areas the men in position were only 19. The reasons for shortfall in sample collection was attributed to absence of peon and clerk and heavy schedule of work of Local (Health) Authority[#].

3.1.5 Manpower

There were large vacancies in the sanctioned strength in critical cadres (District/Chief Food Inspector, Government analyst etc.) for 1995-2000 as shown below:

[#] Health officers of the Corporation/Municipalities and the District Food Inspectors.

Year	Food Administration			Laboratories			Municipal Common Service		
	Sanctioned strength	Men in position	Vacant posts	Sanctioned strength	Men in position	Vacant posts	Sanctioned strength	Men in position	Vacant posts
1995-96	86[@]	67	19	146	141	5	19	19	--
1996-97	86	67	19	162	153	9	19	19	--
1997-98	86	67	19	167	157	10	32	20	12
1998-99	86	66	20	167	153	14	32	19	13
1999-2000	86	65	21	170	145	25	32	19	13

Thus, during 1995-2000 the vacancy in health offices (23 *per cent*) were not filled up for long periods, vacancies in laboratories increased five fold and vacancies in Municipal Common Service stagnated.

Inordinate delay was noticed in the filling up of vacancies in technical cadres. As shown below, the vacancies continued over 6 years in some cases.

Non -filling up of posts for long periods

Name of post	Number of vacant posts	Period for which vacant
District Food Inspector	14	Over 6 years (1993 to April 2000)
Chief Food Inspector	3	Over 6 years (1993 to April 2000)
Government Analyst	3	July 1999 to May 2000 (1) September 1999 to May 2000 (1) March 2000 to May 2000 (1)
Deputy Government Analyst	3	September 1999 to May 2000 (1) November 1999 to May 2000 (1) March 2000 to May 2000 (1)
Technical Assistant (Legal)	1	August 1993 to December 1999
Technical Assistant (PFA)	1	February 1996 onwards
Food Inspector	3	August 1999 to October 2000

(i) Large number of vacancies affected the implementation of the PFA Act

Seventeen key posts *viz.*, posts of 14 District Food Inspectors in all the 14 districts and the three Chief Food Inspectors were kept vacant for the last six years. This resulted in non-supervision of work of 66 Food Inspectors. The absence of effective supervision adversely affected the working of the enforcement wing.

Scrutiny revealed that distribution of work of sample collection among the food inspectors were highly uneven.

Analysis of the records in respect of 50 Circle offices for the period 1995-2000 revealed that only 5 Food Inspectors (10 *per cent*) had an annual target of more than 500 samples. The annual target for 12 Food Inspectors (24 *per cent*) was 300 to 500 samples and 33 Food Inspectors (66 *per cent*) had a very low target of 100 to 300 samples.

[@] One Deputy Director + 66 Food Inspectors + 14 DFI + 3 CFI + TA (Legal) and TA (PFA). The details of other staff are not available with the DD Office.

(ii) Delay in notification of Food Inspector

Idle wages of Rs 1.71 lakh paid to 3 Food Inspectors

In terms of Section 9 of the PFA Act, appointment of Food Inspectors specifying the areas of their jurisdiction is to be notified by the State Government to enable them to exercise their powers. It was seen that there was delay ranging from 8 to 20 months in issuing such notification (during 1995-96 and 1996-97) by Government in respect of 3 posts of Food Inspectors, *viz.*, Malappuram Circle, Koothuparamba Circle and Aluva Municipality. This resulted in idling of the Food Inspectors and payment of idle wages of Rs 1.71 lakh.

(iii) Apathy of Government to train the Food Inspectors

10 Food Inspectors were imparted statutory training only after intervention by High Court

Though Government appointed (May 1999) 10 Food Inspectors provisionally in Municipal Common Service, they could not be notified as Food Inspectors as they were not given statutory training on PFA for 90 days at the Government Analytical Laboratory as of February 2000. The Food Inspectors moved the Hon'ble High Court of Kerala in February 2000 to post them as Food Inspectors and give them training and the High Court considering the importance of the appointment of the Food Inspectors in the interest of Public Health, ordered (February 2000) that the Public Analyst vacancies be filled up within one month from the date of receipt of judgement and the training of Food Inspectors commenced. It was only then that the Government appointed the Public Analyst and imparted training to the Food Inspectors during July to October 2000.

3.1.6 Licensing

No system for issue of formal licence

According to PFA Rules, the Local Authority or any person nominated by the Local Authority shall be the Licensing Authority. A test check of 16 local bodies (7 Panchayats, 6 Municipalities and 3 Corporations) revealed that there was no system of monitoring the issue of license under PFA to shops running without license and bringing such units under the purview of the PFA. Hence the Local Authorities did not know the number of unlicensed vendors. In cases where the establishment was brought under the purview of the Act no formal licence was issued and only receipts of fees for issue of licence were issued. Of the 9 out of 16 local bodies test checked, vendors list and Demand Collection and Balance (DCB) statements were not prepared. Thus, there was no monitoring of the collection of fees.

As per the instructions issued by Government in February 1966, the local authorities were to remit the whole amount of fees to Government for analysis of targeted number of food samples irrespective of the actual number collected. It was seen that during 1995-2000, 28 to 44 out of 55 Municipalities, and 859 out of 990 Panchayats did not remit the fees. The total amount of fees due to Government worked out to Rs 41.88 lakh.

3.1.7 Absence of Control Mechanism

The DHS in his capacity as Food (Health) Authority is to control and co-ordinate the activities under the Act, through the Deputy Director (PFA) who is the Programme Officer. Audit Scrutiny revealed that the DHS failed to exercise necessary control in these areas.

Deputy Director (PFA) has not maintained important control records like stock files containing Central and State directions, WHO directions, circular files containing instructions issued by DHS, copies of returns sent to DGHS/State Government, sample register to watch the receipt of the monthly/annual returns from district offices regarding number of samples collected, analysed, found adulterated etc. In the absence of such records and details, monitoring of the key areas was non existent and at best weak. Though a case register was available, it did not contain any information on the number of prosecution cases instituted and disposed of, number of convictions, fine imposed and collected etc. No analysis of court judgements for corrective action was taken for six years (up to December 1999) as the post of TA (Legal) was vacant.

Deputy Director did not prescribe duties and responsibilities for the key posts of TA (PFA) and TA (Legal). Details of control to be exercised by the DHS over the Laboratories had also not been defined. To make the matter worse, the PFA section working under the supervision of TA(PFA) till 1996 was abolished in 1996 and the connected files were destroyed. Now only two clerical staff, one full time and one part time were available to attend the PFA work.

Scrutiny revealed absence of co-ordination between authorities responsible for implementing the PFA in the State and agencies like WHO and BIS and consequent lack of thrust in the control of adulteration. There was no publicity regarding PFA organised by the department reportedly due to lack of funds. Further no attempt was made by the department to involve the NGOs in the implementation of the Act.

DD (PFA) did not review the monthly reports submitted by the Circle Officers monthly and quarterly. The laboratories submitted annual reports to DD (PFA) and though DD (PFA) was reportedly submitting reports to Government, he did not maintain any database on food adulteration. Hence no records in this regard could be produced to audit. No reports had been sent to Government regarding PFA activities by DHS during the last five years. The department had no procedure to monitor the impact of the working of the PFA wing or to evaluate their effectiveness in controlling food adulteration and risk to the health of the people.

3.1.8 Recommendations of PAC and State Finance Commission ignored.

Recommendation of PAC not implemented

Report of Comptroller and Auditor General of India (Civil) for the year 1981-82 was discussed by the Public Accounts Committee (1984-86) and after realising the need of an agency for co-ordinating and controlling PFA activities, in its 126th report submitted in March 1986, recommended the formation of a separate department to attend to the work of PFA. The State Government did not implement this recommendation (May 2000). Recommendation (June 1998) of State Finance Commission to revise the rate of license fee to be remitted by the manufacturers/sellers/distributors of food articles had not been implemented.

3.1.9 Collection of samples

(i) Shortfall in coverage

According to norms fixed by Government (1977 and 1981) the monthly quota of samples of food to be drawn was 60 in the case of Corporations, 10 to 40 in the case of Municipalities and 1 to 4 in respect of Panchayats. The target had not been revised though number of food establishments have gone up during the last 20 years. Even the low target of 46644[$] samples were not met and during 1995-96 to 1999-2000 only 6612 to 9246 (14 to 20 *per cent*) samples were collected indicating tardy implementation of the Act.

In 8 Circle Offices (Rural), 6 Municipalities and 3 Corporations (Urban) test checked, shortfall in collection of samples was 69 to 80 *per cent* in rural areas 58 to 75 *per cent* in urban areas. No steps were taken to improve the situation and the implementing agency failed to supervise, co-ordinate and monitor the enforcement of the Act. The shortfall in collection of samples was attributed by DD (PFA) to lack of sufficient allotment, continuous court duty of the Food Inspectors etc. This indicated that the Department did not monitor the crucial aspects of the implementation of the Act and investigate the constraints to improve the working.

(ii) Local bodies not covered in collecting of samples

The table below shows that from nearly 30 *per cent* of Panchayats and nearly 40 *per cent* of Municipalities no samples were collected during 1995-2000.

Year	Total number of panchayats	Number of panchayats from where no samples were collected and its percentage in brackets	Total number of municipalities	Number of municipalities from where no samples were collected and its percentage in brackets
1995-96	990	288 (29)	55	15 (27)
1996-97	990	241 (24)	55	27(49)
1997-98	990	292 (29)	55	28 (51)
1998-99	990	312 (32)	55	23 (41)
1999-2000	990	304 (31)	55	17 (31)

Since names of local bodies from where samples were not collected was not available with DD (PFA) it could not be verified whether the same areas were repeatedly left uncovered.

(iii) Inadequate drawal of samples

Meagre collection of sample of milk and milk products

According to the instructions issued by the department in 1994, the drawal of samples by the Food Inspectors was to cover different articles of food. The norms fixed for drawal of samples were 20 per cent for milk and milk products, food grains and flour; for edible oil, fat, tea and coffee 10 *per cent* and 5 *per cent* for soft drinks and sweetening agents.

[$] Corporation (3);2160, Municipalities (55); 9960, Panchayats (990); 34524

It was however, seen that samples lifted by Food Inspectors in respect of the widely consumed items like milk were as low as 2 *per cent* in 1995-99 and 6 *per cent* in 1999-2000.

The category wise details of food samples collected are as shown below:

Year	Total samples collected	Milk & Milk product and % (20%)	Adult-eration and %	Food grains and flour (20%)	Adult-eration and %	Edible oil and fat (10%)	Adult-eration and %	Tea and Coffee (10%)	Adul-teration and %	Soft drinks sweet-ening agents (5%)	Adult-eration and %
1995-96	6744	139 (2.06)	18 (12.95)	524 (7.77)	29 (5.53)	182 (2.7)	7 (3.85)	202 (3)	Nil	87 (1.29)	Nil
1996-97	7476	155 (2.07)	25 (16.13)	836 (11.18)	36 (4.31)	319 (4.27)	13 (4.08)	433 (5.79)	4 (0.92)	142 (1.9)	Nil
1997-98	9246	189 (2.04)	30 (15.87)	784 (8.48)	27 (3.44)	336 (3.63)	15 (4.46)	405 (4.38)	4 (0.99)	120 (1.30)	Nil
1998-99	7438	183 (2.46)	26 (14.21)	483 (6.49)	33 (6.83)	206 (2.77)	22 (10.68)	318 (4.28)	5 (1.57)	123 (1.65)	Nil
1999-2000	6612	380 (5.75)	53 (13.95)	811 (12.27)	55 (6.78)	573 (8.67)	25 (4.36)	622 (9.41)	32 (5.14)	186 (2.81)	2 (1.07)

Not only the number of samples collected was much less than the number prescribed, even within the samples prescribed, the percentage of samples collected for items of daily use was less. Consequently, the chances of detection of adulteration in major item was remote and thus health of the consumer was exposed to risk and the prime objective of the PFA Act was not achieved.

Mineral water is a widely consumed item and it requires 100 *per cent* purity. However only approximately 1 *per cent* of samples in respect of mineral water was collected during 1995-99. However the percentage of adulteration was in the range of 2.04 *per cent* to 13.33 *per cent* as shown below:

Year	Total samples collected	No. of mineral water samples collected and analysed and (Percentage)	Number found adulterated
1995-96	6744	15 (0.22%)	2 (13.33%)
1996-97	7476	41 (0.54%)	2 (4.87%)
1997-98	9246	98 (1.05%)	2 (2.04%)
1998-99	7438	96 (1.29%)	3 (3.12%)

(iv) Non-inspection in FCI godowns/Fair Price Shops

A review* on PDS conducted during 1998-99 revealed that PDS rice was reportedly used as cattle feed due to its poor quality.

Not even a single sample was lifted from FCI godowns/FPS

During July 1989, the Director General of Health Services, Government of India instructed all the Food Health authorities to conduct frequent inspection of of FCI godowns as well as Fair Price Shops (FPS) to ensure that the public receives good quality of food stuffs. It was noticed that in spite of these orders, no instructions were issued by the Director of Health Services of the State Government to the Food Inspectors. Sample registers maintained in the three laboratories also showed that no food samples relating to FCI

* Para 3.1.7 (i) (a) of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1999 No.3 (Civil), Government of Kerala.

godown/FPS were analysed during the period 1995-96 to 1999-2000. It was stated by the DD (PFA) that the reason for non-collection and analysis was to avoid prosecution of Government Officials. The reply is not tenable because the inaction on the part of authorities amounted to defiance of written orders issued by Government. Also fair price shops are a major source of food articles consumed by public.

No action was taken by Government against the DHS for defying the orders of DGHS as of May 2000.

(v) Shortfall in sample collection by Mobile Vigilance Squad (MVS)

The three Mobile Vigilance Squads collected a total number of 1486 samples during 1995--2000 as shown below.

Year	Trivandrum	Ernakulam	Kozhikode	Total
1995-96	81	171	88	340
1996-97	87	120	104	311
1997-98	90	107	80	277
1998-99	106	111	107	324
1999-2000	96	35	103	234

No specific target was assigned to the Food Inspector of Mobile Vigilance Squad. The Chief Food Inspector of MVS was however required to bestow special attention as per Government orders, for collecting of samples from the Municipalities where there was no Food Inspector. Under the jurisdiction of MVS, Ernakulam, there were 11 Municipalities without any Food Inspector. Collection of samples from the above Municipalities was only 169 during 1995-2000 and not even a single sample was collected from 7 Municipalities in 1999-2000, 2 Municipalities in 1998-99, 5 in 1997-98 and one each in 1995-96 and 1996-97. Thus, large areas were going without testing of any samples.

3.1.10 Performance of Analytical Laboratories

(i) Underutilisation of the capacity of laboratories

The Regional Laboratory is headed by a Government Analyst. Samples collected under the PFA Act, dietary articles collected from various Hospitals, drinking water collected from water supply schemes, effluent samples collected from industrial concerns, chemicals used for water treatment, samples relating to food poisoning cases, food material supplied through Civil Supplies Corporation, imported and exported food materials and private samples are being analysed in the Laboratories.

Under utilisation of capacity was more than 50 per cent in 3 out of 5 years

The three Analytical Laboratories in the State were equipped to test 18 thousand samples each per annum. Scrutiny revealed that due to low collection of samples the capacity of the laboratories was poorly utilised (41 to 51 *per cent)* during 1995-2000 as below:

Year	Annual capacity of the Laboratory for testing of samples	Total Number of samples tested	Number of samples test checked under PFA	Percentage of samples tested to capacity	Percentage of PFA samples tested to capacity
1995-96	54000	22277	6744	41	12
1996-97	54000	27248	7476	50	13
1997-98	54000	25256	9246	47	17
1998-99	54000	24524	7438	45	13
1999-2000	54000	27655	6612	51	12

(ii) Inadequate facility for testing

Audit scrutiny revealed that the facilities for testing in the laboratories were grossly inadequate and thus new techniques for adulteration and the use of new adulterants had little chance of detection. Parameters like metals, arsenic, lead, heavy metals, copper, chlorine, mercury, cadmium required to be tested in food items were not undertaken due to absence of equipment like Atomic Absorption Spectrometer. Despite this, DHS failed to utilise Government of India funds (Rs 24.22 lakh) as well as State funds (Rs 11.89 lakh) earmarked for the purchase of equipment for strengthening of Laboratories in the State during 1995-2000 due to non-receipt of Government sanction.

It was also noticed that perishable items like vegetables, fruits, fish and fish products, meat and meat products, bread, toasts, cake and allied products, prepared food etc., were not analysed for want of storage facilities and cold storage. No remedial action has been taken to rectify the situation as of May 2000

The bacteriological testing of water was limited to only the coliform type of organisms. The tests for identification of pathogenic bacteria that causes cholera, typhoid, etc. were not conducted due to lack of necessary equipment.

Thus, due to failure of the Government to equip the laboratories the required tests for detection of contamination were not conducted and therefore control of adulteration/impurity of potable water was totally inadequate.

3.1.11 Performance of the department relating to processing of prosecution cases.

(i) Analysis of prosecution cases filed against the defaulters during the last 5 years in respect of Circle Offices/Municipalities test checked revealed that in 50 *per cent* of the cases disposed, the accused were acquitted.

(ii) Non-filing of prosecution cases

On a test check of 8 Circle Offices and 6 Municipalities it was seen that prosecution cases were not filed in respect of five cases in Kollam Municipality even though analysis of the samples** tested were found adulterated. The Municipal Secretary stated that the prosecution cases were

** Chilly powder, Gingelly oil, Pasteurised toned milk, Sterilised cream & Dried ice cream not filed for want of important documents. The reply was not tenable as the reports of analysis were received during July 1994 to September 1998. No action was taken by the controlling officer against the officers who failed to launch prosecution.

(iii) *Delay in prosecution cases*

Food Inspector can take samples of food articles after giving notice of his intention to have it analysed to the person from whom the sample is taken and send it for analysis to the Public Analyst. If the sample is found to be adulterated, the Food Inspector is to institute the prosecution against the offenders within 15 days from the date of receipt of analysis report from the Laboratory. Test check of 250 prosecution cases, revealed delay of more than 5 years in 2 cases and the delays ranged from 1 month to 60 months in 178 cases. DHS took no action to investigate the delay which was attributed to paucity of funds and delay in completing the enquiry.

(iv) *Government intervention in stalling prosecution cases*

Though Government was expected to take stringent action against the offenders of adulteration, in the following two offices Government directed Food Inspectors not to file prosecution cases/direct the APP to withdraw the case from Courts:-

Name of office and sample collected	Date of collection of sample	Date of sending to laboratory for test	Date of receipt of Form III Report	Remarks
1.Mobile Vigilance[@] Squad, Ernakulam Brewed Vinegar	4.8.93	5.8.93	6.9.93	Case was not filed on direction (27.11.93) from Minister of Health. After 5 years Government gave clearance but the case has not yet been filed (May 2000)
Skimmed Milk[#]	22.3.94	23.3.94	27.4.94	Though a prosecution case was filed on 16.5.94 it was withdrawn subsequently by Assistant Public Prosecutor on Government direction.
2. Food Inspector[$] Kochi Circle, Gingelly Oil	11.3.99	11.3.99	12.4.99	Case was filed on 14.7.99. The Food Inspector was directed (20.7.99) by the Additional Secretary (Health) to stop filing of prosecution till a final direction was received from Government. The case has not been filed so far (May 2000)

3.1.12 *Delay in forwarding judgements*

The Food Inspectors were to obtain copies of judgements in acquitted PFA cases and send them promptly to Chief Government Analyst (CGA) at Thiruvananthapuram for examining the scope of filing appeal within 15 days from the date of judgement. This was not done by the Food Inspectors and there was inordinate delay in forwarding judgements. In one case[*] judgement pronounced on September 1998 was forwarded to CGA only in May 1999. The CGA observed that the time limit for filing appeal was already over and

[@] Malankara Food Products, Pattom.
[#] Concerted Food Products Company, Angamaly.
[$] Maveli Store No.2184, Kumbalam Panchayat.
[*] CC 858/94 filed by the Food Inspector, Kozhikode Corporation

suggested to the DHS that strict instructions should be issued to the Food Inspectors and Local Health Authorities. No such instructions have been issued. (May 2000).

3.1.13 Inadequate training facilities

The analytical staff were not given periodical training to enable them to keep abreast with the latest methods of analysis. It was observed that employees were not drafted even for training programmes funded by WHO.

No machinery existed in the Department to impart training to Food Inspectors in technical and legal matters and information regarding judgement pronounced in various Courts in and outside the State was not given to them. No training facilities were in place for the enforcement wing except the statutory training for 3 months given at the time of induction.

Conclusion

The review revealed that enforcement of PFA Act in the State was poor mainly due to vacancies in critical cadres for long periods, non-availability of funds for collection of samples and laboratories remaining ill-equipped. Inspection of FCI godowns and fair price shops were not conducted in spite of a specific direction by DGHS to do so. The performance of the department in prosecuting offenders was dismal. DHS was not involved in any of the PFA activities like planning, control, enforcement and monitoring resulting in ineffective implementation of the provision of the PFA Act.

The above points were reported to Government in June 2000; reply has not been received (November 2000).

3.2 Implementation of Environment Acts and Rules relating to Water Pollution

Highlights

For Kerala, a State with a high population density, environmental pollution is a great hazard affecting the lives and living conditions of people. Kerala State Pollution Control Board (PCB) constituted in September 1974 is the agency entrusted with enforcement of statutory provisions for protection of environment, control of pollution and improvement in quality of water sources.

The review has revealed that enforcement of provisions of the Acts/Rules relating to water pollution had not been effective due to several factors like reluctance to invoke the legal provisions of the Act, lack of monitoring and supervision, failure to conduct comprehensive surveys of polluting units in the State, absence of co-ordination between the Board and the licence granting authorities and lack of adequate manpower and laboratory facilities.

- **Due to failure of PCB to conduct comprehensive survey of industries in the State, only 2250 were identified as highly polluting units and 1383 (61 *per cent*) brought under consent out of a total number of 2.17 lakh industries registered.**

[Paragraph 3.2.5]

- **PCB failed to take effective follow-up action even in cases of complaints regarding discharge of untreated effluents, contamination of underground water etc., received from public.**

[Paragraph 3.2.6 (i)]

- **Huge shortfall in inspection of industrial units for monitoring effluent standards was noticed. Out of 418 Industrial units test checked the shortfall in prescribed inspections in respect of 179 units ranged from 79 to 82 *per cent*.**

[Paragraph 3.2.7 (ii)]

- **Due to insufficient monitoring of effluent treatment by industries as well as the PCB, Periyar river was polluted with high concentration of chemicals.**

[Paragraph 3.2.7 (v)]

- **A general reluctance/disinclination to invoke statutory powers against the defaulting industries was noticed. Only 67 cases were launched in 21 years.**

[Paragraph 3.2.7 (vii)]

- **Due to defective equipment and non-availability of essential equipment, laboratories could not analyse effluent samples for different parameters.**

[Paragraph 3.2.8(i)]

- **PCB's notices were ignored by Kerala Water Authority which continued to pollute river Killy and Parvathy Puthanar by discharging untreated sewage.**

[Paragraph 3.2.9 (iv)]

- **PCB's directive to Travancore Devaswom Board to install a treatment plant to prevent contamination of river Pamba during festival season was not complied with.**

[Paragraph 3.2.9(v)]

- **Travancore Titanium Products Limited functioning without consent of PCB from 1996, was discharging untreated effluent to sea causing degradation of sea water at Veli.**

[Paragraph 3.2.9 (vi)]

- **Funds to the tune of Rs 35.86 lakh released by the Central and State Governments during 1994-2000 for research projects remained unspent as of June 2000.**

[Paragraph 3.2.11]

- **Assessment of manpower requirements of PCB has not been done so far.**

[Paragraph 3.2.13]

3.2.1 Introduction

Protection of environment which includes water, air, land and water quality management are governed by the provisions of Environment (Protection) Act 1986 (EP Act) and the Water (Prevention and Control of Pollution) Act, 1974 (Water Act) as amended from time to time and the Rules framed there under. There are 44 rivers, 30 backwaters and 3 fresh water lakes in the State. The major polluting industries included chemical, fertiliser, ceramic, metals and minerals, distillery, sea food, pulp and paper, pharmaceutical etc. According to the information available with the State Pollution Control Board, 12 rivers (27 *per cent*), 3 back waters (10 *per cent*) and 2 fresh water lakes (67 *per cent*) were polluted. However, a comprehensive survey to assess the environmental status of all the water bodies is yet to be done by the Board. A list of major polluting industries and affected water bodies is given in Appendix XIX.

3.2.2 Organisational set up

At the Government level, the Department of Science, Technology and Environment (STED) was in overall charge of environmental matters including policy issues on environment and abatement of pollution. The other departments and agencies responsible for environmental matters included Forest and Wild Life, Irrigation, Local Self Government, Health, Motor Vehicles and the State Committee on Science, Technology and Environment (STEC). The Kerala State Pollution Control Board (PCB) which is the main regulatory body under the Water Act has been placed under the administrative control of the Health and Family Welfare Department. A proposal to bring the Board under the STED, as is the case in other States, was pending with the State Government.

The Board consists of the Chairman, Member Secretary and 5 official and 10 non-official members with Headquarters at Thiruvananthapuram.

3.2.3 Audit Coverage

The working of the PCB was reviewed earlier for the period 1989-90 to 1994-95 for the Audit Report (Civil) 1994-95. The Report has been discussed by the PAC in November 1998. The recommendations of the PAC are awaited (October 2000). Implementation of Acts and Rules in relation to prevention, control and abatement of water pollution was reviewed during December 1999 to April 2000 with reference to the records of Government in the Department of Health and Family Welfare, PCB Head Office Thiruvananthapuram, four Regional Offices*, Central Lab, Kochi, district offices at Kollam, Alappuzha and Palakkad, STED and STEC, Thiruvananthapuram for the period from 1995-96 to 1999-2000. It was observed that most of the defects and irregularities pointed out in the earlier review, *viz.*, inadequate coverage of industrial units under consent regime, shortfall in inspections and monitoring, non-execution or delay in execution of Central and State study projects, arrears in the collection of water cess, etc., continued to persist even now. The audit findings are given in the succeeding paragraphs.

3.2.4 Budget and expenditure

The details of funds received from State/Central Governments and expenditure there from during 1994-95 to 1998-99 were as under:

* Thiruvananthapuram, Kottayam, Kochi and Kozhikode.

(Rupees in crore)

Year	OB	Receipt							Expenditure met from				
		State Grant					Central Grant	Total	State funds		Central funds	Total	Balance
		Budget Estimates		Actual Receipt					Plan	Non-plan			
		Plan	Non Plan	Plan	Non Plan	Water cess							
1994-95	3.92	1.60	0.25	1.60	0.25	0.41	0.32	6.50	0.23	1.51	0.07	1.81	4.69
1995-96	4.69	1.60	0.25	1.60	0.25	0.21	0.12	6.87	0.90	1.17	0.14	2.21	4.66
1996-97	4.66	1.75	0.25	1.75	0.25	0.21	0.04	6.91	1.05	1.16	0.17	2.38	4.53
1997-98	4.53	0.50	0.25	0.50	0.52	0.47	0.43	6.45	1.79	0.88	0.25	2.92	3.53
1998-99	3.53	1.75	0.25	1.75	0.92	0.52	0.27	6.99	1.83	0.88	0.14	2.85	4.14

The Board had an average cash balance of above Rs 4 crore every year. Plan funds of Rs 2.77 Crore (56 *per cent* of total release) which remained unutilised at the end of March 1997 were either diverted for non-plan expenditure or retained in Treasury Public Account (TPA) of the Board.

3.2.5 Gap in coverage of highly polluted industrial areas

No comprehensive survey was conducted in order to ascertain the polluting agencies

As required under the Water Act, the Board was required to cover the various polluting agencies like Industries, Local Bodies (LBs), Kerala Water Authority (KWA), hospitals, slaughter houses etc., under its consent regime*, but it did not conduct a comprehensive survey in the state in order to identify the various sources of pollution. Instead it concentrated mainly on the limited area of industrial pollution.

Out of 2.17 lakh industries only 2250 was identified as highly polluting industrial units and 1383 brought under consent

Even in this area, the coverage was confined to industries which applied for consent on their own or about which complaints were raised by individuals or Non-Governmental Organisations (NGOs) through petitions to the Board or to the courts of law. Of 2.17 lakh industries@ registered in the state as of March 1999 the number of units identified by the Board as highly polluting industrial units and brought under consent as per Water Act was 2250 (1 *per cent*) and 1383 (0.64 *per cent*) respectively. Government stated (September 2000) that the Board had identified 300 highly polluting large and medium industries and covered them under consent regime. It was further stated that in respect of small scale sector the Board had identified 20000 units from which an inventory of air and water polluting industries was under preparation.

The Board, however, admitted that the units were identified through a random survey. Clearly the Board's identification of polluting industries was flawed and was not done after assessing the pollution potential of all the 2.17 lakh industries. The State Government had instructed (October 1998) the LBs to insist on consent from the Board before granting licence/permits to highly polluting industrial units. But it was noticed that the local bodies did not comply with the instruction of the State Government and the Board failed to

* Consent is a kind of a permit or license to be obtained by pollution significant units from the Pollution Control Board.

@ Major 5247, Medium 12024, Small scale 199827 bring this to the notice of the Government. Consequently, the Board could not ensure that all the licensed units with pollution potential were brought under the consent regime.

Local bodies granted licences to highly polluting industrial units without insisting on consent from PCB

A test check of 560 licensed units in 4[#] LBs in Ernakulam District revealed that these LBs had issued licence to 18 highly polluting industrial units during October 1998 to February 2000 without insisting on consent from PCB. Only 8 out of these 18 cases had been granted consent by the Board. Grant of licence by the LBs without insisting on the consent requirements rendered the implementation of the Act ineffective. Government stated (September 2000) that remaining 10 would be brought under consent. It was also stated that the State Government was taking steps to amend the Panchayat and Municipal Acts to make clearance from PCB a prerequisite for issuing licence.

3.2.6 Failure to enforce statutory provisions for abating/preventing pollution

Even in cases of complaints from public, PCB did not take effective follow up action

(i) There were public complaints (August 1997) against the Medical college Hospital, Alappuzha regarding discharge of untreated waste water into canal and unscientific management of solid and biomedical wastes. Though the Board authorities inspected the hospital (September 1997 and December 1998), found the complaint true and issued notices to the hospital, no effective follow up action was taken. The hospital continues to discharge pollutants in the canal.

Kappithodu in Ambalappuzha Taluk (Alappuzha district) which was preserved at one time as a fresh water canal, was turned into a receptacle of liquid and solid waste from over 100 fish processing units, on its banks functioning without consent and the new Medical College Hospital complex nearby. The pollution level in the canal was so high that in January 2000 about 33 school children fell unconscious due to inhalation of toxic emissions from the canal. It was noticed that only after this incident, the Board issued notices to these units in March 2000. No further action was taken.

(ii) Failure in water quality assessment of rivers and lakes

(a) The Board conducted water quality studies in respect of 12 out of the 44 rivers in the State under National River Action Plan (NRAP) (10 rivers in September 1997) and Indo-Dutch Project (12 rivers in December 1999) which revealed high concentration of faecal and total coliform bacteria in different stretches of all the rivers. In respect of the remaining 32 rivers even a water quality assessment was not undertaken as of April 2000.

(b) At the instance of the Committee on Environment of the Kerala Legislature (February 1993) the Board monitored the water quality of the fresh water lake at Sasthamcotta, which is the source of drinking water in Kollam town, during June 1993 to March 1995 and found the presence of coliform bacteria in the range of 130 to 16000 MPN/100 ml of water as against the acceptable level of 50 MPN/100 ml. Though the committee made several

[#] Kochi Corporation, Aluva Municipality and Aroor and Kodungalloor Panchayats recommendations regarding prohibition of discharge of pollutants into the lake and also identified polluting agencies such as local bodies, Kerala Water Authority, hospitals etc., no action was initiated by the Board as of September 2000.

(iii) Non-compliance of CPCB directives

PCB failed to implement directions of CPCB for prevention of surface/ground water pollution

The CPCB in August 1997 directed the State Board to prepare an inventory of the slaughter houses in the State in order to regulate the waste disposal therefrom under the Water Act. The Board addressed (October 1997 and January 2000) all the three corporations, 55 municipalities and the Director of Panchayats. As of March 2000 only seven municipalities responded, of which only five had authorised slaughter houses and none was brought under consent of the Board. No Grama Panchayat responded to Board's enquiry as of April 2000. Board failed to take effective follow up action and consequently the untreated waste disposal from the slaughter houses and consequent pollution continued to be unregulated. Thus, the Board did not make any sincere efforts to implement the directions of CPCB.

As per GOI guidelines, all the shrimp farming units with more than five hectares were to set apart 10 *per cent* of the area for waste stabilisation pond and farms with more than 10 hectares were required to obtain the consent of the Board. Such units were not identified as of May 2000 for ensuring compliance of the Central guidelines.

3.2.7 Ineffective enforcement

(i) Shortfall in Effluent Monitoring by the industries

The consented industries were required to analyse the effluent samples at prescribed intervals and submit periodical Effluent Monitoring Reports (EMR) to the Board regarding the quality of treated effluents discharged by them as per consent conditions. In respect of 80 industries test-checked in two Regional Offices and two District Offices, the number of EMRs received during 1995-96 to 1999-2000 was only 617 (21 *per cent*) as against 2900 due, the annual shortfall being in the range of 53 to 91 *per cent*. There was no mechanism in the Board for watching the receipt of EMRs. Further, the statements received were not reviewed and the variations in the sample analysis results with those done by the PCB labs were not considered for follow up action. Thus, the mechanism remained almost non-operative. The Board stated that the EMRs were meant for self correction by industrial units and the Board relied on its own monitoring reports. The receipt of EMRs could not be watched and followed up due to lack of man power. The fact remains that the Board failed to notice cases of factually incorrect reports and initiate action against the concerned units.

(ii) Heavy shortfall in inspections

Huge shortfall in conducting inspection of industrial units for monitoring effluent standards

The Board was also required to enforce the prescribed effluent standards by monitoring the effluent quality through inspection and sampling in the units at prescribed intervals. The Ministry of Environment and Forest, GOI, in

September 1988 stipulated that all the consented industries should be categorised into red, orange and green depending on pollution potential and inspected at monthly/six monthly/annual intervals. The Board did not implement the directive as of March 2000. Instead, the Board fixed a schedule of its own (1994) according to which large, medium and small units were to be inspected at monthly, quarterly and annual intervals respectively without reference to their pollution potential. A test check of records relating to 418 industrial units from 1997-98 to 1999-2000 in four regional offices and three district offices however, revealed that only 239 units (60 *per cent*) were inspected by the Board according to this schedule. In respect of the remaining 179 industries, 79 to 82 *per cent* was not at all inspected. Government stated (September 2000) that the CPCB instructions were in the nature of guidelines and were not mandatory nor was it practicable in Kerala with inadequate staff. The reply was not acceptable because as per section 18 of the Water Act, the directions of CPCB were binding on the State Board.

(iii) Ineffective follow up of sampling results

Consent was granted by the Board to industries having Effluent Treatment Plants (ETPs) or to those without ETPs on condition that ETPs should be installed by them within the time-frame prescribed. In the event of non-installation of ETPs/non-achievement of effluent standards, the Board was to issue notice to the defaulting industries to adhere to the condition, failing which directions to stop discharge/close down the industries should have been issued.

It was, observed that the enforcement of consent conditions was ineffective, rendering the efficacy of the consent system questionable. The consented industries were required to achieve the effluent standards prescribed within a period of one year or even a lesser period, if so specified by the Board. However, even after 14 years of fixation of effluent standards several industries including grossly polluting industries were found to be non-complying as of March 2000. A test check of the effluent sample analysis results in respect of 71 industries belonging to 12 districts revealed the following:

(a) Six industries which were granted (1991-98) consent on condition of commissioning the ETPs by specific dates between May 1991 and June 2000, did not install ETPs till date (April 2000). Of the above, Travancore Titanium Products Limited had been working without consent since January 1996 and Vysali Pharmaceuticals since January 1999. All units had been discharging effluents into water bodies without any treatment. There was 2 to 9 years delay in the installation of ETPs by these units.

Conditions prescribed by PCB while granting consent to industries not complied with. No action taken against non-complying units

In respect of 15 units the ETPs installed were not working properly. In respect of 11 units, where ETPs were found inadequate, the directions of the Board to augment the ETPs were not complied with as of March 2000. Six units were maintaining unauthorised outlets over and above the authorised ones. In respect of four units which were authorised under consent conditions to discharge treated effluents into land for irrigation or percolation, complaints were received by the Board from the aggrieved parties regarding unauthorised discharge into water bodies. In respect of 2 units, the ETPs were found by the Board to be operated only partially. In respect of 7 units consents or renewals applied for were refused due to non-compliance of directions and these units were operating without consent. Thus, the Board failed to invoke the legal provisions of the Act against the defaulting units.

(b) None of the units test-checked conformed to the effluent standards prescribed in respect of all the parameters at any time. In the test checked cases concentration of different parameters including toxic ones like heavy metals, free ammonia, ammonical nitrogen, Kjeldahl Nitrogen, sulphide, fluoride etc., were found to be very high in the samples analysed.

It was also observed that enforcement of the provisions of the Act by the Board in respect of these 71 non-complying units was confined to issuing of directions to install ETPs (6 units), restore standards through rectification or augmentation of ETPs (11 units), operate the ETPs in full (15 units) and mere letters to restore standards (39 units). However, failure lay in the Board in non-following of the matter and take action against the 71 non-complying units.

iv) Sea food industries

According to Environment (Protection) Rules 1986, effluent standards in respect of three parameters were prescribed for seafood industry (BOD, SS & Oil and Grease). Out of 87 fish processing units (84 in Alappuzha, one each in Kozhikode, Thiruvananthapuram and Kollam) under seafood industry, standards were fixed and intimated only in respect of 57 units. In respect of the remaining 30 units no standards were intimated. Instead they were allowed to discharge effluents through screen and septic tank of retention capacity of 24 hours and the overflow was to be directly pumped into water bodies. Also there was no uniformity in fixing standards with reference to quantity of effluent discharged.

Assimilation capacity of water bodies not ascertained while granting consent to 44 fish processing units in Alappuzha district

Under the EP Rules 1986 while permitting the discharge of effluents into water bodies or land, the State Board was required to take into account the assimilative capacity of the receiving water bodies so that quality of the intended use of the receiving water body was not affected. Where such quality was likely to be affected, discharges were not to be allowed into water bodies. However, it was observed that while granting consent to 44 fish processing units with an effluent generation of 13 lakh litres per day, situated on the banks of the 1.6 Km long Chandirur Puthenthode (canal) in Alappuzha District connected at both ends to backwaters with flushing dependent on tidal waves only, no assimilative capacity study was conducted till date (May 2000). It was noticed that five writ petitions filed (January 1995 to February 2000) were pending before the High Court of Kerala impleading the Board as one of the respondents in which the petitioners alleged that the fish processing units were violating the provisions of the Water Act and PCB failed to enforce the provisions effectively. Government stated (September 2000) that a proposal for setting up a Common Effluent Treatment Plant (CEPT) was under consideration of the District Administration and the local body.

(v) Large industries

Similarly in Kochi there were more than 71 large, medium and small industries concentrated on the banks of Periyar for which consent was issued by the Board. A test check of 23 large industries revealed that the effluent quantity authorised to be discharged was 1.74 lakh kl per day. However, this authorisation was issued without taking into account the carrying capacity of the river, with reference to the combined load of the parameters contained in the effluent discharged. The details of the quantum of the individual parameters (combined) in the effluent discharge are given in Appendix XX. It was also seen that the consented units were discharging more quantity of effluent than authorised and the quantum of individual parameters was also higher than the standards fixed. The details are given below:

Sl. No.	Parameter	No. of Industries involved	Standard fixed	Actual parameter quantity
1.	Suspended solids	8	100 mg/l	250 – 1088 mg/l
2.	BOD	6	30 -100 mg/l	76-11230 mg/l
3.	COD	3	250 mg/l	1200 – 24320 mg/l
4.	Nitrate as Nitrogen	3	10 - 20 mg/l	35.6 to 87.3 mg/l
5.	Phosphate	2	5 mg/l	25.5 to 170 mg/l
6.	Oil & Grease	2	10-20 mg/l	310 to 9800 mg/l

High concentration of pollutants in river Periyar as industries discharged more effluents than authorised.

Six units operated unauthorised outlets to conceal discharge of untreated sewers. Board stated (June 2000) that as the average flow of the river at Aluva station was 26000 l/sec, the concentration of all the parameters would get diluted to levels far less than the tolerance limits. But the contention of the Board was not tenable. Two massive fish kills in the river occurred in June/July 1998 due to high concentration of pollutants, which the river could not assimilate. Analysis of river water samples by the Pollution Control Board from 12 points in the river involving 3 major units* on 8 July 1998 disclosed concentration of Ammoniacal Nitrogen at 12 to 24 mg/l as against permissible limit of zero, free Ammonia 0.722 to 2.08 mg/l as against a limit of 0.05 mg/l (for fisheries) and dissolved oxygen at 0.73 to 3.73 mg/l as against the minimum of 4 mg/l (for fisheries). In the report submitted (November 1998) to the High Court of Kerala the Board admitted that proper dilution and dispersion of effluent was not taking place during summer days because of less rate of flow and obstruction of flow due to bund constructed across the Eloor branch of the river for preventing salinity intrusion.

(vi) Failure to initiate action against grossly polluting industries

PCB failed to take action against grossly polluting industries for non-compliance of prescribed effluent standards

In terms of the decision of the National River Conservation Authority, CPCB directed (July 1997) the State Board to prepare a list of grossly polluting industries and instruct them to conform to the effluent standards by 15 October 1997, failing which, notice of closure should be served on them. The cut off date was later extended to 4 November 1997. Of 36 such industries listed (August 1997) by the Board 4 distillery/sugar units were either closed down or stopped distillation. Regarding the other 32 units the Board sent 4 status

* FACT (Cochin Division), Hindustan Organic Chemicals Ltd, Cochin Refineries Ltd.

reports during September 1997 to July 1998. Test-check of analysis of samples of these industries revealed that no industry achieved the standards in respect of the various parameters in full at any time before or after November 1997.

(vii) Reluctance to invoke statutory powers against erring units

Audit scrutiny revealed general disinclination and reluctance on the part of the Board to launch prosecution against non-complying units. During the 21 years from 1979 to 1999, the number of prosecution cases launched by the Board was only 67, the average being 3 per annum. But there was no abatement of pollution by various agencies like industries, local bodies, hospitals etc., as is evidenced by the 707 petitions (650 in Kerala High Court and 57 in lower courts) filed as of December 1999 by individuals, NGOs, etc., impleading PCB as one of the respondents against violations of the EP Act, Water and Air Acts of which 479 (442 in High Court and 37 in lower courts) were pending as of December 1999. According to the Board lack of manpower to cope up with the long drawn out court proceedings and absence of environmental courts suggested by the Apex Court were responsible for the low incidence of prosecution cases.

3.2.8 Environmental laboratories

(i) Inadequacy of equipment

Essential equipments were not available for analysis of samples to the required extent.

Test check of the records of seven out of 9 Laboratories under the Board revealed that 15 items of important equipment were either unserviceable or awaiting repairs/replacement as of March 2000 for periods ranging from 4 months to 9 years as shown in Appendix XXI.

Similarly, 15 items of essential equipment like AAS, Sample cooler, G.M Counter, portable pH meter etc., were not supplied to the laboratories so far though sufficient funds were available with the Board.

(ii) Non-compliance with standards of analysis

Samples were handed over after the period prescribed for testing was over

It was noticed that large number of the effluent/water samples collected by the engineering staff were handed over to the laboratories after a gap of one to 9 days after the prescribed period for testing the sample was already over. Parameters like pH, DO, Residual chlorine etc., were to be analysed on the spot. But out of 418 industries test-checked in seven offices, spot analysis of pH was done only in the Regional Office, Ernakulam in respect of four cases. High pH count (10-alkaline) found on spot analysis was found to be much lower (1.4 to 5) (acidic) in lab analysis (FACT Ltd & TCC Ltd).

(iii) Insufficient coverage of sampling

Coverage under sampling was also not uniform or regular. A scrutiny of the sample analysis register in the Labs revealed that in the District Office, Kollam, no sample was collected and analysed in respect of 35 out of 94 consented units during November 1996 to February 2000. In the Regional Office, Thiruvananthapuram no sampling was done in respect of 41 out of 131 consented units.

(iv) Private laboratories

Performance of licensed laboratories remained unmonitored and unassessed

Under the provisions of the Water Act, the Board had granted licence to 16 environmental laboratories maintained by private agencies (commercial) and 14 by the major industries themselves (non-commercial).

A comparison of the sample analysis reports of the licensed commercial and non-commercial Laboratories submitted along with the Effluent Monitoring Reports (EMR) of industries with those of the PCB Labs on the same dates, nearby dates or in the same month in respect of 11 units revealed that all the results of the former were well within the prescribed limits while those of the latter exceeded the prescribed standards except in rare cases as shown in Appendix XXII. However, despite such discrepancies, the reports were accepted in the Technical Wing of the Board.

3.2.9 Water Quality Management

Data on natural water bodies were not analysed by PCB to ascertain the status of water quality

Zoning and classification of water bodies was to be done through regular monitoring of water quality under the centrally sponsored projects of Global Environmental Monitoring System (GEMS) and Monitoring of Indian National Aquatic Resources (MINARS). Though the data was being collected by the Board through the monitoring stations, it was not put to any use by the Board and sent to Central Board, as received.

(i) Rivers

A test-check of water quality monitoring data in respect of 4 out of 12 rivers monitored (Periyar, Chithrapuzha, Karamana and Chaliyar) for the period 1986 to 1998 revealed that there was shortfall in monthly sampling, the extent of shortfall being in the range of 18 to 42 *per cent*.

Regarding water quality, out of 5 parameters analysed (BOD, pH, DO, Chloride and Total Coliform) Total Coliform was found to be increasing from 140 –1600 MPN/100 ml in 1986 to 500-2200 MPN/100 ml of water in 1998 as against the standard of 50 MPN (for drinking after disinfection) and 500 MPN/100 ml for outdoor bathing. However, in Peppara Dam Section of Karamana river it came down from 300 MPN/100 ml in 1993 to 110 MPN/100 ml in 1998. In two stations at Thevara Section of river Periyar, concentration of chloride registered an increase from 40-12100 mg/l in 1995 to 10500-12500/mg/l in 1996.

However, the Board had not formulated any action plan for prevention, control or abatement of pollution in these river bodies in consultation with the State Government, local bodies, industries etc.

(ii) Back waters

There are 30 backwaters in the coastal zone of the state and Board undertook the plan scheme of backwater quality profile during 1992-98. Though the studies had been completed, final report was still pending (March 2000).

(iii) Ground Water Monitoring

Ground Water Monitoring studies conducted (1994) in seven stations in Greater Cochin area disclosed that pH, and concentration of coliform bacteria, BOD, chloride etc., were beyond tolerance limits in six stations. In two stations (Eloor and Mattanchery) well water was unfit for drinking and irrigation. In respect of the remaining four stations water could be used for drinking and irrigation only after disinfection and addition of lime. Board had not passed on this significant information to the State Government or concerned local bodies. As a result the population was exposed to the hazards of drinking unpotable water.

(iv) Pollution of river bodies by Kerala Water Authority.

The Board has not conducted any comprehensive study on the extent of water pollution created by various local bodies like Municipalities, Corporations and KWA.

KWA ignored PCB's showcause, legal notices and continued to pollute river Killi and Parvathi Puthanar by discharging untreated sewage

In Trivandrum City, KWA has been maintaining a sewage system from 1945 onwards covering only 30-40 *per cent* of the population. The 40 million litres of sewage generated per day is pumped into the sewage farm at Muttathara (maintained by the Dairy Department). A farm of 82 acres which was inadequate to assimilate the sewage pumped through 9 pumping stations had been granted consent of the Board upto 2001. About 50 *per cent* of the sewage overflowed and got directly discharged into the river Killy and Parvathy Puthanar. The Board's directions since May 1987 to the KWA for installing a treatment plant has not been complied with. Analysis by the Board of the river water as well as well water on the river banks used by public for drinking and washing disclosed high concentration of faecal Coliform ranging from 5000 MPN to 1.6 lakh MPN/100 ml as against the standard of zero in drinking water and 500 MPN/100 ml in bathing water. The pollution continues unabated. The Board stated that no prosecution case had been filed against Kerala Water Authority as a public interest litigation (August 1995) was pending before the High Court of Kerala. The reply was not acceptable because no stay order was passed by any court of law and nothing prevented the Board from invoking the legal provisions under the Water Act against the KWA.

(v) Pollution in River Pamba at Sabarimala.

Travancore Devaswam Board did not comply with PCB directions

According to High Court directive (December 1996) the Board was operating a mobile laboratory at Sabarimala during the festival season for analysis of water samples. Directions of the Board in June 1999 and September 1999 to the Travancore Devaswam Board to install a treatment plant to prevent pollution has not been complied with (March 2000).

(vi) Coastal ocean monitoring

PCB failed to launch prosecution against a polluting industry at Veli functioning without consent

The Board had not monitored the water quality of coastal sea waters. The survey conducted by the Department of Urban Development identified four areas of potential concern (hot spot) on the Kerala coast *viz.* Veli, Neendakara, Kochi and Chaliyar estuaries and Kozhikode. According to the studies conducted in January 1999 by the Centre for Earth Science Studies in respect of sea water near the shore (zero point) at Veli, Vizhinjam and Paravur the degradation of sea water quality at Veli was found to be very serious as Travancore Titanium Products (TTP), a major polluting industry at Veli, (functioning without consent since January 1996) had been discharging highly acidic and untreated effluent to the sea shore, in violation of the condition of consent given earlier. In spite of continued non-compliance, the Board failed to launch prosecution against the unit as of May 2000. In fact the prosecution launched against the company in 1983 was withdrawn at the instance of the State Government. Regarding the other spots, the Board reported (March 2000) to CPCB that necessary action was being taken by regional/district offices of the Board to ensure that only properly treated effluent was discharged into coastal and marine waters. However, the records of studies conducted by the Board on the sewer lines or drains leading to the coastal/marine water at the three spots and action taken to ensure the treatment of the out-fallings were not made available for audit scrutiny.

3.2.10 Water Cess

Rs 55 lakh was due from KWA as Water Cess

The Board was required to levy and collect Water Cess from all industries and KWA drawing/consuming water from water bodies. A test-check in the Board Office revealed that as on 31 December 1999, a sum of Rs 70 lakh was outstanding towards arrears of water cess of which Rs 55 lakh was due from KWA.

3.2.11 Research studies and projects

(i) Non-execution of Research projects

Three centrally assisted schemes* of Research projects for which Rs 8.92 lakh had been received in 1995-96 (Rs 3 lakh) and 1997-98 (Rs 5.92 lakh) had not been taken up for implementation as of March 2000. Two State Plan Schemes# for which Rs 26.94 lakh was received during 1994-2000 have also not been taken up and the amount of Rs 35.86 lakh is kept in TP Account. The reason attributed by the Board was lack of adequate staff.

* 1.Study on heavy metals in Periyar, 2. Relation of TOC with BOD and COD with reference to industrial effluents, 3. Regional research for potentially toxic chemicals.

\# 1. R&D wing, 2. Studies on Land Pollution *(ii) Relative Toxicity studies*

PCB did not incorporate the condition of continuous bio-toxicity testing of effluent prior to disposal.

Government of India (MOE&F) sanctioned a project on relative toxicity studies and optimisation of bio-toxicity tests at a cost of Rs 8.27 lakh to incorporate a condition of continuous bio-toxicity testing of treated effluent prior to disposal in the treatment systems of industries causing water pollution. PCB started the project in the Regional office at Kozhikode from February 1996 and a report submitted to GOI in July 1998. It was seen that the condition of continuous bio-toxicity testing of the treated effluents prior to disposal by the industries was not incorporated in the relevant consents issued by the Board as envisaged under the project.

3.2.12 Annual Reports

Though the annual report of the PCB for the year 1996-97 was finalised, it has not been submitted to the State Government as of September 2000 for being placed before the Legislature. Scrutiny of the earlier reports revealed that there was no mention about the current status of environment therein. A separate environmental status report stated (August 2000) to have been prepared by the Board was yet to be submitted to the State Government. The preparation of Annual reports for 1997-98 and 1998-99 was also pending with the Board. Thus the process of reporting the Board's activities to the Legislature was undermined.

3.2.13 Manpower management

The functioning of the PCB adversely affected by presence of large number of untrained provisional hands. Manpower requirement not assessed

The total number of officers and staff in position in the Board as at the end of March 2000 was 210 as against a sanctioned strength of 260, leaving 50 posts (Technical-9, Scientific – 12 and Administrative – 29) vacant. The vacant posts were filled by provisional appointments from Employment Exchanges. Though the State Government decided (December 1987) to transfer the staff recruitment functions of the Board to the Public Service Commission, formal transfer was still pending (March 2000). Based on a Court order, the Board appointed 103 candidates on provisional basis. Of them 56 were still in position as of May 2000. The continuing stalemate in recruitment adversely affected the functioning of the Board. No training could be imparted to these temporary employees. Even though many of the statutory obligations could not be performed for want of adequate staff, the Board did not assess its manpower requirement and submit comprehensive staff proposals to the State Government. The adequacy of the present staff structure remained unassessed.

3.2.14 Internal control

No internal control mechanism was evolved in the Board till September 1997. Huge shortfall in Reports, Meetings and inspections introduced subsequently was noticed as given below.

Details of returns / meetings	Period of test check	Reports / Meetings		% of shortfall
		Due	Received/ held	
Monthly reports from 9 field offices	August 1998 – March 2000	180	NIL	100
Half yearly progress reports from 9 field offices	January 1998 – December 1999.	36	3	92
Quarterly meetings at Head Office	October 1997 – March 2000	10	2	80
Monthly meetings at Head Office @ 7 per month	January 1999 – March 2000	105	21	80
Surprise inspections	December 1999 – March 2000	8	6	25

The half-yearly reports received from field offices were not reviewed in the Head Office and no feedback communicated to them. Some of the important decisions taken in the officers' meeting in August 1998 like issue of closure intention notice to non-complying units to be followed up leading to prosecution were not implemented as of April 2000.

Surprise checks undertaken at the instance of CPCB in November 1999 revealed several irregularities like operation of unauthorised outlets, discharge without consent etc. Based on the findings of the squad, directions were issued to the inspected units in January-February 2000. Further developments were awaited (May 2000)

3.2.15 Evaluation

Despite more than 25 years of PCB's activity no external or internal evaluation of the impact of its performance on environmental pollution had been conducted as of March 2000.

LOCAL SELF GOVERNMENT/INDUSTRIES DEPARTMENT

3.3 URBAN EMPLOYMENT GENERATION PROGRAMME

Highlights

Government of India (GOI) has formulated various schemes aimed at alleviating poverty among urban and rural poor, such as Nehru Rozgar Yojana (NRY), Prime Minister's Rozgar Yojana (PMRY), Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP) and Swarna Jayanti Shahari Rozgar Yojana (SJSRY). The schemes now in implementation are PMRY and SJSRY which came into existence from October 1993 and December 1997 respectively and the other two schemes, viz. NRY and PMIUPEP were merged with SJSRY. The review revealed deficiencies in identification of urban poor, delay in release and short release of funds by State Government, administrative expenses in excess of prescribed limit and non-achievement of targets.

- **The identification of urban poor was flawed as income criterion was ignored.**

[Paragraph 3.3.5]

- **Delay ranging up to 9 months was noticed in release of funds to Urban Local Bodies by State Poverty Eradication Mission and there was short provision of State share amounting to Rs 1.05 crore in 1995-96 under Prime Minister's Integrated Urban Poverty Eradication Programme.**

[Paragraph 3.3.6]

- **Implementation of various programmes under Swarna Jayanti Shahari Rozgar Yojana by 7 out of 15 Urban Local Bodies was delayed by 6 to 20 months.**

[Paragraph 3.3.7]

- **Non-contribution of Municipal share of Rs 2.41 crore to Urban Poverty Alleviation Fund and unauthorised diversion of money from the Fund by Urban Local Bodies to the tune of Rs 25.50 lakh was noticed.**

[Paragraph 3.3.8]

- **The implementing authorities failed to achieve the targets under SUME component of Nehru Rozgar Yojana/Prime Minister's Rozgar Yojana/Prime Minister's Integrated Urban Poverty Eradication Programme and Swarna Jayanti Shahari Rozgar Yojana.**

[Paragraph 3.3.9]

- **Administrative expenses set apart by the State Urban Poverty Alleviation Cell was in excess of the prescribed limit by Rs. 32.42 lakh.**

[Paragraph 3.3.11]

- **Monitoring of urban poverty alleviation programmes was poor.**

[Paragraph.3.3.13]

3.3.1 Introduction

Government of India (GOI) had been implementing various schemes aimed at alleviating poverty among the urban and rural poor through provision of employment by giving necessary training and financial assistance for setting up of self employment ventures and by providing wage employment. There were separate schemes for urban and rural poor.

The poverty alleviation schemes under implementation since 1989 were as under:

Scheme	Period of operation	Sharing pattern Central: State	Components/ Objectives	Executing Authority/ Department
Nehru Rozgar Yojana(NRY)	October 1989 to November 1997. Merged with SJSRY from December 1997	60:40	Scheme for Setting up Urban Micro Enterprise (SUME), Scheme for Urban Wage Employment (SUWE), Scheme of employment through Housing and Shelter Upgradation (SHASU)	Director of Municipal Administration. Kerala Urban Development Finance Corporation
Prime Minister's Rozgar Yojana (PMRY)	From October 1993 onwards	100:0	Setting up Urban Micro Enterprise	Director of Industries and Commerce
Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP)	November 1995 to November 1997. Merged with SJSRY from December 1997	0:100 to 100:0	Self employment through setting up micro enterprises. Environmental improvement through basic physical amenities Shelter Upgradation (Implemented in 9 out of 58 Urban Local Bodies in the State)	State Poverty Eradication Mission
Swarna Jayanti Shahari Rozgar Yojana (SJSRY)	From December 1997 onwards	75:25	Urban Self Employment Programme (USEP) Urban Wage Employment Programme (UWEP)	State Poverty Eradication Mission

3.3.2 Organisational set up

The Secretary, Local Self Government Department is the nodal officer for NRY, PMIUPEP and SJSRY at the State Level. In the case of PMRY, Secretary, Industries Department was the Nodal Officer at the State Level. The programme was monitored by the Director of Industries and Commerce at the State Level and the General Managers of District Industries Centres (DICs) at District level through State and District level committees.

3.3.3 Financial Performance

The year-wise details of receipt of funds under different schemes during 1993-94 to 1999-2000 were as under:

(i) NRY

(Rupees in lakh)

Year	Central share	State share	Total
1993-94	449.14	157.19	606.33
1994-95	209.38	135.11	344.49
1995-96	154.60	99.50	254.10
1996-97	149.25	99.50	248.75
1997-98	92.88	61.92	154.80
Total	**1055.25**	**553.22**	**1608.47**

(ii) PMIUPEP

(Rupees in lakh)

Year	Central share	State share	Total
1995-96	263.20	142.07	405.27
1996-97	186.24	218.26	404.50
1997-98	100.03	89.85	189.88
Total	**549.47**	**450.18**	**999.65**

(iii) SJSRY

(Rupees in lakh)

Year	Central share	State share	Total
1997-98	202.99	67.66	270.65
1998-99	377.09	125.70	502.79
1999-2000	448.32	149.44	597.76
Total	**1028.40**	**342.80**	**1371.20**

(iv) PMRY (Training and Contingency)

(Rupees in lakh)

Year	Training	Contingency and Miscellaneous expenditure	Total
1995-96	87.86	13.36	101.22
1996-97	-	35.15	35.15
1997-98	87.36	54.48	141.84
1998-99	87.36	23.23	110.59
1999-2000	61.21	29.88	91.09
Total	**323.79**	**156.10**	**479.89**

3.3.4 *Audit Coverage*

Implementation of the programmes under NRY/PMIUPEP/ PMRY and SJSRY was reviewed during the period from 1995-2000 by scrutiny of the records/registers/accounts of the Directorate of Municipal Administration, Directorate of Industries and Commerce, State Poverty Eradication Mission (SPEM), four* out of 14 District Industries Centres, 15@ out of 58 Local Bodies, Community Development Societies and also the Local Self Government Department in the Secretariat. The results of review are brought out in the succeeding paragraphs.

* Kollam, Kottayam, Kozhikode and Thiruvananthapuram.

@ Attingal, Badagara, Changanasseri, Kayamkulam, Kollam, Kottayam, Kozhikode, Nedumangad, Neyyattinkara, Paravoor, Punalur, Thiruvalla, Thiruvananthapuram, Thodupuzha and Varkala.

3.3.5 Flawed identification of target group

For identification of the target groups, under PMIUPEP, SJSRY and NRY family income limit was to be less than Rs 11850 per annum; for PMRY it was Rs 24 thousand per annum. However, in addition to income criterion, guidelines on PMIUPEP and SJSRY also suggested certain non-economic parameters (risk factors) viz. living condition, educational level, type of employment, status of children in a house for determining BPL families. The State Urban Poverty Alleviation Cell was given the option to determine risk factors based on the local conditions.

In Kerala, income criterion was not considered for identifying Urban poor; instead families satisfying any four of the following nine risk factors were identified from March 1995 as target group:

(i) Families without a house of their own

(ii) Families without potable water source within 150 metres of their residence

(iii) Families having no primary facility like latrine

(iv) At least one member in the family was illiterate

(v) There was only one earning member in the family

(vi) Families which could not have 2 meals a day

(vii) Families having children below 5 years

(viii) At least a member in the family was a liquor addict and

(ix) The family belonged to SC/ST community

Identification of urban poor was flawed as income criterion was ignored

Based on the above policy, urban BPL population was identified at 10.26 lakh in March 1995 which was half of the number (20.46 lakh) estimated in 1993-94 by an Expert Group appointed by Planning Commission. It was also noticed that the applicants for loans under SJSRY included even persons with annual income between Rs 48 thousand and Rs 1.80 lakh as they could satisfy four risk factors. It was evident that identification of urban poor was flawed as income criterion was totally ignored. As a result, the possibility of ineligible families receiving the benefits of the schemes cannot be ruled out. State Government itself while issuing the guidelines did take cognizance of the income criteria as an exclusion criteria, but it completely ignored this factor while issuing Community Development Societies (CDS) guidelines which prescribed non-economic criteria to be the only basis. Such drastic deviation from the Central guidelines resulted in the whole programme being implemented on wrong premise and as brought out by audit resulted in serious aberrations. Regretfully, this omission was not detected by the Central Government also who continued to fund the programme as per the agreed pattern.

3.3.6 *Delay in release of funds under PMIUPEP*

Extent of delay in release of funds to ULBs ranged up to 9 months

PMIUPEP was under implementation during November 1995 to November 1997 and it was merged with SJSRY with effect from December 1997. GOI provided funds under the scheme with the condition that the funds should be released to ULBs along with the State share within one month of its sanction. However, there was delay ranging up to 9 months in release of funds to ULBs by SPEM during 1995-96 to 1997-98 as indicated below:

Year	Date of Receipt of Central Share by SPEM	Amount (Rupees in lakh)	State share due (Rupees in lakh)	Date of release of State share to SPEM	Amount (Rupees in lakh)	Date of distribution to ULBs by SPEM	Extent of delay in release to ULBs (in months)
1995-96	20.11.1995	263.20	247.13	28.03.1996	142.07	26.06.1996 & 01.10.1996	6 to 9
1996-97	12.02.1997 26.03.1997	116.24 70.00	218.26	26.03.1997	218.26	26.03.1997	Nil
1997-98	18.08.1997	100.03	89.85	09.01.1998	89.85	22.06.1998	9

Further, State share due for 1995-96 as per GOI sanction (October 1995) was Rs 2.47 crore against which the State Government had provided only Rs 1.42 crore resulting in short provision of Rs 1.05 crore. The delayed release/short provision of funds by the State Government indicated the inability of the State Government to ensure that timely assistance was given to the urban poor.

3.3.7 *Delay in implementation of SJSRY by ULBs*

The funds for SJSRY were to be utilised within one year of the date of receipt of funds by ULBs. Though the funds were made available to the ULBs from July 1998, delay in starting the various components of the programme ranging from 6 to 20 months was noticed in 7 out of 15 ULBs test-checked. Government stated (November 2000) that the delay was due to some difficulties and confusion experienced in the initial stages of implementation and also in view of the fact that the UPA Cell was having only a skeleton staff and hence the implementation could not be watched properly.

3.3.8 *Diversion of funds from Poverty Alleviation Schemes by ULBs*

The State Government issued (December 1994) orders for creation of 'Urban Poverty Alleviation Fund' (UPA Fund), by every Municipality for the implementation of urban poverty alleviation programmes. According to Urban Poverty Alleviation Fund Scheme the funds received by the ULBs from Government or from other sources for the implementation of urban poverty alleviation programmes was to be credited to the UPA fund. In addition, every Municipality was to contribute 2 *per cent* of its estimated annual revenue to the Fund. The funds were to be released to the Community Development Societies for the implementation of the programmes. In twelve ULBs, Rs 2.41 crore being 2 *per cent* of their revenue due to be credited to this Fund during 1998-99 and 1999-2000, was not so credited as detailed in Appendix XXIII though Government directed (March 1999 and February

2000) the ULBs to comply with the requirement. Government stated (November 2000) that the Director of Municipal Administration had been directed to assess the dues to UPA Fund by each municipality and to adjust the dues, if any, from non-plan grants due to ULBs.

Rs 25.50 lakh of UPA fund was diverted

In three[&] ULBs test checked UPA fund to the tune of Rs 25.50 lakh was diverted for payment of salary to staff and repayment of loans taken by ULBs. No action has been taken against the officers who unauthorisedly diverted the funds meant for poverty alleviation programmes. The unauthorised diversion of funds was without the knowledge of Government and was brought to the notice of Director of SPEM by audit. This indicated lack of monitoring at State level.

3.3.9 Non-achievement of targets under various schemes

(i) Prime Minister's Integrated Urban Poverty Eradication Programme

The scheme was in operation in 9 Municipalities from November 1995 to November 1997 and subsequently merged with SJSRY from December 1997 onwards. Total allotment of funds and expenditure for the period 1995-98 were as below:

(Rupees in lakh)

Year	Amount received from			Amount set apart by State UPA cell for administration and office expenses	Balance amount distributed to 9 ULBs under the scheme	Expenditure incurred by 8 ULBs
	Central Government	State Government	Total			
1995-96	263.20	142.07	405.27	52.68	352.58	465.05
1996-97	186.24	218.26	404.50	20.23	384.27	
1997-98	100.03	89.85	189.88	*	*	*

Since GOI released assistance under PMIUPEP component-wise, the State Government also was to ensure that expenditure was maintained component-wise. The SPEM which was implementing the scheme through various local bodies, could not furnish details of physical targets and achievements for audit scrutiny as the component-wise expenditure details were not available with the ULBs and the SPEM. As component-wise achievements were not maintained evidently implementation of the programme was not monitored by the SPEM/UPA cell. A review of the utilisation of funds by the nine local bodies showed that the percentage of utilisation in two ULBs was less than 50 as shown below:-

[&] Attingal, Kayamkulam and Punalur

[*] The funds for 1997-98 was not released to local bodies as the scheme was merged with SJSRY with effect from December 1997. The funds were distributed under SJSRY in June 1998 only.

(Rupees in lakh)

Name of ULB	Receipts			Expenditure	Percentage of expenditure
	1995-96	1996-97	Total		
Kayamkulam	39.18	42.70	81.87	67.79	83
Thiruvalla	39.18	42.70	81.87	62.74	77
Changanassery	39.18	42.70	81.87	73.86	90
Kodungalloor	39.18	42.70	81.87	81.87	100
Chittoor Thathamangalam	39.18	42.70	81.87	44.12	54
Ponnani	39.18	42.70	81.87	61.30	75
Payyanoor	39.18	42.70	81.87	40.08	49
Taliparambu	39.18	42.70	81.87	33.28	41
Kasaragod	39.18	42.70	81.87	Not available	-

(ii) Prime Minister's Rozgar Yojana

Disbursement of loan was only 45 to 62 per cent

Physical target achieved under PMRY in urban areas during 1995-96 to 1999-2000 were as below:

Year	Target Number	No. of applications sent to banks	No. of loans sanctioned	Amount of loan sanctioned (Rs in lakh)	No. of loans disbursed	Amount of loan disbursed (Rs in lakh)	Percentage of disbursement to target
1995-96	4708	9329	4471	2377.79	2926	1482.11	62
1996-97	15000@	10579	5417	3251.53	3955	2073.43	@
1997-98	5367	10043	4908	2672.97	2994	1702.95	56
1998-99	6823	10113	5899	3012.83	3264	1607.16	48
1999-2000	8188	11447	6699	3929.03	3651	1977.79	45

The loans disbursed during the years 1995-96 to 1999-2000 were only 45 to 62 *per cent* of the target during those years.

Physical and financial targets in the four districts selected for test check were as under:

@ Included targets of rural areas also as separate target for rural and urban areas was not available.

Name of District	Year	Physical Target fixed	No. of applications sent to banks	No. of loans sanctioned	Amount of loan sanctioned (Rs in lakh)	No. of loans disbursed	Amount of loan disbursed (Rs in lakh)	Percentage of physical achievement (i.e disbursement to target)
Trivandrum	1995-96	549	1226	593	283.45	591	279.98	108
	1996-97	660	1522	692	365.37	653	333.68	99
	1997-98	650	1138	689	383.54	586	312.87	90
	1998-99	700	1384	685	349.35	499	196.10	71
	1999-2000	840	1048	557	314.50	273	142.32*	33
Kottayam	1995-96	450	786	374	214.31	374	214.31	83
	1996-97	450	800	400	265.07	400	265.07	88
	1997-98	525	1165	424	556.12	396	226.12	75
	1998-99	675	1659	483	338.19	453	324.41	67
	1999-2000	786	1243	467	240.76	280	190.44*	36
Kozhikode	1995-96	500	517	363	211.62	357	200.38	71
	1996-97	589	626	467	260.99	286	177.05	49
	1997-98	589	586	391	235.84	191	112.42	32
	1998-99	734	605	367	216.27	190	129.26	26
	1999-2000	736	723	413	284.96	169	180.17*	23
Kollam#	1998-99	529	740	414	209.60	256	126.60	48
	1999-2000	635	844	220	148.00	108	81.70*	17

There was huge difference between the amount of loan sanctioned and actually disbursed. According to the Director of Industries and Commerce this was due to applicants withdrawing the projects proposed earlier and the applicants not complying with the terms and conditions of the banks for implementation of projects.

(iii) Swarna Jayanti Shahari Rozgar Yojana

Shortfall in utilisation of funds under USEP and DWCUA ranged up to 79 *per cent*

For the programme started by GOI from 1 December 1997 unspent balance under the urban poverty alleviation programmes viz. Urban Basic Services Programme (UBSP)/PMIUPEP/NRY was to be utilised for the implementation of SJSRY. Accordingly the State UPA Cell distributed in June 1998 the funds available with them under erstwhile urban poverty alleviation programmes to the ULBs along with SJSRY funds received from Government. The details of year-wise expenditure was not available at the SPEM. However, details of overall utilisation of funds by the ULBs in the State up to December 1999 revealed that under Urban Self Employment Programme (USEP) and Development of Women and Children in Urban Areas (DWCUA) there was shortfall in utilisation to the extent of 73 *per cent* and 79 *per cent* respectively. Out of 24,002 applications under USEP sent to various banks throughout the State, only 1,801 loans were sanctioned by the banks. Similarly under the scheme DWUCA out of 639 applications sent to banks for urban self employment programmes, only 28 loans were sanctioned. The position in respect of the 15 test-checked ULBs relating to loans sanctioned, rejected and pending under USEP and DWCUA as given in Appendix XXIV and XXV respectively showed that 3,082 applications under USEP and 34 under DWCUA were pending sanction by the banks as of February 2000. The

* As the disbursement period will elapse only on 31 December of the succeeding financial year the figures shown are not final.

\# Separate figures for urban and rural areas for the years 1995-96 to 1997-98 were not made available.

Director of the State Poverty Eradication Mission stated that co-operation from the banks was very poor and there was no proper mechanism for monitoring and follow up action.

3.3.10 Misutilisation of PMRY funds

Misutilisation of PMRY funds by beneficiaries

A scrutiny of the records of the DICs relating to loans under PMRY revealed cases of default and even non-functioning of the projects for which assistance had been disbursed under the scheme. Out of 125 such cases of default reported by banks as detailed in Appendix XXVI, in 32 cases involving a loan of Rs 18.54 lakh the units had not started. No evaluation was undertaken by the Government or DICs to ascertain whether the units set up with the assistance under PMRY were functioning. In January 1999 the State Government ordered the DICs to conduct a 100 *per cent* survey of units set up with PMRY loans distributed during 1997-98. Even though survey was conducted in April 1999 by the DICs, the survey reports have not been finalised so far by the Director of Industries & Commerce (June 2000). However, on verification of the survey details relating to 350 cases in two districts (Thiruvananthapuram and Kottayam), it was seen that 28 units which had availed Rs 15.53 lakh were not functioning.

3.3.11 Administrative expenses set apart by the State UPA cell was in excess of the prescribed limit

According to the GOI guidelines issued under PMIUPEP the ceiling of expenditure on administration and other operational expenses (A&OE) at the State level was fixed at 5 *per cent* of the total allotment made by the GOI and the State Government. The balance 95 *per cent* was to be released to local bodies as there was no District Level Urban Development Agency in Kerala up to May 1999. If funds were routed through District Level Agencies another 8 *per cent* could be used towards administrative expenses at the district level. It was, however, seen that UPA Cell at the State level earmarked 13 *per cent* of the total allotment (Rs 4.05 crore) for administrative expenditure at State level which was in excess of the ceiling by 8 *per cent* . The excess amount so retained was Rs 32.42 lakh.

3.3.12 Non-utilisation of funds under UBSP

GOI directed (April 1998) that the unspent balance available as of 1 December 1997 in the discontinued NRY/UBSP and PMIUPEP etc., should be transferred to SJSRY account and utilised for the implementation of SJSRY. However unutilised funds of Rs 46.54 lakh under erstwhile UBSP was retained with the UPA Cell for over three years till March 1999 and only Rs 39.56 lakh (after retaining Rs 6.98 lakh towards A & OE) was transferred to the local bodies for implementation of SJSRY. The Executive Director of SPEM stated that the amount lying in the bank accounts of UPA Cell were not noticed by the erstwhile UPA Cell authorities and the fact came to their notice only during March 1999. Due to absence of monitoring of utilisation of funds, scheme funds were lying in the banks while the implementation of the programme suffered.

3.3.13 Monitoring

As prescribed in the scheme the impact of the different poverty alleviation programmes launched by GOI from time to time on urban poor was not assessed at any time.

For the successful implementation of the urban poverty alleviation programme, proper planning, monitoring and evaluation at various stages was necessary. To achieve the goal, Government had prescribed (December 1994) certain minimum number of meetings of the State UPA Committee and State UPA Cell Managing Committee. However, it was seen that the State UPA Committee which was to meet at least once in a year had not met even once during 1995-96 to December 1999. Also the State UPA cell Managing Committee which was to meet at least once in three months had met only 7 times from 1995-96 to December 1999.

The quality of monitoring at State level and District level was also poor. As per guidelines, at District level, the State Government was to constitute a District Urban Development Agency (DUDA) which was to develop a policy for urban poverty alleviation at the District level and monitor city convergence plans. However, such DUDAs were not formed till May 1999.

SECTION B - PARAGRAPHS

AGRICULTURE DEPARTMENT

3.4 Irregular and unnecessary drawal of Government funds

Rupees 1.77 crore drawn for development of paddy cultivation in Palakkad District remained mostly unutilised for three years

Government constituted (December 1996) the Palakkad Nelkrishi Vikasana Agency* (Agency) with the District Collector (DC) as Chairman and Principal Agricultural Officer (PAO) as Secretary, for the development of paddy cultivation in the district. During March 1997, March 1998 and March 1999, Rs 1.12 crore was released to the Agency in instalments without any concern for actual requirement or use of such funds. The amounts were deposited in a Treasury Public Account of the DC and only Rs 9.25 lakh was spent as of June 2000.

The Agency decided in March 2000 to undertake renovation works of 30 public ponds through Kerala Land Development Corporation (KLDC). Though sufficient funds were available with the Agency, Rs 65 lakh was drawn (March 2000) by the PAO to avoid lapse of budget and the amount kept as DD in favour of KLDC. The administrative sanction to undertake renovation works of ponds costing Rs 33.61 lakh was issued by DC only in April 2000.

The Agriculture (Planning) Department of Government and the Director of Agriculture failed to monitor the expenditure incurred by the Agency and restrict release of funds according to actual requirements.. The DC and PAO also failed to take timely action to implement the various activities envisaged under the scheme despite availability of sufficient funds.

Government stated (July 2000) that administrative sanctions for various items of work valued Rs 1.14 crore had been issued by the Executive Committee. Government attributed delays in implementation to reconstitution of the Agency, lack of knowledge of Executive Committee about the powers vested with them, early monsoon etc.

* A body constituted with representatives of Government departments, MLAs, President of District Co-operative Bank, Lead Bank Manager, Panchayat President, etc.

3.5 Unproductive investment

Rupees 37.05 lakh spent on a central scheme for providing infrastructure facilities to paddy cultivation in Thrissur District remained unfruitful as works were not completed for over 4 years

Director of Agriculture, Thiruvananthapuram sanctioned (March 1993) execution of works for a Central scheme for the development of infrastructural facilities to paddy cultivation in Puthenchira Puncha Padam in Thrissur district at a cost of Rs 49.93 lakh. According to the guidelines issued by Government, 85 *per cent* of the cost was to be met by Government and the balance by the beneficiaries either in kind or in cash. Government share of Rs 42.44 lakh was drawn and credited to the Treasury Public Account by the Assistant Director of Agriculture between April 1993 and March 1996.

The scheme envisaged construction/strengthening of earthen canal bund, construction of sluices, purchase and installation of pump sets, etc. The works were entrusted in June 1993 to the convenor of the Group Farming Samithi by the Assistant Director of Agriculture, Vellangallur, Thrissur based on Government directions, but the period of completion was not stipulated by him.

The Principal Agriculture Officer, Thrissur fixed (August 1995) the date of completion of work as 15 September 1995. However, after completing the construction of the earthen bund and purchase of motors, the convenor stopped the work in June 1996 demanding revision of rates for the balance work. The amount paid to the convenor till June 1996 was Rs 37.05 lakh (85 *per cent* of value of work done) and the balance of Rs 5.39 lakh is kept in the TP Account.

The remaining work including construction of two pump houses (estimated cost: Rs 2.60 lakh) was still to commence as of November 2000. As a result, Government funds of Rs 37.05 lakh spent on the scheme remained unfruitful. The project envisaged a net profit of Rs 18 lakh per year. This was lost due to the delay in completion of work. Further, the farmers were deprived of the financial benefit to the extent of Rs 72 lakh (approximately) by way of increased production of paddy and creation of additional labour days. The Director of Agriculture or Government failed to effectively monitor the scheme.

Government attributed (June 2000) the delay in completion of the work to reluctance of the convenors to complete the work as per the original estimate and claimed that the objectives of the scheme were almost achieved, though not fully. This was not tenable as the scheme was not commissioned in absence of pump house and installation of petti, para etc.

FINANCE DEPARTMENT

3.6 Abstract Contingent Bills

3.6.1. Introduction

According to Kerala Treasury Rules all contingent claims that require the countersignature of the controlling authority after payment are to be initially drawn by the drawing officer from the Treasury by presenting an abstract bill in prescribed form. Abstract Contingent (AC) bills can be drawn only by an authorised officer in cases where necessary expenditure sanction by competent authority exists. The drawing officer should maintain a register of AC bills and watch submission of detailed bills there against. The detailed bills in respect of such claims are submitted to the controlling authority for countersignature every month for onward transmission to Accountant General (A&E). The detailed bills pertaining to a month's claim should reach Accountant General not later than 20th of the succeeding month. The rule also provides that a certificate should be attached with every AC bill to the effect that the detailed contingent bills in respect of the abstract bills drawn a month earlier to the current bill had been submitted to the controlling officer.

Advances of Rs 59 crore relating to the period 1989-2000 remained unadjusted in 31 offices

A review of the outstanding AC bills and other advances of 37 offices of 14 departments (Appendix XXVII) was conducted covering the period 1995-96 to 1998-99. It was noticed that AC bills for Rs 59 crore drawn during 1989-90 to 1999-2000 by 31 drawing and disbursing officers in 11 departments test checked remained unadjusted as of March 2000 as shown below. The department-wise details are given in Appendix XXVIII.

(Rupees in crore)

Outstanding period	No. of items	Amount
Less than 1 year	90	2.55
1 to 5 years	379	24.71
6 to 10 years	278	31.74
Total	**747**	**59.00**

Audit scrutiny revealed that advances for payments not authorised to be drawn in AC bills were also routinely drawn by departmental officers for printing charges, diesel charges, expenditure on training etc. The fact that the officers against whom previous AC bills were outstanding were repeatedly allowed to draw AC bills in violation of codal provisions showed that the treasury officers either failed to exercise the requisite scrutiny or colluded with the departmental officers. Since detailed bills were not submitted against advances drawn on AC bills, it could not be verified in audit whether the money was spent for the intended purpose and possibilities of misappropriation, misutilisation, etc., could not be ruled out. Irregularities like non-submission of detailed bills, retention of unspent balances, keeping of amounts in deposit accounts, diversion of funds etc., were noticed as mentioned below:

3.6.2 Non-receipt of accounts for funds advanced for schemes

Final bills for advances of Rs 19.17 crore drawn by PAO, Kottayam during 1992-99 not submitted

A total amount of Rs 19.17 crore was drawn by Principal Agricultural Officer (PAO) Kottayam as advance on 87 AC bills during the period from 1992-93 to 1998-99 for implementation of various programmes*. Final adjustment bills have not been submitted even as of December 2000. Of this, an amount of Rs 9.56 crore drawn in favour of 11 Assistant Directors of Agriculture on 11 AC bills during 1993-94 to 1994-95 by way of Demand Drafts pertained to 'Prime Minister's Programme for Paddy Development'. None of the Assistant Directors who had received the amount had furnished the details of expenditure incurred by them on the scheme, and the amount drawn remained unadjusted even as of December 2000. The scheme provided for payment of 85 *per cent* of the assessed cost of expenditure to the convenors of Padasekhara Samithies through whom the programme was implemented. Scrutiny revealed that the advances were paid to the convenors in violation of the guidelines resulting in excess payment of Rs 30.45 lakh by Assistant Directors of Agriculture Madapally, Ettumanoor and Vaikom (39 cases). A report called for (August 1999) by the Director of Agriculture from the Principal Agricultural Officer, Kottayam to assess the excess payments made in this regard was not submitted by the Principal Agricultural Officer, Kottayam as of December 2000. The advances remained unadjusted even as of December 2000.

3.6.3. Non-adjustment of advances drawn

Final bills for advances of Rs 20.15 crore drawn during 1990-2000 not prepared by Text Book Officer

(i) The printing of text books was got done by the Director of Public Instructions through Kerala Books and Publications Society, a State autonomous body. In January 1991, Government issued an order for effecting a monthly advance payment of Rs 20 lakh to the Society towards printing charges. This was enhanced to Rs 25 lakh with effect from March 1999. The Text Book Officer did not adjust these advances against the annual printing charges claimed by the society. Against the payment of advance for Rs 7.20 crore, the claims of the society for the period 1996-97 to 1998-99 were received for Rs 6.52 crore resulting in excess retention of Rs 67.72 lakh by the society. No final bill in adjustment of Rs 20.15 crore advanced to the Society during April 1990 to March 2000 was prepared by the Office. Excess amount retained by the society for this period remained unassessed as of July 2000.

Advances of Rs 4.62 crore drawn during 1994-98 by Text Book Officer remained unadjusted

(ii) During 1994-98 Text Book Officer had drawn Rs 4.62 crore through 3 AC Bills and made advance payments for purchase of paper. Against this, the cost of paper supplied was only for Rs 4.51 crore leaving a balance of Rs 10.76 lakh with the supplier. This was neither adjusted against the cost of subsequent supplies nor refunded by the firm. Detailed bills for the advance of Rs 4.62 crore were not submitted even as of July 2000.

(iii) In the Directorate of Tourism, the DDO did not record the details of money drawn through AC bills nor watched subsequent adjustment there of. Details of the payees were also not recorded in respect of advances of Rs 1.22 crore in 36 cases. Further, in violation of the provision of rules, multiple

* Integrated Cereal Development, Integrated Pest Management, Coconut Mite Control etc.

advances were given to persons without adjustments of the previous advances. For example, four advances of Rs 6.90 lakh paid (1997-99) to former Director Shri.U.K.S Chouhan, two advances of Rs 5.40 lakh paid (1998-99) to Dr.V.Venu, present Director, six advances of Rs 3.10 lakh paid (1989-91) to Shri.R.Purushothaman, Additional Director, two advances of Rs 5.00 lakh paid (1998-99) to Dr.V.K.Rajan, Additional Director and twenty five advances of Rs 51.13 lakh (1990-99) to four* Tourism Information Officers were outstanding as of March 2000. Worse, it was seen that senior officers including the Director who were responsible to implement financial rules and procedures had themselves violated the rules.

Advances amounting to Rs 23.50 lakh drawn by Manager, Guest House, Thiruvananthapuram during 1997-2000 remained unadjusted

(iv) Government in July 1990 accorded sanction to the Managers of Thiruvananthapuram and Kovalam Guest Houses to avail advances of Rs 25000 and Rs 15000 respectively at a time for purchasing provisions for catering purpose. Each advance bill was to be adjusted by a detailed bill, before the next advance was drawn. Manager of the Guest House, Thycaud, Thiruvananthapuram had drawn an amount of Rs 23.50 lakh through 87 AC Bills during the period 1997-98 to 1999-2000 against which no detailed bills were submitted as of June 2000. No stock account of the items purchased by Guest House Manager had been kept inspite of directions issued by Government in this regard. The actual utilisation of advances drawn for purchases, therefore, could not be verified in audit.

Government in Tourism Department stated (October 2000) that a cell was constituted for the adjustment of pending advances and settlement of advances would be closely monitored and effective steps including disciplinary proceedings, recovery from salary, institution of revenue recovery proceedings etc., were being resorted to settle the advances.

3.6.4 Transfer of amounts drawn in AC bills to TP Account

Advance of Rs 15.30 lakh drawn for GOI scheme deposited in TP account. Unspent balance not refunded

(i) Government of India, in 1994, released Rs 15.30 lakh for starting a Centre of Excellence for Micro Surgical Recanalisation and Standards of Surgical Contraception at the Medical College, Kottayam. The amount was drawn in March 1995 by the Principal, Kottayam Medical College on an AC Bill and credited to his TP Account. Of this, Rs 1.50 lakh was set apart for training and purchase of equipment and Rs 4 lakh paid to PWD for renovation of operation theatre. The details of expenditure incurred by PWD were not available with the Principal. The balance of Rs 9.80 lakh remained in the TP account. Though the scheme was discontinued by Government of India in 1996, the unutilised balance was not refunded to GOI. The adjustment bill was not prepared even as of July 2000.

Unspent balance out of advance drawn by DIET, Kollam not refunded

(ii) The Principal, DIET Kollam at Kottarakara, drew between May 1998 and March 2000 advances of Rs 39 lakh through 14 AC bills to meet the expenditure on training. Actual expenditure incurred on training was only

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* 1. G.Radhamma, T.I.O, Rs 45.26 lakh (15 items)
2. Smt.Rajalakshmy, T.I.O, Rs 1.88 lakh (3 items)
3. R.Soman, T.I.O Rs 3.17 lakh (5 items)
4. P.Gopinath, T.I.O, Rs 0.82 lakh (2 items)

Rs 36.45 lakh and the balance Rs 2.55 lakh though required to be credited to the service head was kept in a TP Account. Submission of detailed bills for the entire amount remained outstanding as of July 2000.

The matter was referred to Government in October 2000; reply has not been received. (November 2000)

3.7 Cash Management

3.7.1 Introduction

To ensure safe keeping of cash and the timely and accurate accountal, financial rules prescribe certain internal control procedure. Every officer authorised to handle Government money is required to maintain a cash book. All monetary transactions are to be entered in the cash book immediately and attested by the head of office in token of check. The cash book is to be closed regularly and the Head of the office is to physically verify the cash balance at the end of each month and record a signed and dated certificate to that effect.

Scrutiny of cash books and related records of 40 Drawing and Disbursing Officers (DDOs) pertaining to 10 departments during May 1997 to January 2000 revealed non-observance of rules and procedures, retention of heavy cash balance, holding huge amounts in the form of bank drafts, non-adjustment of cash advances etc., as discussed below:-

3.7.2 Misappropriation of cash

Cash books were not maintained and misappropriation/ shortage of cash noticed

(i) Abstract of closing balance was not recorded in the cash books since 1984 by the DDO in Taluk Office, Devicolam. A surprise inspection by the Finance Department revealed that an amount of Rs 2.38 lakh was misappropriated. The cash book showed unattested corrections and overwritings on several dates.

(ii) The Manager, Government Guest House, Varkala in Thiruvananthapuram district, who was the DDO and cashier, while relinquishing charge on 9 October 1996 did not hand over the cash book with balance cash of Rs 33353 to his successor, who opened a new cash book from 10 October 1996 with "Nil" opening balance. The Manager, remitted Rs 26670 into treasury in February – March 1997 and Rs 6683 still remained unaccounted for.

(iii) The Deputy Director, Ramanilayam Guest House, Thrissur handed over charge on 16 April 1998 with a cash balance of Rs 34145 as per the cash book. But the actual cash taken over by his successor was only Rs 11168. Reasons for shortage of cash amounting to Rs 22977 could not be explained to Audit. Further shortage of cash (Rs 16317) detected on 28th February 1998 also remained unaccounted for.

It was also seen that no regular physical verification of cash was made or surprise checking of cash balance made by any higher/independent authority.

3.7.3 *Physical verification of cash*

Scrutiny revealed that ten DDOs did not conduct physical verification of cash at the end of each month during 1996-99 and record a certificate to that effect regularly.

Shortage of cash of Rs 4.59 lakh in 5 DDOs

At the instance of Audit, physical verification of cash was done in 8 DDOs in January 2000 and June 2000. While no shortage of cash was noticed in 3 DDOs* shortage of cash of Rs 4.59 lakh was noticed in 5 DDOs during verification of which Rs 1.27 lakh were unauthorisedly held as unadjusted vouchers and Rs 3.32 lakh were shown as advances to staff from the undisbursed cash. The details are as under:

Sl. No.	Offices of the DDOs where shortage were detected	Date of Physical verification	Amount of shortage given as advances	Amount of shortage held in vouchers	Total shortage
				(in Rupees)	
1	Director of Scheduled Caste Development Department	19.1.2000	-	13300	13300
2	Medical College, Thrissur	14.6.2000	1109	987	2096
3	Taluk Office, Ottappalam	16.6.2000	323570	100106	423676
4	Government Guest House, Thrissur	19.6.2000	7314	-	7314
5	Taluk office, Fort Kochi	20.6.2000	-	12334	12334
		Total	**331993**	**126727**	**458720**

It was seen that Rs 3.24 lakh advanced to Village officers by the Tahsildar, Ottappalam for the payment of honorarium to teachers for census and election duty should have been drawn from treasury through proper bills against regular budget provision. Rupees 1.27 lakh held in vouchers was irregular as vouchers could not be considered as cash balance. These disbursements were made without any allotments and sanction. DDO did not deposit the undisbursed pay and allowances and the cash balance in hand were misutilised for irregular payment of advances for the purposes for which no sanction existed.

3.7.4 *Irregular utilisation of departmental receipt.*

Rule 6(2) of the KTC provides that the amount of revenue received by a Government servant shall, without delay be deposited in full into the treasury/bank. Such moneys received cannot be appropriated to meet the departmental expenditure nor otherwise kept apart from Government Account. In contravention of this rule DDOs of Government Guest Houses at Ernakulam and Thrissur had utilised departmental receipt of Rs 0.73 lakh and

* Government Engineering College, Thrissur, Principal Agricultural Officer, Palakkad, District Educational Office, Palakkad.

Rs 0.66 lakh respectively during 1993-99 towards routine expenses of the institutions.

3.7.5 Retention of heavy cash balance

Financial Rules provide that no money is to be drawn from the treasury unless it is required for immediate disbursement. It is also not permissible to draw funds in anticipation of demand or to prevent the lapse of appropriation.

Heavy cash balance held in 22 offices under 5 departments

However, 22 DDOs in 5 departments listed in Appendix XXIX held heavy cash balance ranging from Rs 0.50 lakh to Rs 1.45 crore on 31 March of 1997, 1998 and 1999. Total cash balance retained in these offices during these years were Rs 1.59 crore, Rs 2.89 crore and Rs 1.91 crore respectively.

Retention of such heavy cash balance at the close of the year indicates unnecessary drawal of funds to prevent lapsing of budget provision and increase in risk of theft and misutilisation of cash.

3.7.6 Huge amounts kept in the form of bank drafts.

Huge amounts kept as Demand Drafts in 7 offices at the end of financial year 1998-99

Rules provide that money should not be drawn from treasury in anticipation of expenditure or to avoid lapse of budget grant and kept in banks or in the form of bank drafts etc. In disregard of these rules, huge amounts ranging between Rs 13.68 lakh and Rs 11.85 crore were drawn from the treasury by 7 DDOs and kept in the form of Demand Drafts (DDs) at the end of the financial year 1998-99.

DDs for Rs 30.24 lakh drawn by Medical College, Thrissur were retained for more than 3 months. Unnecessary drawal of DDs and their retention for long periods would cause loss of interest to Government and give undue financial benefit to the concerned banks.

The lacunae in the cash resource management procedure pointed out above were due to failure of the Controlling officers in conducting inspection of cash book and relevant records at regular intervals, non-observance of financial rules by the DDOs and non-maintenance of cash books.

The above points were referred to Government in February 2000 and the Heads of the Administrative Departments involving 40 DDOs in April 2000. No reply has been received (October 2000).

3.8 Special Grants given by the Tenth Finance Commission

Introduction

On the recommendation of the Tenth Finance Commission, Government of India (GOI) released grants to the State Government for (i) Upgradation of district administration (under the departments of Police, Jails, Fire Services, Revenue and General Education) (ii) Special Problems grants (Fisheries and Forest Departments) and (iii) Calamity Relief Fund (CRF).

Test check of the records of the implementing agencies/departments for the period from 1996-97 to 1999-2000 revealed, underutilisation of funds, huge shortfall in achievement of targeted programmes, parking of funds in deposit accounts, delay in taking up of works and diversion of funds.

Details of funds released, actual expenditure and summary of audit findings are included in the following table.

Name of Grants/ Schemes	Amount released by		Amount spent	Audit findings
	Govt. of India	State Govt.		
	(Rupees in crore)			
1	2	3	4	5
A. Upgradation Grants				
1. Police Department				
(a) Police Station Buildings	1.15	1.28	1.55	Against the target for construction of 32 police station buildings, only 13 buildings have been completed. In the case of four police stations, work has not started. Because of delay in construction work the cost has gone up from Rs 4.00 lakh per building approved by GOI to Rs 10.32 lakh per building.
(b) Housing facilities for Police Staff	9.26	9.68	15.54	The target was to construct 823 flats but only 24 flats were completed. Work in respect of 739 flats is under various stages of completion. Work in respect of 60 flats is yet to be started (March 2000). Because of delay in construction the cost has gone up from Rs 1.25 lakh per flat approved by Government of India to Rs 3.6 lakh per flat.
(c) Police training	1.73	0.96	1.25	The State Government has decided to utilise the funds released by Government of India for construction of a Police Academy at Thrissur. The work has not been completed though an expenditure of Rs 1.25 crore was incurred upto March 2000.
II. Jails Department				
(a) Repair and renovation of jail buildings	1.05	1.40	1.42	Out of the target of 36 works, 35 works have been completed. However, the statement of expenditure for 1999-2000 has not been received from the executing divisions.
(b) Medical facilities in jails	0.66	0.84	0.81	All the 25 works targeted have been completed. However, the statement of expenditure for 1999-2000 has not been received from the executing Divisions.

Name of Grants/ Schemes	Amount released by Govt. of India	Amount released by State Govt.	Amount spent	Audit findings
	(Rupees in crore)			
1	2	3	4	5
III. Fire Services				
Strengthening of Fire Services	2.70	2.81	1.07	Though construction of 13 Fire Station buildings were targeted, none was completed. In two cases, work was not started as site for construction had not been handed over and in one case, the work was abandoned for want of land. Work entrusted to Public Works Department in the remaining cases was in various stages and a sum of Rs 40 lakh was still held in Public Works Deposit (March 2000).
IV. Revenue				
Record Rooms	3.14	3.48	3.27	The scheme was being implemented by the District Collectors. Out of the target of 50 Record Rooms, 41 were completed, work of 3 Record Rooms were not started and works in respect of 6 Record Rooms were in progress (October 2000). Test check in four Collectorates revealed retention of Rs 28 lakh drawn for the work during 1998-99 in Treasury Public Accounts.
V. General Education				
(a) Drinking water facility in Lower Primary Schools	2.16	2.40	2.40	There was shortfall in achievement of physical target against Drinking water facility in Lower Primary Schools and toilet facility in Upper Primary Schools during the period 1996-97 to 1998-99 to the extent of 28 schools (3 *per cent*) and 21 schools (3 *per cent*) respectively. The amount remaining unutilised is Rs 11.46 lakh (April 2000). The details of physical and financial achievement in respect of Rs 1.10 crore released during 1999-2000 to the District Officers is not available with the Director of Public Instruction indicating the absence of proper monitoring by the Department.
(b) Drinking water facility in Upper Primary Schools	0.33	0.37	0.37	
(c) Toilet facility for girls in Upper Primary Schools	1.46	1.62	1.62	
B. Special Problem Grant	41.85	46.20	45.76	Test check in two districts revealed that out of the amount shown as expenditure for the three components , an amount of Rs 2.99 crore was held in Deposit accounts as of December 1999. The component-wise details are indicated below:

Name of Grants/ Schemes	Amount released by		Amount spent	Audit findings
	Govt. of India	State Govt.		
	(Rupees in crore)			
1	2	3	4	5
I. Fisheries				
(a) Better Housing	27.00	30.00	28.61	Against the target of 8569 houses, achievement during 1999-2000 was 6058 only i.e., 71 *per cent*. Reasons for shortfall were delay in disbursing final instalment and delay in utilising the moneys already disbursed.
(b) Fisheries Roads	11.70	13.05	13.02	The target was to construct/improve 260 kilometres of road, but construction of 170 kilometres (65 *per cent)* only was completed upto 1999-2000. Non-finalisation of work contract was the main reason for the shortfall in achievement. Even though the cost per kilometre for improvement to existing roads approved by the State Government was Rs 5.00 lakh, work on 6.95 kilometres of road in Ernakulam district was taken up at the rate of Rs 9.00 lakh per kilometre. The higher rate was likely to result in non-achievement of the physical target.
(c) Drinking water supply	3.15	3.15	4.13	Drinking water supply was proposed to be provided in 71 villages, but by March 2000 only 23 villages were covered under the scheme. The main reason for the shortfall was that the Department could not identify the 'water sources' from where water supply was to be provided.
II. Forest				
Conservation and Development of Hill Shola Forests	1.80	2.00	1.66	The scheme includes survey, demarcation, moisture conservation, fire protection, sowing and nurturing. Target was achieved in all sectors except 'demarcation' in which case the shortfall was 37 *per cent* which was reported to be due to 'labour problem'.
C. Calamity Relief Fund	218.74 (1995-96 to 1999-2000)	270.36	281.48	The funds released by Government of India along with State share was to be invested in Government securities, treasury bills, deposits with public sector/co-operative banks, public sector bonds etc. and the amount was to be withdrawn as and when required. However, investment was not made in the prescribed manner, resulting in loss of interest.

Name of Grants/ Schemes	Amount released by		Amount spent	Audit findings
	Govt. of India	State Govt.		
	(Rupees in crore)			
1	2	3	4	5
				Test check revealed that a sum of Rs 9.44 crore was retained in Treasury Public Accounts by two District Collectors and in TSB Accounts by the Revenue Department as of February 2000. Though the scheme did not envisage expenditure of a capital nature, a sum of Rs 51.54 lakh was spent on capital works from 1995-96 to 1997-98. A sum of Rs 535 lakh was spent in 14 Rural Development Blocks on original road works like tarring, raising road levels, providing chipping carpet, construction of culverts, drains, etc from 1995-96 to 1999-2000 treating them as works relating to flood damages though only restoration works were to be charged to Calamity Relief. Though assistance to victims of natural calamities was to be provided within one month of the occurrence of the calamity, no action was taken on 1443 applications received for assistance for repair of damaged houses during 1995-96 to 1999-2000 in 3 taluks within the prescribed period. Repairs/ restoration of damages of roads due to flood were to be carried out before the onset of next monsoon. Out of 499 such works taken up from 1996-97 to 1998-99 in Malappuram district, 294 works remained incomplete as of February 2000.

Monitoring and evaluation

Though the State Level Empowered Committee (SLEC) was to meet at least once in two months, the Committee had met only 14 times during the period from 1996-97 to 1999-2000. The monitoring at the departmental level was also not adequate especially in the case of General Education Department. No information regarding any evaluation of the programmes undertaken was available with the administrative departments.

Conclusion

In Police Department there was unjustified delay in execution of works which resulted in cost overrun. In Fire Services Department none of the 13 Fire Station buildings targeted could be completed within the allotted time. In respect of 'Drinking water facilities in Lower Primary/Upper Primary Schools and Toilet facility for girls in Upper Primary Schools', the Director of Public

Instruction was not effectively monitoring the utilisation of the funds and achievement of physical targets. Calamity Relief funds were spent on ineligible items and the unspent/surplus funds were not being properly invested. They did not keep an effective watch on utilisation of funds by implementing officers. Monitoring of work by SLEC was also ineffective. Non-utilisation of the amounts for the intended schemes in time negated to a large extent, the achievement of the main objectives of these funds, viz. upgrading the standards of administration and provision of services.

3.9 Excess payment of pay revision arrears

Inadmissible payments of Rs 53.32 lakh made to Government employees in 936 offices on account of pay revision arrears.

In the pay revision orders issued by Government in November 1998 pay scales of employees were revised with effect from 1 March 1997. But certain benefits like increase in basic pay to part-time contingent employees and increase in allowances like HRA, CCA etc., were to be allowed only from 1 November 1998. Scrutiny revealed that while paying arrears of revision of pay, the enhanced rates applicable from 1 November 1998 were wrongly paid with effect from 1 March 1997 in 936 offices of State Government resulting in excess payment of Rs 53.32 lakh. Such large scale inadmissible payments all over the state indicated that the Drawing Officers were not exercising due care while preparing arrear bills relating to pay revision. The Treasury Officers also failed to detect the apparent error in the arrear bills during scrutiny of the bills at the Treasury.

At the instance of Audit, Finance Department issued (July 2000) instructions directing all heads of departments and offices to verify pay fixation statements and recover excess amounts, if any, irregularly paid to the employees.

FISHERIES AND PORTS DEPARTMENT

3.10 Non-levy of penalty

Penalty of Rs 22.24 lakh was not levied on a firm for delayed delivery of two steel tugs.

In March 1992, Government sanctioned procurement of two steel tugs, one of 200 HP for Beypore port and the other of 300 HP for Azhikkal port at a cost of Rs 80 lakh, for use in shipping and rescue activities at those ports. Based on the recommendations of the Departmental Purchase Committee, Government accepted (January 1994) the rates (Rs 39.05 lakh for 200 HP and Rs 46.80 lakh for 300 HP tug) quoted by Steel Industrials Kerala Limited (SILK), a State Government Company. According to the supply order placed in

February 1994, SILK was to effect the supply by 7 June 1995 failing which a penalty of Rs 1000 per day was recoverable on each tug from the claims of the firm. Rupees 77.27 lakh (90 *per cent* of the cost) was paid in advance to the firm between March 1994 and March 1995.

SILK supplied 300 HP and 200 HP tugs in October 1997 and in February 1999 respectively after delay of 869 and 1355 days. The company attributed delay in supply of the tugs to unusual rain, frequent power failure and delay in supply of engines and parts by suppliers. However, no extension of time for supply of tugs was granted to the firm.

As per supply order, a penalty of Rs 22.24 lakh was leviable on the firm for the failure in supplying the tugs on stipulated date but no penalty was levied as of April 2000. The balance amount payable to the firm is only Rs 8.59 lakh. A penalty claim has been raised in November 1997 against the firm after the issue was raised by Audit, but no recovery was made even after three years.

Secretary to Government stated (October 2000) that the Director of Ports had been instructed to recover the penalty amount from SILK and to initiate revenue recovery proceedings in case the company is reluctant to pay the amount.

GENERAL EDUCATION DEPARTMENT

3.11 Schools without minimum strength

142 Schools which were functioning without minimum strength created a liability of Rs 3.67 crore annually.

Kerala Educational Rules (KER) provide that the minimum effective strength of students in each class should be 25. The Director of Public Instruction (DPI) was to consider withdrawal of recognition in cases where the minimum effective strength was less than 25 only after ensuring alternative educational facilities in the locality. It was seen that number of Government/aided primary schools functioning in the state without minimum strength increased from 1265 in 1995-96 to 1937 in 1998-99.

Though KER envisaged that the DPI was to accord permission for continuance of such schools on the merits of the case, and on the condition that they would increase the strength to required level, Government issued sanction for continuation of such schools through a general order, without examining the merits in each case. Scrutiny revealed that 142 schools were functioning with a strength ranged from 0 to 74 during the period from 1995-96 to 1998-99. The average expenditure per student per annum incurred by these 142 schools during 1995-99 was Rs 4825, Rs 5457, Rs 6398 and Rs 8233. Of the 142 schools, 57 had been functioning without minimum strength for more than 10 years. There was no student in Government L.P School (LPS), Shanghumugham (under AEO, Thiruvananthapuram North) during 1998-99 but the school had a Headmaster and a part time employee. Idle wage of

Rs 1.68 lakh was spent during 1998-99. Though the DPI recommended to the Government to merge these 142 schools with inadequate strength with other schools, the proposal was not accepted by the Government. As the Staff strength prescribed for a school is 1 Headmaster and 3 teachers for an LP school, these 142 primary schools created a minimum financial liability of Rs 3.67 crore per annum.

The matter was referred to Government in July 2000; reply has not been received (November 2000).

HEALTH AND FAMILY WELFARE DEPARTMENT

3.12 Some aspects of implementation of Family Welfare Programme

Introduction

The National Family Welfare Programme, a 100 per cent centrally sponsored scheme, aimed at stabilising population at a level consistent with national needs. The scheme was implemented through various programmes for prevention and management of unwanted pregnancies, maternal care and care of new born and infants etc. The State Family Welfare Bureau was responsible for the implementation of the programme. The review disclosed laxity on the part of State Government in claiming reimbursement of expenditure from Government of India (GOI), poor monitoring by State Cell, non-utilisation of funds, defective planning in purchase of stores, etc. Implementation of the programme in the State during 1995-96 to 1999-2000 was reviewed in January-June 2000; results are given in the succeeding paragraphs.

The services of the ORG centre for social research, a division of ORG MARG Research Ltd., was commissioned by the Comptroller and Auditor General of India with a view to obtaining the beneficiary perception of the programme and related matters. The ORG-MARG carried out survey over a sample, determined on the basis of socio-cultural characteristics and development status. Findings of the survey on matters discussed in the report have been included in this paragraph at appropriate places.

3.12.1 Financial Performance

Out of Rs 12.82 crore due for 1986-87 to 1991-92 GOI admitted Rs 5.30 crore

According to the Director of Health Services (DHS) an amount of Rs 12.82 crore was due as arrears from GOI for the period 1986-87 to 1991-92. GOI accepted an amount of Rs 5.30 crore and stated (February 1996) that the figure of arrears due would be modified on production of Audit Certificate for the year 1989-90 and a confirmation letter from the Accountant General that the certified expenditure did not include cost of materials supplied during the year 1991-92. It was observed that as of April 2000 the reimbursement of even the admitted amount (Rs 5.30 crore) was not received by the State Government. No steps were taken for obtaining reimbursement of the remaining amount of

Rs 7.52 crore and this matter was not pursued by the Department/Government with GOI effectively.

Year-wise details of Central assistance received and State's budget provision and expenditure during 1995-2000 were as follows:

(Rupees in crore)

Year	Assistance from GOI			Provision@	Expenditure@ (including cost of aid materials)	Excess(+) Savings(-)	Percentage of excess/savings
	Cash	Cost of aid materials	Total				
1995-96	24.65	8.70	33.35	69.13	61.31	(-)7.82	11
1996-97	24.55	7.36	31.91	69.50	66.76	(-)2.74	4
1997-98	29.81	9.74	39.55	53.15	72.10	(+)18.95	36
1998-99	38.45	13.24	51.69	60.30	80.84	(+)20.54	34
1999-2000	53.63	13.76	67.39	84.80	106.21	(+)21.41	25
Total	**171.09**	**52.80**	**223.89**	**336.88**	**387.22**		

Note: No budget provision was made for the cost of aid materials in any of the years 1995-2000

Rs 133.61 crore due from GOI for 1992-99 was not claimed by State Government

It was also seen that an amount of Rs 133.61 crore# for the years 1992-93 to 1998-99 due from GOI towards reimbursement of expenditure with reference to the expenditure certified by Accountant General (Audit) has not been claimed as of June 2000.

The State Cell failed to pursue the matter with GOI. The details of expenditure incurred by the Department during each year were neither sent by the DHS to the Cell nor did the Cell call for the details from the DHS resulting in delays in claiming reimbursement from the GOI. Though the certified amount of expenditure for each year by the Accountant General (Audit) was known to the department/Government, they failed to obtain the reimbursement from GOI. On this being pointed out in Audit, the DHS informed Government of Kerala in November 2000 that an amount of Rs 158 crore is due from GOI for the period up to 1998-99.

3.12.2 Failure to implement JPHN's Moped Scheme

The United Nations Family Programme Assistance (UNFPA) project viz., Junior Public Health Nurses (JPHNs) Moped Scheme aimed at giving interest free loan upto Rs 16000 (recoverable in 80 instalments) to 1555 Junior Public Health Nurses for the purchase of moped, with a view to increase their mobility. It was a pilot project of one-year duration to be implemented through the establishment of a revolving fund with a distinct identity at the State level. The recoveries were to replenish the revolving fund and the replenishment was to be used for disbursing more loans under the scheme. The amount of Rs 2.49 crore required for the project was released (January 1997) by the GOI and was credited (July 1997) to the general Treasury Public

@ Source : Appropriation Accounts of respective years

This includes Rs 37 lakh (approximately) incurred during 1992-93 to 1998-99 towards contingencies, cost of consumables, stipend to trainees, etc in respect of orientation training of medical and para medical personnel out of which only 50 *per cent* is reimbursable by GOI.

Rs 1.35 crore of GOI funds for giving loans to JPHNs for purchase of mopeds remained unutilised

Account of the Department. However, only an amount of Rs 1.14 crore had been disbursed as of August 2000 leaving a balance of Rs 1.35 crore in the treasury. The State Government also failed to create a revolving fund with a distinct identity as envisaged in the guidelines.

3.12.3 All India Hospitals Post Partum Programme

The basic objective of the programme was to provide an integral package of maternal, child health and family welfare services, in service training to medical and para-medical personnel, out reach services to allotted population, promotion of spacing methods to reduce infant mortality rate and maternal deaths, etc. The pattern of financial assistance approved by the GOI for Post Partum Centres run by State Government is given in Appendix XXX.

The findings of the beneficiary survey of ORG-MARG as regards quality and extent of coverage of prospective beneficiaries by PPCs are relevant as they indicate efficacy of the services rendered by PPCs to needy women-folk. The survey revealed that post partum care in the State was 'quite poor' as only 6 *per cent* of women were got examined within 42 days of delivery. Though one-third of the women received Family Planning counselling during antenatal/postnatal period, only one-fourth of them were reported to have accepted a family planning method before resumption of menstrual period. Facility-wise, PPCs were found to be poorly equipped and none of the MOs was reported to have received training.

(i) Failure to demand service charges for sterilisation

The grant-in-aid for the maintenance of PP wards was based on the level of performance of tubectomies per bed per year in each PPC. During 1995-96 to 1999-2000, out of 78*, 51 to 64 PPCs (number of beds 553-710) had performed more than 45 tubectomies, and 14 to 20 PPCs failed to achieve the norm of 45 sterilisation in a year.

During 1995-2000, grant of Rs 2.13 crore was not demanded from GOI

When reckoned in accordance with the GOI's norms, recurring grant of service charges aggregating Rs 2.13 crore was due from the GOI for the years 1995-96 to 1999-2000 as shown in Appendix XXXI. The amounts were not demanded from the GOI.

(ii) Excess expenditure on compensation for sterilisation

Extra liability of State Government due to spending in excess of norms on drugs and dressings during 1996-99 was Rs 2.53 crore

With effect from October 1996, GOI made it mandatory that the expenditure on drugs and dressings would not be less than Rs 60, Rs 25 and Rs 16 within the overall limit of Rs 200, Rs 180 and Rs 16 for the expenditure on tubectomy, vasectomy and IUD insertions respectively. The State Government incurred excess expenditure of Rs 2.53 crore against the norms and claimed the same from the GOI as shown below:

* District level: A-T type: 4 nos (88 Beds); ANT Type: 9 nos (256 Beds)
B type : 1 no (22 Beds); C Type: 4 nos (51 Beds) Sub-district level: 60 nos (460 Beds)

Year	No. of Tubectomy	No. of vasectomy	No. of IUD insertions	Total compensation (excluding drugs & dressings) (A)	Mandatory expenditure to be incurred on drugs & dressings (B)	Expenditure incurred on compensation (excluding drugs & dressings) (C)	Expenditure incurred on drugs and dressings (D)	Expenditure in excess of norms (C)+(D) - (A) - (B)
				(Rupees in crore)				
1996-97	124800	326	75372	1.75	0.87	1.90	1.79	1.07
1997-98	139444	360	79407	1.96	0.96	1.86	1.83	0.77
1998-99	139718	567	81759	1.96	0.97	1.61	2.01	0.69
Total								**2.53**

3.12.4 Defective planning in purchase of stores for family welfare activities

The details of Budget provision and purchases made during the years 1995-96 to 1999-2000 were given in Appendix XXXII.

Rs 1.51 crore worth of materials purchased in excess during 1997-2000

(i) It was seen that the total budget allotment under Family Welfare, including the purchase of surgical equipment and supplies & materials etc. was Rs 2.43 crore only for the year 1999-2000. However, with reference to the cost approved by Central Purchase Committee (CPC), the total cost of the quantity indented by the DMOs in respect of 124 items worked out to Rs 3.67 crore. Besides these, there were another 210 CPC and non-CPC items indented by the DMOs. As sufficient funds were not available to meet the cost of medicines and other materials, priority should have been given to life saving drugs and other essential supplies. No such priorities were fixed during the period 1995 to 2000 and purchase of huge quantities of consumables were made indiscriminately by the Additional Director of Health Services (FW). Drugs, surgical equipment, machinery and materials and other consumables worth Rs 11.60 crore were purchased during 1995-2000 out of which the cost of drugs was only Rs 5.13 crore, which was below the norm of 45 *per cent* of the total purchases. As a result huge quantities of materials and consumables listed below costing Rs 1.51 crore purchased during the period 1997-98 to 1999-2000 were lying unused.

(Rupees in lakh)

Sl. No	Name of item	Year of indent	Requirement as per indent	Cost of indented quantity	Quantity purchased	Cost of quantity purchased	Cost of excess purchased	No. of years for which the additional quantity could be used on the basis of indent	Percentage of excess purchase
1	Cat gut (CH 2)	1998-99	285 dozen	1.45	19880 dozen	101.31	99.86	70	6887
2	Absorbent cotton wool	1997-98	19100 packets	10.72	38000 packets	21.34	10.62	2	99
3	Scalpel blade size 11"	1998-99	35600	0.43	5 lakh	6.10	5.67	14	1319
4	Scalpel blade size 23"	1998-99	53600	0.65	2.50 lakh	3.05	2.40	4 ½	369
5	Surgeon's cap	1998-99	1750	0.04	1 lakh	2.50	2.46	57	6150
6	Face masks	1998-99	1650	0.05	2 lakh	6.00	5.95	121	11900
7	Gloves size 7" (not indented)	1998-99	101700 pairs	@	216000 pairs	12.36	12.36	2	1236
8	Gloves size 7 ½"	1998-99	65400 pairs	3.74	196000 pairs	11.23	7.49	2	200
9	Drip Set	1998-99	288000 nos.	13.25	300000	13.80	0.55	Less than one year	4
10	Dettol	1999-2000	400 litres	0.34	4995 litres	4.26	3.92	11	1153
		TOTAL					151.28		

@ There was sufficient opening stock of 131000 pairs.

(ii) In order to reduce the huge stock of materials purchased in excess of requirement, these materials were supplied by the Store Officer, State Family Welfare Store to the DMOs in excess of the quantities indented by them. A few instances in this regard are given below:-

Name of commodity	Year of indent	No. of DMOs to whom excess quantity was issued	Quantity indented by the DMOs	Quantity issued to the DMOs	Excess quantity issued
BP Blade 11"	1998-99	11	32,600	1,06,900	74,300
Razor Blades	1998-99	6	15,600	1,00,000	84,400
	1999-2000	3	2,000	70,000	68,000
Drip sets	1998-99	5	1,20,000	2,01,500	81,500
Dettol	1998-99	9	4,992	16,560	11,568
Iodine Tincture	1998-99	9	20	550	530
Inj.Oxytocin	1998-99	12	62,435	1,31,000	68,565

As of March 2000, Rs 1.30 crore of consumables were held in stock

It was seen that as of March 2000, 34 items of surgical materials and consumables worth Rs 1.30 crore purchased during the earlier years were held in stock as shown in Appendix XXXIII.

(iii) No annual verification of stock in the Family Welfare Store had been done since 1993-94. Entries in the stock register were not attested by any officer. Dates of expiry of drugs had not been noted in the register. Hence the Department was not able to confirm that the drugs were issued before the expiry date. Stocks were not handed over or taken over after due stock verification even at the time of change of incumbency.

3.12.5 Child Survival and Safe Motherhood (CSSM) and Reproductive and Child Health (RCH) Programmes

During Eighth Plan period the programmes on Universal Immunisation (UIP), and Oral Rehydration Therapy (ORT) were integrated and brought under CSSM Programme. A further integration of the programme under RCH by incorporating additional components relating to Sexually Transmitted Disease (STD) and Reproductive Tract Infection (RTI) was effected during the Ninth Plan period (1997-2000) with a view to ensure relevant services on these programmes to all citizens for obtaining the objective of stable population in the medium and long terms for the country. Funds for the RCH Programme were routed through the State Committee on Voluntary Actions (SCOVA) registered in April 1997 with the Chief Secretary as the Chairman and the Secretary to Government, Health and Family Welfare as Vice Chairman.

(a) Financial Performance

Nearly 30 *per cent* of funds (Rs 5.99 crore) for RCH programme remained unutilised

Though a sum of Rs 19.44 crore was received by SCOVA, nearly 30 *per cent* of the funds (Rs 5.99 crore) remained unutilised as of February 2000 as indicated below:-

(Rupees in crore)

Year	Proposed outlay	Releases by GOI	Expenditure			Unspent balance as of February 2000
			1998-99	1999-2000	Total	
1998-99	20.99	5.35	1.53	3.29	4.82	0.53
1999-2000	36.50	14.09	-	8.63	8.63	5.46
Total	**57.49**	**19.44**	**1.53**	**11.92**	**13.45**	**5.99**

(b) Non-implementation of components of RCH

Four components viz. Institutional Development for training, Mobility for peripheral units, Modified MIS., Management of Gynaecological problem, cancer breast and cancer uterus, have not been implemented.

(c) Deficiencies in the functioning of SCOVA

As per the rules of the SCOVA, the Society had to meet at least once in three months but the Committee met only twice in April 1997 and July 1998 during 1997-2000. Thus there was hardly any monitoring of its activities by the Committee. SCOVA failed to ensure the involvement of NGOs and consequently funds for counselling and innovative programmes were not utilised.

The Beneficiary Survey conducted by ORG-MARG revealed that the involvement of NGOs was negligible as only 3 *per cent* of the households reporting their availability.

(d) Non-starting of RTI/STD Clinics

As per the Action Plan prepared by State Government 14 Reproductive Tract Infection (RTI)/Sexually Transmitted Infection (STI) clinics were to be established in 14 First Referral Units (FRUs) in the first quarter of first year (1998-99) in 7 districts (Phase I) and during the second year (1999-2000) in 10 clinics in 10 FRUs in 5 districts (Phase II). Each FRU was to have 2 trained doctors for attending exclusively to RTI/STI cases. However, no clinic has been established so far (June 2000).

(e) Purchase of Computers

GOI in August 1998 released Rs 5 lakh for purchase of office equipment (including computers), and Rs 2 lakh for purchase of computer stationery, repairs, etc., to improve infrastructure facilities in RCH projects. It was noticed that Rs 6.22 lakh was utilised for the purchase of six computers, one Xerox machine, etc., diverting Rs 1.22 lakh from the fund allotted for stationery. Four (out of six) computers were issued to officers in DHS and one to the Secretary to Government. The allotment of 5 computers purchased (cost: Rs 4.10 lakh) with GOI assistance for RCH programme to these officers was irregular.

(f) Training

The project envisaged imparting training to 2820 medical and para medical personnel in the first quarter of the first year (1997-98) at a cost of Rs 1.71 crore and 1870 personnel in the first quarter of the second year (1998-99) at a cost of Rs1.39 crore. Out of Rs 1.43 crore released by GOI during March 1999 – January 2000 for this purpose, only Rs 0.04 crore (2.79 *per cent*) was spent.

3.12.6 Failure in implementing UNFPA aided Reproductive Health Project in Malappuram District

Non-implementation of UNFPA RH project in Malappuram District resulted in depriving the benefits of the scheme.

GOI accorded (July 1997) administrative sanction for the implementation of the United Nations Family Programme Assistance (UNFPA) aided Reproductive Health Project in Malappuram District during the periods 1997 to 2002 at an estimated cost of Rs 2.66 crore with 90 *per cent* Central assistance and 10 *per cent* State's share and released Rs 27.26 lakh in October 1997. As per GOI directions (December 1997) the State Government was to meet the initial expenditure for getting reimbursement from UNFPA and to send to GOI a realistic estimate of the expenditure. The implementing agency, Malappuram District Reproductive Health Project Society was registered only in December 1997 and the amount of Rs 27.26 lakh released to the Society only in November 1998. Subsequently, Rs 110 lakh was released to the Society by DHS between September 1999 and March 2000. However, the society spent only Rs 54 lakh and the balance of Rs 83.26 lakh remained unutilised as of March 2000. The scheme could not be implemented due to delay in registering the implementing agency and failure to incur expenditure and submit the monthly component-wise reports regularly for getting reimbursements from the UNFPA. Non-implementation of the project thus deprived the people of the district the benefits of the scheme.

3.13 Purchase of defective X-ray unit

One 500 MA X-ray unit purchased at a cost of Rs 32.82 lakh was accepted inspite of being defective. No action had been taken against the supplier

Based on recommendations of the Departmental Purchase Committee, Government issued administrative sanction (March 1997) for purchase of one 500 MA X-ray unit with IITV system* (Rs 36.47 lakh) and one 300 MA X-ray unit (Rs 5.05 lakh) for the Department of Radiodiagnosis, Medical College, Kozhikode from Siemens Ltd at a total cost of Rs 41.52 lakh. Ninety *per cent* of the cost of machines (Rs 37.36 lakh) was paid in April 1997 in advance and the machines were supplied in April 1997. The X-ray units were installed only after one year in April 1998 due to delay in making available space for the machine. During the trial run (May 1999) the 500 MA X-ray unit went out of order and further problems occurred later at frequent

* Image Intensifier TV System with usable input field, TV camera, Collimating lens, TV monitor etc.

intervals. The machine has not worked properly till date. Based on direction issued by the Director of Medical Education, the Principal, Medical College, Kozhikode rejected the X-ray unit supplied as it was not commissioned satisfactorily and directed the firm (February 1999) to refund the amount paid. But no refund could be obtained so far (April 2000), though the agreement executed by the firm provided for replacement of defective machine or payment of damages to Government. The security deposit of Rs 2.08 lakh recovered from the bankers of the firm was credited to Government account in July 1999.

There was abnormal delay in installing the machine. Though defects were noticed in the machine from the date of installation itself, the Principal failed to reject the machine and get a replacement as provided in the agreement with the firm; instead the machine was allowed to be repaired and used. No legal action was taken by the Principal against the firm so far (May 2000).

The matter was referred to Government in May 2000; reply has not been received (November 2000)

3.14 Defalcation of Government money in a Primary Health Centre

Non-observance of financial rules by the Medical Officer in charge of a Primary Health Centre facilitated defalcation of Government money.

The Kerala Treasury Code Vol.I enjoins that the head of office* is responsible for the custody of money drawn on establishment bills from treasury till it is paid to the recipient. The drawing officer is required to check the acquittance with reference to the pay bill and the money drawn from the treasury. The official preparing the bill is not to be allowed to disburse the salary. With regard to money remitted to treasury, the officer concerned is required to prepare a monthly statement of moneys remitted and get it certified by the concerned Treasury Officer as soon as possible.

Test check by Audit (October 1999) of the accounts of the Primary Health Centre (PHC) at Pariyaram in Kannur District revealed that the Medical Officers in charge disregarded these codal provisions facilitating misappropriation of Rs 1.71 lakh during July 1996 to October 1999 by the Upper Division Clerk (UDC) of the PHC.

UDC committed misappropriation by (i) drawal of salary in respect of officers already transferred (Rs 0.99 lakh) and salary of fictitious employees (Rs 0.51 lakh), (ii) short/non-remittance of excess amounts drawn (Rs 0.07 lakh), (iii) non-remittance of revenue collections in treasury (Rs 0.08 lakh) and (iv) other irregular claims (Rs 0.06 lakh). Forged signatures of employees were affixed on acquittance rolls by the UDC.

* Functioning as a drawing and disbursing officer

At the instance of Audit, the District Medical Officer (DMO) ordered a detailed internal audit of the institution. The internal audit conducted in October 1999 by the District Level Internal Audit Wing of the department confirmed the misappropriation. The UDC was held responsible and placed under suspension in October 1999.

Audit scrutiny revealed that the misappropriation was made possible as the successive Medical Officers did not (i) attest each entry in the cash book in token of check (ii) attest the entries in the Pay bill register each month and (iii) verify the acquittance register as required under Rules. He allowed the UDC to prepare the pay bills and to disburse the pay and allowances.

The DMO had fixed the liability for defalcation against the three Medical Officers in charge of the PHC during July 1996 to October 1999. The entire amount remained unrecovered as of October 2000. The matter was referred (March 2000) to Vigilance Department for investigation, further developments are awaited (October 2000). One of the Medical Officers (DDO) stated (May 2000) that as a fresh recruit she was ignorant of the rules for proper maintenance of the registers. Government should consider according proper training of its officers in financial matters before they are entrusted with financial responsibilities involving use of public funds.

The matter was referred to Government in February 2000; reply has not been received (November 2000).

3.15 Unfruitful expenditure on a hospital building

Building for hospital ward, constructed at a cost of Rs 34.56 lakh remained idle for over 4 years

Government converted (October 1988) Government Rural Dispensary (GRD), at Chokkad Girijan Colony in Malappuram district into Primary Health Centre (PHC), Chokkad. In March 1991, Government sanctioned construction of a 40 bedded ward with out patient block, labour room etc., for the GRD at an estimated cost of Rs 17.50 lakh. The building completed in March 1996 by the Public Works Department at a cost of Rs 34.56 lakh was taken over by the Medical Officer (MO), PHC, Chokkad in August 1996. After two years Director of Health Services (DHS), Thiruvananthapuram sent proposal to Government for creation of 13 additional posts in October 1998. Government sanctioned (November 1999) creation of 8 posts (Asst. Surgeon 1; Staff Nurse 4; Hospital Attendant Gr.II 2 and Nursing Assistant 1). As of May 2000, one Doctor (on contract basis) and one nursing assistant was appointed and two staff nurses were posted on working arrangement (temporarily from other hospitals).

Though the building was inaugurated in May 2000 the operation theatre and the ward were not put to use for want of staff. MO, PHC stated (June 2000) that the inpatient ward and operation theatre could be made functional only after appointing a regular doctor and providing facilities to the ward and operation theatre.

Thus, the building constructed at a cost of Rs 34.56 lakh could not be put to use and the intended medical facilities were denied to the people of the Girijan Colony.

The matter was reported to Government in June 2000; reply has not been received. (November 2000).

HOME DEPARTMENT

3.16 Loss due to non-acceptance of a favourable offer

Government's rejection of a proposal of IG (Prisons) on a contract for cutting and removal of rubber trees led to loss of Rs 68.75 lakh.

Director General of Police (Prisons), Thiruvananthapuram invited (January 1996) tenders for cutting and removal of 12400 rubber trees spread over 1 to 62 blocks of the open prison, Nettukalthery in Thiruvananthapuram District. Of the 20 tenders received, the highest bid was Rs 1239 per tree plus Sales Tax (Total Rs 1.54 crore plus ST). Government accepted and confirmed it in favour of the highest bidder in January 1996. The work was to be completed within 12 months *i.e* January 1997.

According to the terms and conditions of the tender notice, the successful bidder was to remit (i) security deposit of 5 *per cent* (Rs 62 per tree) before execution of an agreement for the settlement of the tender (ii) advance of 10 *per cent* of the bid amount within 15 days of award of the tender for the due fulfillment of the contract (iii) 40 *per cent* of the tender value before starting the slaughter tapping and (iv) the balance 50 *per cent* before starting the cutting and removal of trees.

The highest bidder did not remit the amounts as required in the tender notice. Instead, he sought for (February 1996) permission to remit the amount in 12 instalments. The proposal was rejected by Additional Chief Secretary (ACS) to Government, Home Department in June 1996 on the ground of violation of conditions of tender. Thereupon, the second highest bid which was Rs 1149 per tree plus ST (Total Rs 1.42 crore + ST) was recommended (August 1996) by Inspector General of Police (Prisons) for acceptance by Government on the ground that there was no chance for better offer on retender. The ACS however, ordered (December 1996) re-invitation of tenders without recording any reason.

A retender in March 1997, failed to fetch any favourable offer. The Government therefore, decided to put the work to tender for the third time. In the meantime, number of rubber trees was reduced from 12400 to 1179[illegible] allegedly due to heavy rain, wind, and other natural calamities. The work was put to tender again in March 1998. The highest offer received for Rs 625 per tree plus ST (Rs 73.72 lakh plus ST for 11795 trees) was accepted and confirmed by Government in September 1998. The highest bidder remitted Rs 81.09 lakh including ST (Rs 8.06 lakh in December 1998 and Rs 73.03 lakh in October 1999) and completed the work as per the tender schedule. Unjustified non-acceptance of the second highest offer without any recorded reasons by ACS, Home Department brought down the bid price by Rs 61.80 lakh. Besides due to loss of 605 trees with the passage of time, Government lost Rs 6.95 lakh. Had the ACS acted judiciously while deciding the tenderer not only the loss of Rs 68.75 lakh could have been avoided, the delay of 3 years in earning the revenue could also have been avoided.

The matter was referred to Government in July 2000; reply has not been received. (November 2000).

HOUSING DEPARTMENT

3.17 Mis-utilisation of Government subsidy and retention of unspent balance.

Out of Rs 76.25 lakh released for payment of subsidy towards Rehabilitation Housing Scheme Phase III, Rs 20.78 lakh was misutilised for payment of loan portion, while unspent balance of Rs 40.71 lakh was irregularly retained by Collectors for over nine years.

Government of Kerala sanctioned (October 1988) Rehabilitation Housing Scheme (Phase III) for economically weaker sections of society. The estimated cost of construction of each house was Rs 9000, consisting of Rs 7500 as loan from Kerala State Housing Board, (KSHB) to be recovered in 180 equal monthly instalments, and Rs 1500 by way of subsidy to be shared equally by Government and the local body at the rate of Rs 750 each. The loan was to be released in 3 instalments and subsidy was to be paid along with the third instalment of the loan.

During September 1989 to March 1991, Government released Rs 70 lakh to District Collector, (DC) Malappuram towards payment of subsidy without assessing the number of beneficiaries . An amount of Rs 6.25 lakh was also received from the District Council, Malappuram .

As against the requirement of Rs 35.54 lakh for payment of subsidy to 4739 selected beneficiaries in four Taluks of the District, an amount of Rs 56.32 lakh was distributed (September 1989 to March 1991) among the four Tahsildars resulting in excess allotment of Rs 20.78 lakh. The balance amount of Rs 19.93 lakh was deposited in a Treasury Public Account held by the DC. Based on an order (March 1990) from the Commissioner and Secretary to Government, Housing Department, the excess amount provided to the Tahsildars was diverted for making payment of loan instalments. The collections towards recoveries of loan made from the beneficiaries were remitted to the account of KSHB without adjusting it towards the subsidy diverted from Government funds.

On this being pointed in audit (January 1992), the excess amounts were recovered by the Tahsildars and re-credited to the TP Account of the District Collector during the period February 1998 to April 2000.

As against the actual requirement of only Rs 35.54 lakh for payment of subsidy Collector's action in alloting Rs 56.32 lakh to the Tahsildars was irregular. Though this was pointed out by Audit in January 1992, Collector took 6 years to take action. Thus, the unspent balance of Rs 40.71 lakh which should have been credited to Government account is still (May 2000) retained by the District Collector in his TP account. The DC stated (May 2000) that the amount was credited to TP account for subsequent utilisation in ongoing housing schemes. The procedure adopted by the DC was irregular. As of April 2000 only 4187 houses were completed.

The matter was referred to Government in March 1999 and again in February 2000; reply has not been received (November 2000).

INDUSTRIES DEPARTMENT

3.18 An ill-conceived project

Rs 2.41 crore released for establishment of Industrial Growth Centre in Pathanamthitta District remained blocked for 2 to 6 years due to failure of the Government to acquire the land.

Government sanctioned (October 1994) acquisition of 250 acres of land at Kunnamthanam village in Mallappally Taluk of Pathanamthitta District for establishing an Industrial Growth Centre approved by Government of India in March 1994. The implementation of the project was entrusted to Kerala State Industrial Development Corporation (KSIDC). In November 1996, the Managing Director, KSIDC informed Government that the project was not technically and commercially viable in view of the non-availability of land and high cost of land and advised Government to drop the land acquisition proceedings. But the Principal Secretary to Government, Industries Department, went ahead with the acquisition of a reduced extent of 100 acres of land for setting up of an Industrial Development Area (IDA). Government released Rs 2.41 crore (Rs 0.79 crore in March 1994 and Rs 1.62 crore in February 1998) to the District Collector, Pathanamthitta for land acquisition. The entire amount was kept under Civil Deposit by the District Collector.

Out of 96.07 acres of land required for the Project, only 61.70 acres were taken possession between June 1998 and February 1999 at a cost of Rs 1.44 crore. No developmental activities have been taken up in the land as of

October 2000. An extent of 34.37 acres of land was covered by stay of High Court. An amount of Rs 97 lakh has been retained by the District Collector (November 2000).

The Project of establishing Industrial Growth Centre was a flaw from the beginning as the Government of Kerala had sanctioned the scheme without ascertaining availability of land in the area, a prerequisite for the project. Government went ahead with the acquistion of reduced area for setting up of IDA disregarding the suggestion made by KSIDC and released funds, but again failed to acquire the same (November 2000) thus rendering the entire expenditure of Rs 2.41 crore unfruitful.

Government while accepting the facts stated (April 2000) that Advocate General had been addressed to get the stay vacated so as to complete the acquisition proceedings.

3.19 Unfruitful outlay on establishment of motorised spinning units under Integrated Coir Development Project

Failure of the scheme for establishment of motorised spinning units in Coir Co-operative Societies rendered Government subsidy and loan of Rs 3.12 crore unfruitful.

In 1994 Government of Kerala approved the scheme for establishment of 'Motorised Spinning Units' in Coir Co-operative Societies under Integrated Coir Development Project. The Kerala State Co-operative Coir Marketing Federation Limited (COIRFED) was the implementing agency of the scheme. The scheme envisaged establishment of 100 'motorised treadle ratts' in each co-operative society (unit) capable of spinning superior yarn of uniform quality and of varieties required for products manufacture and exports. National Co-operative Development Corporation (NCDC) was to provide 75 *per cent* finance for the scheme as loan to State Government and Government in turn was to disburse 25 *per cent* as subsidy and 50 *per cent* as loan to COIRFED on behalf of the Society. The balance project cost was to be met by subsidy from GOI (20 *per cent*) and Societies' own contributions (5 *per cent*).

In Kollam District, 18 Coir Co-operative Societies were selected for implementation of the scheme and these societies were paid an assistance of Rs 3.12 crore* (including the cost of ratts) during November 1994 to March 1997. COIRFED arranged the supply of motorised ratts through other firms. Out of 1399 ratts supplied to the 16 societies during the period 1994 to 1998, only 460 (33 *per cent*) were in working condition (June 2000). Balance 939 ratts were either damaged or not in working condition. No ratts were supplied to two societies under the scheme.

* NCDC loan: Rs 164 lakh, Government of India Subsidy: Rs 65.60 lakh and State Government Subsidy: Rs 82 lakh

Though the loan was to be utilised within 3 months, utilisation certificates for Rs 68.40 lakh in respect of only 4 societies were submitted by the Project Officer (PO) (Coir), Kollam to the Director of Coir Development as of May 2000. The societies failed to repay either the principal or the interest so far (June 2000) which were due from the second anniversary of the date of receipt of power connection or after expiry of sanctioned utilisation period whichever was earlier. The scheme also, failed miserably due to failure on the part of implementing agency to ensure quality of ratts supplied. The PO attributed the poor implementation of the scheme to high cost of production in the mechanised ratts, poor output, scarcity of skilled labour and sale of yarn below production cost. The above facts revealed that the scheme was conceived without proper planning and Rs 3.12 crore spent on the scheme was by and large unfruitful. Moreover, the Government was saddled with the responsibility of repayment of loan availed from NCDC to finance the scheme.

Government stated (August 2000) that the project had been conceived as a pilot project with a long term objective of modernisation of coir industry through systematic mechanisation. This is not tenable as the scheme failed in achieving its objectives mainly due to failure of Government to monitor the progress and take appropriate and timely corrective action.

PLANNING AND ECONOMIC AFFAIRS DEPARTMENT

3.20 Members of Parliament Local Area Development Scheme

Introduction

A review on the implementation of the Members of Parliament Local Area Development Scheme (Scheme) in Kerala was included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1997, No.3 of 1998 Union Government (Civil). The scheme was reviewed again in audit during May-August 2000 in 6 districts/10 constituencies covering the period from 1997-98 to 1999-2000. Total amount of funds released and spent for implementation of the scheme during the period covered in audit were Rs 175.77 crore and Rs 110.99 crore respectively. Amount of expenditure covered in the current audit was Rs 33.54 crore.

Audit findings

Previous review covering the period from 1993-94 to 1996-97 revealed mainly the following deficiencies and irregularities in the implementation of the scheme.

(i) Under-utilisation of funds resulting in denial of benefits envisaged under the scheme.

(ii) Works recommended by Members of Parliament (MP) either not taken up or left incomplete.

(iii) Scheme funds spent on inadmissible works/items.

(iv) Asset register not maintained by the implementing agencies.

(v) Utilisation certificate not furnished by the executing agencies.

(vi) Non-inspection of works by the District Collectors and other concerned officers.

The current review indicated that these irregularities were not fully addressed and the same continued as noticed from the following:

Sl. No.	Irregularity/Deficiency	Brief gist of the irregularity
1.	Funds released remaining unutilised resulting in denial of desired benefits	Of Rs 88.84 crore released by the Government of India for implementation of the scheme during the years 1997-98 to 1999-2000, only Rs 33.54 crore (38 *per cent*) were spent resulting in denial of full benefits envisaged under the scheme. The heavy shortfall in utilisation of Central assistance was mainly attributable to delay in execution of works by the executing agencies. The expenditure reported as incurred, was overstated by District Collectors as these included unspent balances lying with executing agencies. In 5 test checked districts alone expenditure reported by District Collectors was overstated by Rs 1.93 crore.
2.	Works recommended by Members of Parliament not sanctioned/completed	Out of 4083 works recommended by Members of Parliament in 3 years during 1997-2000, 3120 works were sanctioned for execution as of March 2000. Of these only 945 (30 *per cent*) were completed. Works recommended by 18 MPs (Lok Sabha: 10; Rajyasabha: 8) and test checked in audit, these were 2734, 2162 and 662 (31 *per cent)* respectively. The shortfall in completion of works was mainly due to non-finalisation of plan and estimates, non-allotment of land and unwillingness of the beneficiary committees to execute the works at PWD Schedule of Rates.
3.	Execution of inadmissible works	Though the scheme guidelines forbid construction of commercial complex, office building and incurring of revenue expenditure, in three districts 10 such works were sanctioned during 1997-98 to 1999-2000 and were executed at a cost of Rs 17.86 lakh.
4.	Works completed but not handed over to beneficiaries/ not utilised	There was no formal handing over of the assets created by the executing agency to the user agency nor any taking over. Test check in 6 districts revealed that 27 buildings constructed during May 1997 to May 2000 at a cost of Rs 1.50 crore for housing ICU, Blood Bank, IP Ward, Labour room, etc., were kept idle for periods ranging from 6 months to 3 years for want of staff, equipment, necessary licence, etc to be arranged by user departments.
5.	Non-maintenance of Asset Registers	In two out of six test-checked districts, no asset register was maintained. In the remaining four districts, though the register was maintained, details of completion of works, employment generated up-to-date, details of assets created, etc., were not entered in the register.
6.	Monitoring	Scheme guidelines provided that the Heads of Districts should visit and inspect at least 10 *per cent* of the works every year. The senior officers of implementing agencies were required to inspect these works through regular visit of the work spots to ensure that the works were progressing satisfactorily. None of the District Collectors in the 6 test checked districts had inspected any work during 1997-2000 as required. No schedule of inspection for other officers had been prescribed by 3 of the District Collectors. In the remaining 3 districts though schedule of inspection had been prescribed (July 1998) details of compliance were not on record. Inspection of works in 5 out of 6 districts were confined to inspection of completed works by Officials of District Planning Office before making final payment.
7.	Non-furnishing of utilisation certificates.	Certificate on utilisation of the funds was to be furnished by the District Collectors to the Government of India. But no separate utilisation certificate was sent other than the statement of actual expenditure every month. Though completion certificates were obtained from implementing agencies, the District Collectors did not insist for submission of separate utilisation certificate.

Conclusion

The scheme was not being properly monitored as envisaged in the guidelines. District Collectors were not inspecting the works and only 3 review meetings were held during six years 1993-2000 at State level. No evaluation of the implementation of the scheme had been conducted till date (September 2000) by any agency except a study by the Programme Evaluation Organisation of Planning Commission in selected districts of the State during March-July 2000. The report of the study was awaited.

Delay in finalising plan and estimates, allotment of land, insufficient allotment of funds for individual works by MPs., etc., had affected the pace of implementation of the Scheme. Lack of co-ordination between the implementing and user agencies resulted in the assets lying idle.

The matter was referred to Government in June 2000; reply has not been received (November 2000).

PUBLIC WORKS AND TRANSPORT DEPARTMENT

3.21 Non-realisation of amounts due from Government of India towards expenditure incurred on National Highway works

Expenditure of Rs 83.98 crore incurred by the State Government on National Highways remains to be reimbursed by Government of India

The expenditure on National Highway works executed by NH Divisions in the State is initially met from State funds. On the basis of claims preferred by Accountant General (A&E), alongwith vouchers from National Highway divisions, the amount is reimbursed by the Pay and Accounts Officer (PAO), National Highways, Government of India (GOI), Bangalore.

At the end of May 2000, an amount of Rs 83.98 crore was outstanding in Accountant General's books awaiting reimbursement from the PAO of which Rs 24.85 crore related to the period from 1979-80 to 1996-97. Scrutiny revealed that the amounts were either withheld or disallowed by the PAO for want of vouchers from the divisions, sanction for the job, revised estimates etc. Due to failure of the NH divisions to supply wanting documents, amounts due to the State from the GOI are pending for two decades.

The matter was brought to the notice of the Secretaries of Finance and Public Works Departments in April 2000 for urgent action in the matter and to enforce accountability of officials for the delay.

Government stated (September 2000) that effective action was being taken for the release of the amount withheld by the PAO and that strict instructions have been given to the officers to submit the claims in proper shape to the PAO.

REVENUE DEPARTMENT

3.22 Idle outlay on a project

Failure to take over the acquired land resulted in non-implementation of the project and blocking of Rs 1.50 crore.

Special Tahsildar, Land Acquisition (LAO), PWD, Thiruvananthapuram received Rs 1.50 crore between April 1996 and November 1996 from Public Works Department (PWD) for acquisition of 10.5910 hectares of land for construction of Saddle dam for the Vamanapuram Irrigation Project in Vithura village in Thiruvananthapuram district. LAO passed awards for Rs 1.37 crore (between March 1996 and November 1996) for acquiring the land.

Out of 10.5910 hectares of land acquired, LAO took over 5.3365 hectares of land and handed these over to PWD (1.3360 hectares in March 1996 and 4.0005 hectares in November 1996) after making payment of Rs 66.78 lakh to the land owners. The balance 5.2545 hectares of land could not be taken over by Revenue Authorities even after a lapse of more than three years as the land owners and other local villagers were not willing to hand over possession and physically obstructed the entry of Government staff on the acquired land.

As a result, Government could not take possession of nearly half of the acquired land. Out of Rs 1.50 crore deposited by the PWD with the LAO, Rs 83.30 lakh still remains blocked in Revenue Deposit (April 2000). No effective action has been taken by Government to settle the dispute with the local people and consequently the expenditure of Rs 0.67 crore on land acquisition remained unfruitful.

The matter was referred to Government in May 2000; reply has not been received (November 2000).

GENERAL

3.23 Failure of Senior Officials to enforce accountability and protect the interests of Government.

The Accountant General (Audit) (AG) arranges to conduct periodical inspection of the Government departments to test check the transactions and verify the maintenance of important accounting and other records, as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs). When important irregularities detected during inspection are not settled on the spot, these IRs are issued to the Heads of offices inspected, with a copy to the next higher authorities. The provisions of Kerala Financial Code and instructions* issued by Government provide for prompt response by the executive to the IRs issued by the AG to ensure rectificatory action in compliance of the prescribed rules and procedures and accountability for the deficiencies, lapses etc., noticed during his inspection. The Heads of offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report their compliance to the AG within four weeks of their receipt. Serious irregularities are also brought to the notice of the Heads of Departments by the Office of the AG. A half-yearly report of pending IRs is sent to the Secretary of the concerned department, to facilitate monitoring of the audit observations in the pending IRs.

A review of the Inspection Reports issued up to December 1999 pertaining to 3 Central Prisons, one Open Prison and 20 other offices of Jails (under Home Department) and 22 offices of Printing and Stationery (under Higher Education (H) department) disclosed that 513 paragraphs contained in 130 IRs remained unsettled as at the end of June 2000. The year wise position of the outstanding IRs and Paragraphs are given below:-

Jails Department.

Year	No. of IRs	No. of Paragraphs	Money value (Rs in lakh)
Up to 1995-96	16	40	146.05
1996-97	11	33	336.44
1997-98	8	40	284.04
1998-99	6	33	142.31
1999-2000	4	32	116.25
Total	**45**	**178**	**1025.09**

* 'Hand book of Instructions for the speedy settlement of audit objections/inspection reports, etc'. issued by Finance Department.

Printing & Stationery Department

Year	No. of IRs	No. of Paragraphs	Money value (Rs in lakh)
Up to 1995-96	48	170	214.68
1996-97	8	32	57.94
1997-98	9	30	50.95
1998-99	9	38	236.14
1999-2000	11	65	2886.18
Total	**85**	**335**	**3445.89**

The following irregularities commented upon in the IRs remained unsettled as at the end of June 2000.

Sl. No	Nature of Irregularity	Jails Department		Printing Department	
		No. of paras	Amount (Rs in lakh)	No. of Paras	Amount (Rs in lakh)
1.	Drawal of funds at the fag end of the year, retention of funds in TP/PD/ Bank accounts, diversion of funds, excess/un-authorised expenditure.	10	45.82	22	107.42
2.	Idle machinery, equipment and vehicles.	16	30.94	30	204.08
3.	Excess payment of personal claims and other establishment matters.	67	15.32	81	174.52
4.	DCB statement, pending recoveries, etc.	16	503.00	49	2183.52
5.	Misappropriation, loss, theft, short collection, delay in remittance etc.	16	87.58	16	8.12
6.	Advances pending final adjustment	7	119.93	21	687.20
7.	Others	46	222.50	116	81.03
	Total	**178**	**1025.09**	**335**	**3445.89**

A Review of the Inspection Reports which were pending for want of final replies, in respect of the two departments revealed that the Heads of offices whose records were inspected by AG and the Heads of Departments failed to discharge due responsibility, as they did not send replies to a large number of IRs/paragraphs, indicating their failure to initiate action in regard to the defects, omissions, and irregularities pointed out in the IRs. The Secretaries to Government in the concerned Departments, who were informed of the position through half yearly reports, also failed to ensure that the concerned officers of the Department took prompt action for speedy settlement of the objections. The above also indicated inaction against the defaulting officers and thereby facilitating the continuation of serious financial irregularities and loss to Government.

It is recommended that Government should accord due priority to this matter and ensure that procedure exists for (a) action against officials who fail to send replies to the IRs within the prescribed time schedule (b) action to recover losses/outstanding advances/over payments in a time bound manner, and (c) revamping the system for proper response to the audit observations in the Departments.

3.24 Misappropriation, losses, etc

As reported to Audit, 153 cases of misappropriation, losses etc involving Government money (Rs 174.13 lakh) which took place till the end of March 2000 were pending finalisation at the end of June 2000. This included 8 cases where monetary value of loss/misappropriation had not been assessed. Department wise details of cases are given in Appendix XXXIV. Year wise details of the outstanding cases are given below:

Year	Number of cases	Amount (Rupees in lakh)
1994-95 and prior years	104	109.95
1995-96	6	2.36
1996-97	7	8.83
1997-98	13	43.51
1998-99	20	9.22
1999-2000	3	0.26
Total	**153**	**174.13**

A broad analysis of the reasons for pendency is furnished below:

Sl No	Particulars	Number of cases	Amount (Rs in lakh)
1	Awaiting departmental and criminal investigation	62	46.20
2	Departmental action started but not completed	67	104.68
3	Awaiting orders for recovery/write off	11	7.72
4	Pending in courts of law	13	15.53
	Total	**153**	**174.13**

3.25 Writes off and waivers

According to information received by Audit, sanctions for writes off of Rs 11.71 lakh in 60 cases and waivers amounting to Rs 0.94 lakh in 6 cases were issued by various authorities during 1999-2000. Department wise details are given in Appendix XXXV. Information for 1999-2000 sought in April 2000 had not been received (November 2000) from 23 departments of Government and 18 Heads of Department.

3.26 Follow up action on Audit Reports

Government had 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 of Public Undertakings (COPU)# as well as to the Accountant General within the prescribed time limit.

The position of pendency as of October 2000 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 1988-89, 1990-91 and 1992-93 to 1998-99 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 for which ATNs were due from Government.
1986-87 (No.3)	52	51	1
1987-88 (No.6 of 1989)	29	28	1
1988-89 (No.4)	57	55	2
1990-91 (No.3)	38	37	1
1992-93 (No.3)	53	48	5
1993-94 (No.2)	73	61	12
1994-95 (No.3)	65	60	5
1995-96 (No.3)	62	43	19
1996-97 (No.3)	47	25	22
1997-98 (No.3)	57	22	35
1998-99 (No.3)	57	8	49
Total	**590**	**438**	**152**

The department wise details of the ATNs pending are furnished in Appendix XXXVI.

Paragraphs relating to KWA and Kerala Khadi and Village Industries Board are examined by COPU

CHAPTER IV

WORKS EXPENDITURE

SECTION A – REVIEW

FISHERIES AND PORTS DEPARTMENT

4.1 FISHERY HARBOUR PROJECTS

Highlights

Fishery Harbour Projects (FHPs) are intended to help the fishermen obtain increased fish catch by providing safe landing facilities and consequent increase in the number of fishing days. Out of eight projects taken up for execution between August 1981 and March 1995 by the Harbour Engineering Department, five projects were completed as of March 2000 after a delay of 3 to 5 years and the remaining three projects were delayed by 2 to 6 years with the cost overrun of Rs 17.74 crore (March 2000). Total expenditure on the projects was Rs 100.05 crore against the sanctioned estimate of Rs 74.33 crore. Delay in completion of the projects had also resulted in non-collection of revenue. Though five projects have been completed, the fish catches in the State were declining.

- **Five projects were completed with time overrun of 39 to 56 months and cost overrun of 11 to 49 *per cent*. Two projects slated for completion in November 1994/October 1996 remained incomplete (November 2000) though expenditure had already exceeded their estimates by 64 and 72 *per cent* as of March 2000. Main work on construction of breakwater for the Kayamkulam project had not been started even by November 2000 though stipulated period of completion was August 1998.**

[Paragraph 4.1.3]

- **The anticipated returns from the projects were over-pitched and the actual returns from completed projects were far less than projected. As information on the fish landings was not collected, the impact of the completed projects could not be ascertained.**

[Paragraph 4.1.5]

- **Projects were undertaken without considering their financial viability. Non-viable projects were shown as viable by over projection of fish catch and Central assistance obtained for those.**

[Paragraph 4.1.6]

- **There was no system for collection of data about fish landing in the project sites. Consequently, the benefit cost analysis of the projects could not be done.**

[Paragraph 4.1.7]

- **Delay in completion and commissioning of the five fishery harbours had resulted in loss of revenue to the tune of Rs 11.58 crore towards user charges for the periods of delay.**

[Paragraph 4.1.8]

- **Failure to discontinue departmental collection of landing and wharfage charges through daily wagers at Neendakara led to leakage of revenue. Loss of revenue up to November 1999 amounted to Rs 2.85 crore.**

[Paragraph 4.1.9]

- **Project fund of Rs 22.63 lakh received from Government of India was diverted for construction of office building for the Chief Engineer and the Superintending Engineer.**

[Paragraph 4.1.10]

- **Extra expenditure due to delay in arranging extension of the seaward breakwater at Thangassery FHP amounted to Rs 5.66 crore.**

[Paragraph 4.1.11]

- **Premature dredging even before construction of the breakwaters for Kayamkulam project resulted in infructuous expenditure of Rs 25.06 lakh.**

[Paragraph 4.1.12]

4.1.1 Introduction

FHPs are Centrally sponsored schemes taken up for facilitating increased fish catch by providing safe landing facilities and thus increasing the number of fishing days. The main components of such a project are construction of rubble mound breakwater for providing safe landing facilities and berthing places for both mechanised and traditional crafts throughout the year, wharf, auction hall, etc. The execution of civil engineering works including investigation, planning, design and preparation of project reports of the projects and their maintenance are done by the Harbour Engineering Department (HED). Fifty *per cent* of the project cost is met by Government of India (GOI) by way of grant.

HED works under a Chief Engineer (CE) with headquarters at Thiruvananthapuram who is assisted by three* Superintending Engineers (SE). Secretary, Fisheries and Ports Department is in overall charge of the Department. There are seven project divisions at Vizhinjam, Thangassery, Neendakara, Kayamkulam, Munambam, Kozhikode and Kannur.

4.1.2 Audit coverage

A review on the functioning of the FHPs was conducted by Audit during December 1999 to March 2000 with reference to records in Fisheries and Ports Department in the Government, Chief Engineer's Office, three Circle and seven Division Offices. The results of the review are brought out in the succeeding paragraphs.

4.1.3 Financial outlay and time overrun

The estimated cost of the FHPs, Central assistance received, expenditure incurred till the end of March 2000 and time overrun were as follows:

Sl. No.	Name of FHP	Estimated cost	Sanctioned estimate	Central assistance	Total expenditure as of March 2000	Date of commencement	Due date of completion	Date of completion	Delay in months
		Rs in crore							
1.	Neendakara	6.22 (O)	6.22	3.11	7.72	August 1981	August 1983	March 1988	56
2.	Munambam	18.95 (R)	11.67	6.84	17.13	June 1992	June 1994	March 1998	46
3.	Puthiyappa	9.63 (O)	9.63	4.81	10.71	January 1990	September 1992	February 1996	42
4.	Chombal	9.75 (R)	5.56	3.70	8.31	March 1995	March 1996	May 1999	39
5.	Mopla Bay	8.16 (O)	8.16	4.08	9.42	October 1993	April 1995	May 1999	50
6.	Vizhinjam	15.84 (R)	7.04	6.90	12.10	June 1994	October 1996	Not completed	48
7.	Thangassery	47.42 (R)	19.80	9.87	32.48	November 1991	November 1994	Not completed	72
8.	Kayamkulam	17.70 (R)	6.25	2.00	2.18	Work not arranged	August 1998	-	24
	Total	**133.67**	**74.33**	**41.31**	**100.05**				

(O – *Original*, R – *Revised*)

The completed five projects exceeded the sanctioned estimates by 11 to 49 *per cent* and were delayed by 39 to 56 months for completion. In Munambam and Chombal projects, GOI was yet to approve the revised estimate. In the remaining 3 incomplete projects, though expenditure in respect of Vizhinjam and Thangassery exceeded the sanctioned estimates by 72 and 64 *per cent* respectively, no revised estimates had been prepared as of January 2000. Government did not fix any revised date of completion of these projects as of October 2000. As such, Rs 46.76 crore invested in these incomplete projects are so far unfruitful even though cost of 2 projects has exceeded the estimate by 66 *per cent.*

* Kollam, Kozhikode and Thiruvananthapuram

Works on FHP, Kayamkulam approved in August 1994 has not been arranged for the last 6 years

Of the 3 incomplete projects, construction of one project (Kayamkulam) has not been arranged for the last six years though approval of GOI was received in August 1994 and Central assistance of Rs 2 crore received in December 1996. GOI stipulated that the work was to be completed by August 1998 but the main work, *viz,* construction of breakwaters was put to tender only in March 1998. However, High Court of Kerala awarded stay (as of October 2000) in response to a petition filed by a bidder. Even though main work did not start, Rs 2.18 crore was spent on ancillary works like dredging, construction of reclamation bunds, installation of weigh bridge, etc and salary of staff. In the absence of breakwaters, expenditure on dredging (Rs 25.06 lakh) would be infructuous as discussed in paragraph 4.1.12.

4.1.4 Non-closure of accounts of completed projects

The accounts of the five completed projects have not been closed as of March 2000 though the projects were completed between March 1988 and May 1999. Expenditure on establishment and maintenance of the projects continues to be included under the plan outlay.

4.1. 5 Physical target and achievement

The target and achievement of fish catch in respect of the FHPs were as follows:

Sl. No.	Name of FHP	Estimated fish catch in the project report (Year in bracket)	Targeted addition after completion	Total	Actual catch according to CMFRI* during 1999
		in tonnes			
1.	Neendakara	76702 (1977-78)	10005	86707	93657
2.	Munambam	25000 (1988)	6801	31801	16764
3.	Puthiyappa	44440 (1979-80)	16547	60987	NA
4.	Chombal	4329 (1987)	12880	17209	NA
5.	Mopla Bay	NA	7087	7087	NA
6.	Vizhinjam	24000 (1985)	47000	71000	14456
7.	Thangassery	8573 (1982)	28103	36676	NA
8.	Kayamkulam	28995 (1993)	7265	36260	NA
	Total	**212039**	**135688**	**347727**	

NA - *Not Available*

Actual fish catches were less than the estimated catches

The actual fish catches in respect of the Munambam project and partially completed FHP at Vizhinjam were less than even the estimated catch at the time of preparation of the project reports. Evidently, benefits from these projects were over projected. Department has not compiled the information regarding the fish catches in other completed projects. Thus, they were not aware of the impact of the project on fish catch. The CE had also not issued any direction to the Executive Engineers (EEs) to collect the details of fish catches in respect of completed FHPs. The total fish catches in the State was also decreasing from 6.63 lakh tonnes in 1990 to 5.81 lakh tonnes in 1999. Department was not aware of the reasons of low fish catch.

* Central Marine Fisheries Research Institute, Kochi

4.1.6 Non-viable fishery harbour projects

Unviable projects were shown as viable by adopting inflated data on fish catching

Government accorded sanction for construction of FH on the basis of feasibility study conducted by CE. Viability of the project was dependent on additional fish catches for 15 years on completion of the harbour. It was noticed in audit that project reports were not realistic due to adoption of inflated data on fish catches, fishing days and number of fishing vessels. Taking up of unviable projects resulted in drain of public exchequer as the projected benefits did not actually accrue to the fishermen. Some instances are given below:

(i) Five FHs were completed and were in operation from various dates from March 1988 onwards with the stated objective of increasing the fish landing. However, according to CMFRI the total fish catches in the State was steadily decreasing from 1990 onwards. Project-wise analysis of fish catches revealed that in Munambam and Neendakara FHPs, against the projected fish catch of 0.32 lakh tonne and 0.87 lakh tonne, the actual fish catches during 1999 were 0.17 lakh tonne (53 *per cent*) and 0.94 lakh tonne (108 *per cent*) respectively. Details in respect of fish catches from the other 3 completed projects were not available with CMFRI.

(ii) In Vizhinjam FH, construction of breakwater was completed and safe landing facility was available from 1982 onwards. As per the project report prepared in 1985 for infrastructure development of Vizhinjam FH, existing annual fish production was 24000 tonnes and on completion of the project there was to be an increase in fish landing by 47000 tonnes. However, according to CMFRI the annual fish landing in Vizhinjam ranged only between 6216 tonnes (9 *per cent* of the projection) and 15547 tonnes (22 *per cent* of the projection) during 1991 to 1999. Evidently, the project report was based on inflated projected return.

(iii) The project report for Kayamkulam mentioned that on its completion the congestion at Neendakara, where 3000 boats were landing daily in peak season (August-September) against its maximum berthing capacity of 2000 crafts, could be reduced. However, as of May 1998 daily landing of boats during peak season was only 2000 (source: Assistant Executive Engineer (AEE), Neendakara Sub Division) and the number of crafts available at Neendakara during September 1998 was about 1600*. Thus, projected figures of output and services in the project reports were highly inflated which facilitated getting the projects sanctioned by GOI.

(iv) The project report for Thangassery envisaged construction of two breakwaters for a total length of nearly 3 km. GOI observed in January 1987 that as the fishing crafts operating in the area were traditional beach landing crafts such as canoes and catamarans, the investment on the construction of two breakwaters with a total length of nearly 3 km to provide a basin of 1800 metres x 600 metres for motorised vessels was not at all justified. Consequently, GOI disagreed with the viability of investment of Rs 9 crore in the FH. The revised estimate of the State Government increased the projected

* Source: CMFRI

estimated fish landings by the motorised traditional crafts at Thangassery to be 15.74 tonnes per annum against 6 tonnes indicated earlier. Scrutiny of records in HED/Directorate of Fisheries revealed that the revised estimate of fish landings was without any basis and the Department could not state as to how they arrived at the revised enhanced projection at 15.74 tonnes per annum. The minutes of the Departmental Sanctioning Committee of Ministry of Agriculture, Department of Agriculture and Cooperation revealed that the revised projection was purportedly based on the data published by CMFRI. On enquiry, CMFRI, however, informed that the computation of catch rate and addition thereof was not known to them and they could not comment on the basis on which the State Government had made the projection.

Based on the revised figure, the project was judged as economically viable and was approved by GOI in October 1988 for an estimated cost of Rs 14.11 crore to be completed by October 1993. However, 12 years after this revision, the project was still incomplete and Rs 32.48 crore was spent as of March 2000. The project cost was subsequently revised in 1998 to Rs 47.42 crore due to successive revision of Schedule of Rates (SoR) and addition of Part II costing Rs 5.69 crore. The cost of a single project alone constituted about 35 *per cent* of the total estimated cost of all the 8 fishing harbours put together. Despite a total expenditure of Rs 32.48 crore incurred as of March 2000 the harbour was receiving country boats as before and the harbour was not fully operationalised as breakwaters, auction hall and administrative block were not completed even as of October 2000.

4.1.7 Lack of monitoring and co-ordination by Government

The project reports of Neendakara and Vizhinjam projects envisaged setting up of an FTO* under the Directorate of Fisheries headed by a Joint Director of Fisheries. FTO was to ensure availability of essential shore facilities and services to fishermen and processors in the port, to monitor the operation of auction hall and to maintain accurate statistical records of fish catches. Even though Neendakara project was completed in 1988, FTO had not been constituted (November 2000) and management of the harbour was still vested with HED. Project reports of other FHPs were silent on the constitution of FTOs. In the absence of FTOs Government failed to collect statistical information regarding fish catches in any of the completed projects. There was no co-ordination between HED and Directorate of Fisheries and no data on actual fish landings in the FHPs were available. Consequently, the extent of additional fish catches landed in the projects could not be known. Therefore, no evaluation of the benefit-cost ratio projected while taking up the projects could be carried out and the impact of FHPs on the fishery sector of the State could not be assessed by Audit. Further, in view of the declining trend of total fish catches in the State from 6.63 lakh tonnes in 1990 to 5.81 lakh tonnes in 1999 and also the persisting cost overrun due to time overrun in all the sanctioned projects, there was little justification for sanctioning new FHPs by Government.

* Fisheries Terminal Organisation

4.1.8 Unjustified projection of user charges in the project reports

Rs 11.58 crore was lost on account of user charges due to delay in completing the projects

Delay in completion of FHPs resulted in loss of revenue amounting to Rs 11.58 crore on account of non-collection of user charges by way of wharfage, landing and gate fee collection either through auction or departmentally in respect of 5 FHs during 1993-99. The details are given below:

Name of FHP	Due date for completion	Date of completion	Date from which user charges actually collected	Loss in revenue due to delayed completion/non completion as of December 1999 (Rupees in lakh)
1. Thangassery	November 1994	-	-	601.47
2. Vizhinjam	October 1996	-	-	356.57
3. Puthiyappa	September 1992	February 1996	September 1995	57.18
4. Chombal	March 1996	May 1999	October 1998	26.72
5. Munambam	June 1994	March 1998	November 1999	115.63
			Total	**1157.57**

Against the projected collection of user charges of Rs 2.61 crore, only Rs 76.93 lakh was collected

EEs in charge of the divisions attributed the delays to (i) shifting the position of breakwaters, (ii) arrangement of additional works, (iii) obstructions by local people, (iv) stoppage of work by the contractors, etc. Out of the above 5 fishing harbours, collection of user charges started in respect of 3 harbours only. Against the projected collection of Rs 2.61 crore from the date of commencement of collection till the end of December 1999, only Rs 76.93 lakh (29 *per cent*) had been collected through auction of right to collect user charges as indicated below:

Name of FHP	Date of commencement of collection charges	User charges		
		Actual collection till December 1999	Projected collection as per Project Report	Shortfall in collection (percentage)
		(Rs in lakh)		
Puthiyappa	September 1995	61.74	193.32	131.58 (68)
Chombal	October 1998	11.69	61.77	50.08 (81)
Munambam	November 1999	3.50	5.87	2.37 (40)
Total		**76.93**	**260.96**	**184.03 (71)**

Projections made in the project report were highly inflated

Thus, the projections of collection of revenue were highly inflated. It was also noticed in audit that the delay in completing the projects was due to delay in arranging the infrastructure works. In Vizhinjam FHP, though the construction of breakwater was completed in 1982, the project report for development of infrastructure was approved by GOI in 1987 and technical sanction was issued by CE in 1992 only. The work was arranged only in June 1994 because of delay of five years in issuing technical sanction by the CE. Due to non-completion of the project, collection of user charges has not been commenced. Delay in issuing technical sanction has resulted in revision of estimate from Rs 7.04 crore to Rs 11 crore. As the revised cost of Rs 11 crore was based on 1986 SoR, the project cost is likely to go up further due to subsequent revision of estimate.

Though Munambam harbour had become operational from January 1999, the contract for collection of user charges was awarded only from 15 November 1999. Loss of revenue due to delay in awarding the contract, at the rate estimated by the Department, during the period January to November 1999 would work out to Rs 44.63 lakh. This could have been avoided if collection of user charges was arranged by the department during the period.

4.1.9 Loss of revenue due to short-collection of landing and wharfage charges

Short collection of user charges amounted to Rs 2.85 crore during the period 1994-95 to 1999-2000

Neendakara FHP was commissioned in March 1988 and user charges were being collected departmentally. In July 1996, CE recommended to Government that the right to collect user charges be awarded through tender. Government accepted the proposal and issued (January 1997) orders accordingly. However, at the instance of the then Labour Minister and the daily wage labourers of Neendakara FH who represented that the daily wage labourers would lose their employment once the revised procedure was brought into effect, Government kept the order in abeyance in March 1997. CE reported in October 1998 to Government that the services of daily wage labourers could be utilised for other works, but Government did not revoke its stay order and the collection of user charges was continuing through daily wage labourers (January 2000). AEE, Sub Division No.III, Neendakara attributed (May 1998) the low departmental collection to (i) unhealthy collusion of the daily wage labourers with local people, boat crews and fish traders and (ii) misappropriation of the amount collected. Scrutiny of the records in the Division revealed that the short collection of user charges by way of landing and wharfage charges during the period 1994-95 to 1999-2000 (up to November 1999) worked out to Rs 2.85 crore as discussed below:

(a) Landing charges

During peak season (August/September) more than 2000 boats and around 150 *valloms* (country boats) were landing at the harbour everyday as per information furnished by AEE whereas according to CE the estimated number of boats landing during peak season was 3000. Adopting the lower projections (2000/150) the total number of boats and *valloms* in a month worked out to 60000 and 4500 respectively. However, as per the monthly statements of user charge collection, the total number of mechanised boats and *valloms* that landed at the harbour during the peak month (August) from 1994 to 1999 ranged between 5919 and 1234 and between 434 and 58 respectively. Thus, user charges were not collected from more than 90 *per cent* of vessels. Assuming the same percentages of short collection for other months of respective years, the total amount of short collection of landing charges from April 1994 to November 1999 would work out to Rs 2.04 crore as per details in the table below:

Year	Recorded Landing of vessels (Number)	Revenue collected (Rupees in lakh)	Assessed landing of vessels (Number)	Revenue which should have been collected	Loss of revenue
				(Rupees in lakh)	
1994-95	33909	3.20	345516	32.50	29.30
1995-96	24836	2.61	310286	32.20	29.59
1996-97	17209	1.76	419107	43.94	42.18
1997-98	11363	1.13	320636	32.87	31.74
1998-99	7854	0.82	335449	35.76	34.94
1999-2000*	5041	0.70	274869	36.55	35.85
Total		**10.22**		**213.82**	**203.60**

* *(up to November 1999)*

(b) Wharfage charges

Scrutiny of the monthly statements of user charges collection revealed that only 57 *per cent* of vehicles which took gate passes and entered the project area in Neendakara project paid wharfage charges during 1994-95 to 1998-99. As vehicles would enter the project area only for obtaining fish load, the low collection of wharfage charges indicated that a large number of vehicles evaded payment of wharfage charges. Audit scrutiny revealed short collection of wharfage charges to the tune of Rs 81.67 lakh during the period 1994-95 to 1999-2000 (up to November 1999).

The EE who was responsible for collection of user charges attributed short collection to insufficiency of departmental staff. There was no record to show that CE/ Government had conducted a review on this aspect.

4.1.10 Diversion of project fund

Rs 45.25 lakh allotted for project office was spent for construction of offices of CE and SE

The project report of Vizhinjam FH approved by GOI in February 1987 contained a provision for the construction of a single storeyed administrative office in the project area as ancillary facility to the harbour at an estimated cost of Rs 29 lakh. The Department, however, constructed a multi storeyed building at Kamaleswaram, 12 km away from the project area at a cost of Rs 45.25 lakh (Central share: Rs 22.63 lakh) misutilising project funds for accommodating the offices of CE and SE.

4.1.11 Extra expenditure due to delay in arranging work

Rs 79 lakh spent for preventing coastal erosion as a result of premature construction of leeward breakwater

The Project Report (1985) of Thangassery FH envisaged part I – Construction of seaward (1685 metres) and leeward (550 metres) breakwaters as also development of infrastructure facilities with Central assistance at an estimated cost of Rs 9 crore, and Part II–Extension of seaward breakwater by 730 metres (cost: Rs 10.10 crore) with State funds to prevent coastal erosion which would occur consequent on construction of Part I. However, State Government sought approval (April 1986) of GOI for executing both the parts as a Centrally Sponsored Scheme at a total cost of Rs 19.10 crore. GOI, however, approved only the Part I of the project in October 1988 at an estimated cost of Rs 14.11 crore. The work was arranged in September 1991 at a contract amount of Rs 11.53 crore and was completed in November 1997. Meanwhile, the State Government forwarded (December 1992) another project report to GOI for the extension of seaward breakwater by 415 metres against 730 metres included in Part II earlier with the intention of increasing the beach length from 1400 metres to 1800 metres. The project was approved by GOI at an estimated cost of Rs 5.69 crore and the work arranged in March 1998, at a contract amount of Rs 12.23 crore was in progress (October 2000).

Thus, though work on Part II was anticipated as early as in 1985 and could have been arranged in September 1991 itself at Rs 7.36 crore, State Government did not take it up and hence the cost escalated to Rs 12.23 crore at the sanction stage. Moreover, an amount of Rs 79 lakh spent by the State Government to protect eroded coastline of 650 metres during the period September 1994 to September 1996 could also have been avoided. Thus, the delay in arranging the extension work had resulted in estimated extra expenditure of Rs 5.66 crore.

4.1.12 Infructuous expenditure on dredging

Premature dredging resulted in infructuous expenditure of Rs 25.06 lakh

As already stated in paragraph 4.1.3 construction of breakwaters at Kayamkulam was not arranged even as of October 2000. Meanwhile, from July 1998 to December 1999 a total quantity of 49,000 cubic metres of sand was dredged from basin channel as per the agreement executed by SE, at a cost of Rs 31 lakh of which Rs 25.06 lakh was paid till January 2000. The basin channel was required for use only after completion of the breakwaters for which a minimum period of 4 years was required. As there was flow of water through the basin channel, the dredged channel was likely to be filled with sand during the construction period of breakwater and fresh dredging would be required to make the channel operative. Due to premature dredging, Rs 25.06 lakh spent on it became infructuous.

4.1.13 Payment of inadmissible tender excess to a contractor

Executive Engineer allowed tender excess at higher rate resulting in over payment of Rs 27.68 lakh

Mention was made under paragraph 4.1 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1998, No. 3 (Civil) regarding the extra expenditure of Rs 2 crore due to sanctioning inadmissible higher rate of tender excess for the entire work on 'Construction of breakwater at Thangassery' by Government in December 1995. Government had specifically ordered then to restrict the payment of higher rate for the balance work done after the original due date of completion *i.e.*, 7 November 1994. But while making final payment in March 1998, EE, Harbour Engineering Division, Thangassery in defiance of the Government order, allowed tender excess at higher rate of 75 *per cent* instead of the admissible rate of 21 *per cent* on a sum of Rs 51.27 lakh being the cost of 61843 tonnes of granite stones supplied by the contractor before 7 November 1994. This resulted in an excess payment of Rs 27.68 lakh to the contractor. As of May 2000, the overpayment has not been recovered from the contractor and no action had been taken against the Executive Engineer.

The above points were referred to Government in June 2000; reply has not been received (November 2000).

SECTION B - PARAGRAPHS

IRRIGATION DEPARTMENT

4.2 Inadmissible payment of arrears of salary

Arrear pay and allowances of Rs 1.36 crore were paid to 128 erstwhile CLR workers in excess for periods prior to the effective date.

Government issued orders in January 1990 appointing the CLR[#] workers of Irrigation Department directly to the regular service. In March 1999, the benefit of time bound grade promotions reckoning their length of service as CLR workers prior to absorption, was extended to such regularised employees. Government, however, clarified in February 2000 that the monetary benefits of time bound grade promotions would be available only with effect from 18 March 1999.

Audit scrutiny revealed that arrear pay and allowances of 128 regularised employees belonging to two[*] Sub Divisions under Minor Irrigation Division, Ernakulam were drawn even for the period prior to 18 March 1999. Out of Rs 1.41 crore (including Rs 17.46 lakh credited to respective GPF[Δ] accounts) disbursed (May and June 1999) as arrears to these 128 employees, Rs 1.36 crore (including Rs 17.45 lakh credited to GPF accounts) pertained to the period prior to 18 March 1999. As payment of arrears for period prior to 18 March 1999 was not sanctioned by Government, payment of arrears of Rs 1.36 crore was irregular and recoverable.

Government stated (November 2000) that action was being taken to recover the excess amount paid to the employees and that disciplinary action against the officers who made the excess payment was also being considered.

4.3 Tardy implementation of a lift irrigation scheme

Failure to synchronize execution of various components of the scheme led to idle investment of Rs 75.42 lakh for four years.

In May 1993, Government sanctioned the 'Kondozhinjal – Malachal – Kottamuri Lift Irrigation Scheme' in Thrissur District for Rs 49 lakh. Superintending Engineer (SE), Minor Irrigation Circle, Ernakulam awarded in June 1995 the execution of only one component of the work, *viz*, supply and laying of pipes (including construction of cistern) for Rs 48.61 lakh and the

[#] Casual Labour Roll
[*] Minor Irrigation Sub Division, Aluva and Minor Irrigation Electrical Sub Division, Aluva
[Δ] General Provident Fund

contractor completed this portion, except construction of the cistern and laying of the pumping mains, at Rs 75.42 lakh. Failure to arrange execution of all the components of the scheme simultaneously or in a predetermined time schedule resulted in non-completion of the scheme as of October 2000 and rendered the expenditure unproductive for the last four years.

Scrutiny revealed the following points:

i) Two years after sanction of the work by Government, SE took up works which mainly involved supply of pipes (costing Rs 70.35 lakh out of an expenditure of Rs 75.42 lakh) and even this portion of the work was not completed properly. SE made no attempt to either complete the works in time or co-ordinate works on various components of the scheme like construction of pump house and supply and erection of pump set and motor.

ii) Contrary to agreement conditions, SE made full payment for supply of pipes (cost: Rs 70.35 lakh) unauthorisedly in October 1996 without conducting the normal pressure test. Further, he issued completion certificate in June 1997 even though the Bureau of Indian Standards confirmed in January 1997 that pipes supplied were of inferior quality and did not conform to specifications. As of October 2000, no action was taken against the contractor.

Thus, SE's action in completing the distribution system without taking up other essential items of work like pump house, pumping systems, etc., and delay in completion of the distribution system and cistern work resulted in uncertainty in completion of work and unproductive expenditure of Rs 75.42 lakh which call for investigation.

The matter was referred to Government in May 2000; reply has not been received (November 2000).

4.4 Avoidable expenditure due to changes in design

Design for the foundation and structure of a regulator-cum-bridge was changed during execution of the work, resulting in avoidable expenditure of Rs 39.29 lakh.

Based on an estimate prepared by the Executive Engineer (EE), Irrigation Division, Ernakulam and sanctioned (January 1993) by the Chief Engineer (CE), the Superintending Engineer (SE), Irrigation Central Circle, Thrissur awarded (April 1994) the work 'Construction of a regulator-cum-bridge (RCB) at Kanakkankadavu' in Ernakulam District, to a contractor for Rs 6.95 crore to be completed by May 1996. The work was completed in March 1999 at a cost of Rs 7.90 crore.

Audit scrutiny disclosed the following major changes in design and specifications of the work at the post-contract stage due to presence of rock in an elevated position and difficulty in driving piles:

Original item of work in the estimate	Description of changes made	Grounds for effecting the changes	Adverse financial implication
Pile foundation up to top level of pile caps on the upstream and down stream sides of lock wall, right abutment and pier P1.	Open foundation at the downstream side of lock wall, right abutment and pier P1	Piles could not be driven due to presence of rock at shorter depth than estimated	Infructuous expenditure of Rs 19.55 lakh as piles for a length of 691.75 metres remained unutilised (March 1999).
Random rubble masonry for the superstructure of the lockwall of 62 metres length, 5.50 metres width and 8 metres height	Cement concrete 1:3:6	Dearth of skilled labourers, poor workmanship and slower manual work compared to cement concrete	Extra expenditure of Rs 19.74 lakh

As a result of the change in the foundation design, quantities in respect of several items changed and 26 extra items were included in substitution of original items. This resulted in increase in cost by Rs 95 lakh. Drastic changes in design and specifications due to difficulty in execution of work after award of the contract indicated poor design and failure of CE to detect the defective estimate and design. Though superstructure was changed to cement concrete for expeditious completion of the work, it in fact delayed the completion of work by nearly 3 years (March 1999 against the stipulated date of May 1996).

Though there was no recorded reasons for delay in execution, extension of time was given in a routine manner.

Government stated (January 2000) that execution of masonry work was time consuming and required skilled labourers whereas cement concreting could be done in less time with higher out-turn and that it was difficult to control and ensure the quality of masonry works especially when the lock wall structure would be below the water level.

Reply is not tenable as the problems of dearth of skilled labourers, poor workmanship, quality control, etc., in the case of masonry works and inherent advantages due to application of machinery for concreting works were foreseeable while preparing the design and estimate for the lock wall. In fact, the design was changed due to inadequate soil investigation and defective estimates by the EE and failure of CE to detect these defects while approving the design.

PUBLIC WORKS AND TRANSPORT DEPARTMENT

4.5 Four-laning of Aluva to Vytilla and Aroor to Cherthala Sections of NH 47

Major deviations from conditions of contract and failure to regulate payment on the basis of specifications led to unintended monetary benefit of Rs 2.64 crore to the firm; of which Rs 30.71 lakh only has been recovered (August 2000).

In February 1994, Ministry of Surface Transport (MOST) sanctioned implementation of the Project, *viz.*, Four - laning and strengthening of National Highway 47 portions from Aluva to Vytilla and Aroor to Cherthala and strengthening of Vytilla-Aroor section at an estimated cost of Rs 93.97 crore. The project implemented with assistance from Asian Development Bank (ADB) comprised two contract packages* N2 and N3 arranged for execution simultaneously. Project Director (Superintending Engineer), National Highways (ADB) Circle, Edappally arranged the works in March 1994 through a New Delhi firm for an agreed contract amount of Rs 78.01 crore. The work originally stipulated to be completed by September 1997, was completed in March 1999. The payment made to the firm up to September 2000 was Rs 104 crore.

Audit scrutiny revealed instances of incorrect computation of cost escalation claims, adoption of contractor's own rate contrary to contract conditions and irregular payment for substituted items at the original rate. The total extra expenditure thus involved amounted to Rs 2.64 crore. The details are given in the table below:

Sl. No.	Particulars of item	Gist of deviations/variations noticed	Excess/extra expenditure (Rs in lakh)	Remarks
1.	Price escalation in respect of labour and materials	Cost escalation for local labour, general and PoL^Δ was allowed wrongly (August-September 1998) based on cent *per cent* value of work done instead of limiting it to 94.73 *per cent* (for N2 package) and 95 *per cent* (for N3 package) as provided for in the prescribed price adjustment formulae.	62.19	Excess payment of Rs 30.71 lakh relating to N2 package was recovered in February 1999 on the basis of audit observation.
2.	Escalation in cost of local labour	Contrary to agreement provisions, cost indices (base as well as current) for Aluva were adopted in the price adjustment formulae instead of the all India based indices as mentioned in the agreement.	103.37	Excess payment under N2 package was Rs 48.90 lakh (January 1999) and under N3 package Rs 54.47 lakh (June 1998).

* Package N2 – Four-laning and strengthening of Aluva-Vytilla section of NH 47 (16.226 km)
Package N3 – Strengthening of Vytilla-Aroor section (10.164 km) and four-laning and strengthening of Aroor-Cherthala section of NH 47 (20.226 km)

Δ Petroleum, Oil and Lubricants

Sl. No.	Particulars of item	Gist of deviations/variations noticed	Excess/extra expenditure (Rs in lakh)	Remarks
3.	Earth filling for median	Median filling was done with soil instead of granular materials. Though CE[#] approved (December 1996) the rate of Rs 182.14 per cubic metre for the substituted item, payment was made at Rs 286.90 per cubic metre as demanded by the contractor. As per the contract, rates for the varied items rates fixed by the Engineer would prevail in case of any dispute.	13.85	–
4.	Upward revision of basic price of cement	As against the basic price of Rs 1900 per tonne for cement projected in the agreement schedule, enhanced rate of Rs 2340 per tonne was allowed accepting the contractor's plea in September 1995 that the basic price indicated in the tender was erroneous.	17.09	For purchase of 15023 tonnes of cement as of February 1999 at the enhanced rate.
5.	Removal of slush during pile driving in N2 package	Though the agreed rate included charges for clearance of slurry thrown up during piling operations, contractor's demand (July 1995) for extra payment on the ground that agreed rate for the item did not include charges for removal of slush obtained from piling operations was accepted in June 1997.	17.98	On a quantity of 10497.33 cubic metres till August 1999.
6.	Formation of granular sub base (GSB) in N2 package	Specification for construction of GSB with gravel and aggregate in the ratio of 50:50 was changed by CE in October 1997 to two separate gradings with departmental cut earth, borrow materials and aggregate in the ratios of 50:20:30 and 35:35:30 respectively. However, payments were made at the agreed rate of Rs 478.92 per cubic metre for the original specification instead of regulating it as per the approved unit rates of Rs 316.80 and Rs 354.85 respectively.	49.16	Payment made in August 1998 for 58311 cubic metres of GSB.
		Total	**263.64**	

The incorrect computation of price escalation payable (*vide* sl.no.1)and non-regulation of the payments for various items with reference to approved rates (*vide* sl.no.6) indicated failure of departmental officers in exercise of due caution in working out rates and thus safeguard the financial interests of Government. Further, the conditions of contract especially in regard to rates, specifications of items, etc., were not properly enforced by department or the Government and the contractor's claims for revision of rates were conceded without any demur. Possibility of serious irregularity and malpractice in this regard cannot be ruled out.

Government stated (September 2000) that overpayments of Rs 31.48 lakh in respect of N3 package (sl.no.1) and Rs 49.16 lakh (sl.no.6) would be recovered from the final payment to the contractor.

[#] Chief Engineer, National Highways

Government stated further that adoption of Aluva based indices (sl. no.2) was justified as the construction site was near to Aluva. As the agreement specifically laid down that cost escalation was to be computed with reference to base cost index and current cost index on an All India basis, there was no scope of price adjustments based on indices for Aluva.

As for the cost escalation in the basic price of cement to Rs 2340 per tonne (sl.no.4), Government admitted that the enhancement in price was allowed on the basis of contractor's claim that the price of cement prevailing at Kochi was Rs 2340 per tonne at the time of tender. This was unjustified as the tender documents were to be prepared by the department carefully incorporating all the relevant factors and the contractors were to examine them in detail before quoting their rates.

Regarding sl.no.5, Government added that the extra payment for removal of over-flowing slurry was necessary to ensure smooth and uninterrupted traffic in the service road near the pile driving area and to protect nearby houses and that there was no Government land for dumping the mud. This was not tenable as the agreed rate included the charges for disposal of slush ejected during piling operations. Hence the extra payment for removal of slush was a financial favour to the contractor.

Government observed that eligible claims were admitted to the maximum extent to secure maximum utilisation of ADB loan assistance and for avoiding arbitration as ADB loan did not provide for reimbursement of arbitration costs. As the external loan assistance constituted a liability (and not a gratuitous payment), its proper utilisation merited strict enforcement of conditions of the contract concluded for execution of the project. The plea that the contractor's claims were allowed for the sake of avoidance of arbitration proceedings was far-fetched and provided justification for an untenable position.

The large scale deviations and alterations from the agreed contract conditions and the settlement of contractor's claims without proper analysis warrant investigation by Government. Of the excess/extra payments totalling Rs 2.64 crore, an amount of Rs 30.71 lakh only has been recovered from the contractor. Recovery particulars of the balance Rs 2.33 crore were awaited (November 2000).

4.6 Undue benefit due to manipulation in the contract provision for escalation

Price for the purpose of payment of escalation was shown as lower in the agreement than the rates considered in the estimate and consequently, the firm derived a monetary benefit of Rs 1.42 crore.

Superintending Engineer (SE), National Highways Central Circle, Thrissur awarded the contract for construction of 'Varapuzha Bridge and viaducts' in Ernakulam District to a firm in May 1995 on 'item-rate contract' basis, for an aggregate contract amount of Rs 29.63 crore. Ministry of Surface Transport issued a revised estimate for Rs 33.97 crore in May 1995. The construction of the bridge was in progress as of December 1999. Rupees 30.63 crore was paid to the firm till November 1999.

The agreement executed by SE provided for price escalation of certain materials to be supplied by the firm over the basic price projected in the agreement schedule. Scrutiny revealed that price adopted in the tender documents were lower than the basic price considered for estimation purpose. As the rates applied for preparation of the estimate were not adopted in the tender documents, the scale of escalation was higher than justified and this resulted in the firm reaping an undue monetary gain of Rs 1.42 crore on account of escalation till November 1999 as below:

Particulars of material	Basic price shown in Schedule I	Actual price reckoned for preparation of estimate inclusive of contractor's profit (10 *per cent*)	Difference in price	Quantity of material supplied*	Amount derived with reference to the difference in rate
	Rupees per tonne			Tonnes	Rupees in lakh
Cement ordinary	2058	2530	472	12965	61.19
Cement – High Strength	2744	2750	6	666	0.04
Steel-HYSD	12162	15840	3678	2176	80.03
MS Steel and MS Angle	17152	17600	448	267	1.20
Total					**142.46**

* *as per CBV 12 of November 1999*

Government stated (October 2000) that estimate Bill of Quantities (BOQ) was prepared only for the limited purpose of evaluating tenders and for enabling technical acceptability. The reply is not acceptable as BOQ formed the main document of agreement and the rate adopted for estimation was to be reckoned as the price of materials prevailing at the time of tender.

The undue deflation of the base price in the tender documents by SE calls for investigation.

4.7 Extra expenditure due to non-finalisation of design

Award of work for construction of a bridge without conducting soil investigation and without finalising its design resulted in time overrun of eight years and extra expenditure of Rs 1.12 crore.

A bridge construction work started in 1989 is still continuing and the cost of the work has escalated from Rs 1.01 crore to Rs 3.57 crore at the award stage as of November 1999. Scrutiny of the work revealed serious irregularities and non-compliance of basic requirements by Superintending Engineer (SE) Roads and Bridges, South Circle, Thiruvananthapuram which led to enormous time overrun and cost escalation as discussed below:

Chief Engineer (CE), Roads and Bridges issued technical sanction (estimated cost: Rs 89.10 lakh) for construction of a bridge at Valiyaperumpuzhakadavu in Alapuzha District in September 1989, based on a tentative design. The SE, while awarding the work disregarded the suggestion of the CE, Design wing to conduct fresh soil investigation to assess the bearing capacity of the soil for foundation wells. He entrusted (September 1990) the work to a contractor for a contract amount of Rs 1.01 crore.

According to the tentative design, wells for abutments and piers were to be founded at a depth of 10 metres. During sinking of wells hard strata for plugging the wells was not found even at an average depth of 12 metres. Pending finalisation of the design, the contractor stopped the construction activity in December 1991.

The subsoil investigation of the foundation area conducted in January 1992 revealed that well sinking for a minimum of 23 metres to 36.5 metres was required for foundation wells. In July 1994, Government terminated the contract without risk and cost to the contractor. Expenditure incurred on the work till July 1994 amounted to Rs 42.15 lakh.

The estimate was revised to Rs 2.87 crore in November 1994 on the basis of modified design approved by the CE, Design wing in March 1994. As favourable offers were not received in response to tenders invited in November 1995, the work was retendered in February 1996 and SE arranged the balance work in April 1997 after negotiation with the single tenderer for a contract amount of Rs 3.57 crore. The work was in progress as of November 1999.

Award of work by the SE before conducting soil investigation and finalisation of detailed design resulted in extra expenditure of Rs 1.12 crore at the award stage. Besides, inordinate delay in completion of the work mainly due to hasty arrangement of the work caused sharp increase in the cost of construction of the bridge from Rs 1.01 crore to Rs 3.57 crore.

The matter was referred to Government in July 2000; reply has not been received (November 2000).

4.8 Avoidable expenditure due to departmental lapses

Departmental lapses in evaluation of the alternative offer and failure to effect timely supply of materials and payment of contractor's dues led to avoidable financial commitment of Rs 1.24 crore.

The Superintending Engineer, National Highways Central Circle, Thrissur awarded (November 1988) the construction of Kumbalangi – Perumpadappu bridge in Ernakulam District to the Kerala State Construction Corporation Limited (KSCC), a Government company, for a contract amount of Rs 2.97

crore. However, KSCC could execute partially two pier wells and two abutment wells valued Rs 39.51 lakh till October 1991. Government terminated the contract in August 1992 without risk and cost as KSCC could not maintain the stipulated progress of work.

In March 1993, the Chief Engineer (CE), National Highways invited pre-qualification tenders for arranging the balance works (estimated cost: Rs 4.61 crore). The lowest offer was for Rs 6.36 crore from a Kochi firm which also submitted an alternative proposal to execute the work with its own design of pile foundation at an agreed cost of Rs 5.94 crore on a lumpsum contract. CE accepted the alternative proposal in July 1993 and an agreement was executed in October 1993. The stipulated date of completion was December 1995.

In December 1995, the firm intimated that it could not complete the execution within stipulated date due to (i) restrictions imposed by the Kerala High Court on construction activity in the waterway, (ii) departmental delays in issue of materials and (iii) departmental failure to make timely payment of bills and demanded extension of time and increase in the agreed rates. In August 1997, Government allowed an overall increase of 35 *per cent* in rates for works done after 1 July 1996. The construction of the bridge was completed in December 1998 and the firm was paid Rs 7.23 crore (March 1999); of which an amount of Rs 85.42 lakh was towards 35 *per cent* enhancement in rates allowed by Government.

Audit scrutiny revealed that the department sustained a loss of Rs 1.24 crore as mentioned below:

a) While the firm's offer to execute the work for Rs 6.36 crore as per the department's original design of well foundation included charges for sinking wells up to 58.50 metres, its alternative offer (Rs 5.94 crore) with pile foundation included charges for driving piles up to a depth of only 48 metres. The firm had demanded extra rate of Rs 12,000 per metre for driving piles beyond 48 metres and the total estimated additional commitment was Rs 61.45 lakh. This aspect was not taken into account while evaluating the firm's alternative offer to execute the work with pile foundation. Consequently, cost for the sub structure with pile foundation worked out to Rs 6.55 crore which was higher than the offer for well foundation by Rs 19.17 lakh. Thus, faulty evaluation of the offer of the firm entailed an extra expenditure of Rs 19.17 lakh.

b) Two wells, partially constructed by KSCC for piers, could not be made use of in any manner, resulting in wasteful expenditure of Rs 20 lakh (approximately).

c) On many occasions supply of departmental materials could not be effected due to their non-availability in the district store and that payment schedule in the agreement could not be maintained due to paucity of funds. Thus, departmental failure in not ensuring timely supply of departmental materials and timely payment of bills resulted in enhancement in rates and extra expenditure of Rs 85.42 lakh.

d) As a consequence of the departmental lapses, the cost of construction increased from Rs 2.97 crore to Rs 7.23 crore (143 *per cent*).

The matter was referred to Government in April 2000; reply has not been received (November 2000).

4.9 Extra expenditure due to non-acceptance of tenders within firm period

Failure of Government and the Chief Engineer to finalise tenders within the validity period caused extra expenditure of Rs 51 lakh.

According to the provisions in Kerala Public Works Department (KPWD) Manual, officers responsible for finalisation of tenders are required to act upon tenders expeditiously with a view to finalising contracts within their validity period. Two cases of non-acceptance of tenders within validity period and consequent extra financial commitment of Rs 51 lakh, noticed in Public Works, Roads and Bridges (R&B) Circles at Aluva and Kozhikode are mentioned below:

i) Superintending Engineer (SE), R & B Circle, Aluva invited (January 1996) tenders for arranging the work 'Improvements to Pattupurackal-Edachira Vayanasala road" in Ernakulam District (estimated cost: Rs 27.43 lakh). Two offers were received. The lowest offer was 48.89 *per cent* above estimate rates (Agreed contract amount: Rs 38.25 lakh). In February 1996, CE* recommended acceptance of the lowest offer. The validity period of the tender was to expire in June 1996. The Government Tender Committee decided to accept the tender only in September 1996. The tenderer, however, refused to extend the validity period and work had to be retendered in February 1997. SE awarded the contract to another agency in April 1997 for an agreed contract amount of Rs 53.91 lakh and the work was completed in May 2000. Thus, failure to accept the tender within the firm period entailed extra expenditure of Rs 15.66 lakh at tender stage.

Audit scrutiny disclosed that the proposal from CE was lying with the Administrative Department/Finance Department for seven months (24 February 1996 to 25 September 1996). Due to such unjustified delay Government was put to loss of Rs 15.66 lakh.

ii) Superintending Engineer (SE), R & B Circle, Kozhikode invited tenders in March 1997 for arranging the work 'Construction of a bridge across Pallamcode river in Kasaragod District'. Of the six bids received, the lowest was 43.46 *per cent* above estimate rates (contract value: Rs 1.68 crore). SE forwarded the tender documents on 19 March 1997 to CE who forwarded the same to Government on 3 June 1997 with his recommendations for acceptance of the lowest offer, validity period of which was up to 4 July 1997. Government Tender Committee accepted the lowest offer on 8 August 1997, but Government issued necessary orders to that effect only in January 1998

* Chief Engineer, R & B

though extension of validity period only up to 31 December 1997 was brought to the notice of Government by the CE on 21 November 1997. As the tenderer refused to extend the firm period any further, fresh tenders were called and SE awarded (June 1999) the work to another contractor for an agreed cost of Rs 2.03 crore. Delay in issue of orders accepting the tender resulted in estimated extra financial commitment of Rs 35 lakh.

Scrutiny revealed that CE took 2 ½ months to forward the tender documents to the Secretary, Public Works Department and again 3 ½ months to submit his proposals on the recommendations of the tender committee. Thus, failure of CE to finalise the tenders within the validity period and issue necessary orders led to loss of Rs 35 lakh at the award stage. Government need examine the matter to fix responsibility.

The matter was referred to Government in August 2000; reply has not been received (November 2000).

4.10 Extra expenditure due to acceptance of higher rate

Government violated the codal provisions to patronise a defaulter and awarded works resulting in delay of 5 years and extra cost of Rs 47.58 lakh at tender stage.

In April 1987, Superintending Engineer (SE), Roads and Bridges Circle, Thiruvananthapuram awarded the construction of a bridge at Thanni in Kollam District to a contractor 'A' at Rs 59.75 lakh (1986 SoR[$]) to be completed by March 1990. As the contractor failed to make required progress in work, SE terminated the contract in June 1990 invoking the risk and cost clause. The value of work till that date was Rs 16.59 lakh.

Following retendering of the balance works (estimated cost: Rs 33.10 lakh based on 1990 SoR) in April 1991, the lowest offer was received from 'B' at 92.5 *per cent* above estimates on negotiation. However, Government, in September 1992, asked the Chief Engineer (CE), Roads and Bridges to explore the possibility of getting the work executed by the original contractor 'A'. The CE accordingly conducted negotiation with the original contractor 'A' who agreed to execute the balance works at 92 *per cent* above estimate rates based on 1990 SoR. Government decided in March 1995 to entrust the balance works to him. The contractor demanded (July 1996) enhancement in rates either of 220 *per cent* over 1990 SoR or of 92 *per cent* over the then current SoR on the ground of increase in cost of materials and labour. Based on the recommendation (May 1997) of Arbitration Committee, Government accepted (May 1997) the demand of the contractor 'A' for increase in rates by 220 *per cent* over 1990 SoR. Supplemental agreement was executed with 'A' in June 1997 for a total cost of Rs 1.65 crore and date of completion as June 1999. The work was in progress as of June 2000. The extra financial commitment due to entrustment of the balance works with the contractor 'A' worked out to Rs 47.58 lakh at tender stage.

[$] Schedule of Rates

Following points were noticed in audit:

While Department failed to enforce contract conditions, Government caused totally avoidable delay of nearly 5 years (from September 1992 to May 1997) by asking the CE to enter into irregular negotiations with the defaulting original contractor 'A' in violation of provisions of Kerala Public Works Department Manual.

The contractor 'A' who was responsible for slow progress and the cancellation of the original contract, was given undue benefit by the Government first by re-entry to the work and then by allowing huge extra increase in the rates on the ground of delay, for which the same contractor was initially responsible. Had the Government not committed such gross violation of rules and patronised a defaulting contractor, the delay and the cost escalation could have been avoided.

The matter calls for investigation and fixation of responsibility.

The matter was referred to Government in May 2000; reply has not been received (November 2000).

4.11 Unjustified excess payment for sinking foundation wells

Payment for sinking wells for extra depths was made at inadmissible rates resulting in excess payment of Rs 45.72 lakh.

Superintending Engineer (SE), National Highways Circle, Thrissur arranged construction of the link road connecting Willingdon Island and Cochin bypass in December 1992 on a lumpsum contract of Rs 35.58 crore. The road construction was completed in June 1998 but final payment to the contractor has not been made as of October 2000. Audit scrutiny (December 1998) disclosed inadmissible payment of Rs 45.72 lakh for sinking wells for the foundation of the piers as discussed below:

The agreement envisaged well foundation for 17 piers. According to the agreement, the rates for well sinking were Rs 10,000 per metre up to a depth of 30 metres, Rs 13,000 per metre for depth between 30 metres and 39 metres and Rs 16,000 per metre for depths between 39 metres and 49.5 metres. Provisions in the contract also envisaged sinking of wells beyond the depth of 49.5 metres to be treated as extra items, payment for which was to be regulated as follows:

First 3 metres beyond 49.5 metres	Rs 1,50,000 per metre
Next 3 metres	Rs 1,80,000 per metre
Next 3 metres	Rs 2,10,000 per metre

In the tender documents, tentative founding levels for the wells approved by the Chief Engineer in respect of each pier, ranging from 30 to 50 metres were projected. As the agreement contained agreed rates for sinking of wells up to a depth of 49.5 metres, payment for sinking wells up to 49.5 metres was to be regulated in accordance with agreed rates. However, well sinking between 31.32 to 54.765 metres below the tentative levels indicated in the tender documents was treated as extra item though the extra items to levels only beyond 49.5 metres was provided for in the agreement. Consequently, extra rates were allowed unjustifiably for the entire depth below 30 to 50 metres. The resultant inadmissible payment was Rs 45.72 lakh.

Government stated (October 2000) that for variations in founding levels, fixed after confirmatory borings as decided in the pre-bid meeting (July 1992), separate rates were agreed upon. Government, however, admitted that the contract envisaged sinking of wells up to the founding levels as in the drawings given along with tender documents and that the rates quoted in the Bill of Quantities (BOQ) formed the basis for regulating contractual payments. As the BOQ contained quoted rates for sinking wells up to a depth of 49.5 metres, extra rates for variations ought to have been applied only for sinking wells beyond this depth.

4.12 Extra expenditure due to adoption of higher rates

Though agreement clearly provided for payment at agreed rates for any excess over scheduled quantities, enhanced rates were allowed for the excess quantity of works causing avoidable financial commitment of Rs 22.58 lakh.

Superintending Engineer (SE), National Highways Circle, Thrissur awarded (April 1998) the contract for formation of a new road from 'Kuttipuram to Puduponnani (3rd Reach)' for an agreed contract value of Rs 2.56 crore at 14.2 *per cent* below estimate rates. Execution of the work was in progress as of November 1999. The value of work done till April 2000 was Rs 1.64 crore.

Schedule of quantities in the agreement of April 1998 contained provision for filling embankment of the road with an estimated quantity of 43000 cubic metres of hard gravelly soil at the rate of Rs 162 per cubic metre. The quantity of filling was re-assessed (May 1999) as 100900 cubic metres. Based on a request from the contractor, the SE executed a supplemental agreement with the contractor in July 1999 which guaranteed payment at the rate of Rs 217.82 per cubic metre for executing the excess quantity of 47150 cubic metres of filling with gravel. The estimated extra financial commitment on account of the proposed payment was Rs 22.58 lakh.

According to terms of agreement, the contractor was bound to execute any excess over the scheduled quantities at his agreed rates for the work. In view of this specific provision, execution of a supplemental agreement providing for payment at contractor's enhanced rate for quantities in excess of 125 *per cent* of the originally estimated quantities lacked justification and was not permissible.

The matter was referred to Government in May 2000; reply has not been received (November 2000).

4.13 Payment beyond the scope of agreement

Rs 16.01 lakh was paid as extra to the contractor for seating of wells which formed part of well sinking operation and was to be done by the contractor at contracted rate for the item.

In May 1997, Superintending Engineer (SE), Roads and Bridges Circle, Kozhikode awarded 'Construction of Augustianmoozhikadavu bridge' in Kozhikode District to a contractor for an agreed contract amount of Rs 1.28 crore to be completed within eighteen months. As of June 2000, all the five deck slabs have been completed and formation of approach roads was pending for want of land for the approaches on Thendimmal side. Expenditure incurred was Rs 1.17 crore.

Conditions in the contract stipulated that the rates quoted by the contractor shall be inclusive, covering all operations contemplated in the specifications and all incidental works. The contract agreement further laid down that extra payment shall be made only for items of work, which were not expressly or impliedly described in the schedule, plans or specifications.

According to agreement conditions, the contractor was bound to carry out sinking of wells in all classes of soil except hard rock for proper seating on hard rock. The agreement schedule also provided for dowell bars at the bottom of the wells and bottom plugging of the wells. Thus, 'seating of wells' was an item of work envisaged in the specifications for well sinking. The approved plans and drawings attached to the tender documents also indicated the necessity of seating RCC wells on rock for satisfactory completion of well sinking operations. Therefore, contractor's quoted rate for well sinking was inclusive of the charges for seating of wells also. Further, the contractor was paid Rs 16.70 lakh in March 1999 as extra for cutting down and removal of large sized boulders and wooden logs found under the cutting edges of the well kerbs. In spite of all these, SE sanctioned (March 1999) an amount of Rs 16.01 lakh as extra payment towards 'seating of wells' which was paid to the contractor in March 1999 itself. As 'seating of wells' was an incidental work for satisfactory completion of sinking of wells for foundation of piers and abutments as per the plan and specifications in the contract, extra payment of Rs 16.01 lakh was irregular and constituted an undue favour to the contractor.

Government admitted (August 2000) that though the contract envisaged proper seating of the wells on hard rock, for proper seating, wells had to be sunk through hard rock after breaking the rocky projections found below the cutting edges of well kerbs for which no provision was made in the agreement. The reply is not acceptable as seating of well kerbs in position on rocky strata was contemplated in the contract and the contracts should provide for all foreseeable factors. Therefore, extra payment of Rs 16.01 lakh was irregular and inadmissible.

4.14 Unjustified closure of contract

Piece-meal arrangement of works and subsequent closure of contract allowing the firm to renege on the contract without any liability for the balance works, resulted in additional burden of Rs 13.22 lakh.

Superintending Engineer (SE), Roads and Bridges North Circle, Kozhikode awarded in January 1993 works for formation of bypass road in Manjeri Municipality from km 0/0 to 3/600, excluding portions from km 0/900 to 2/200, to a firm at its quoted rate of 3.6 *per cent* below estimate rates (contract value being Rs 36.17 lakh) to be completed by June 1994. The work was not completed by the due date. In November 1994, SE entrusted work relating to the section km 0/900 to 2/200 also to the firm at the same rates to be completed by July 1997. The firm carried out till July 1997 works valued at Rs 80.95 lakh except metalling and black topping (BT) works and requested SE to relieve it from the contract mainly on the plea that quantities far exceeding those in the agreement schedule had been executed. Chief Engineer (CE), Roads and Bridges granted (January 1998) permission to exempt the firm from doing metalling and BT works and accordingly, the contract was closed in April 1998. The balance works were awarded in July 1998 to another firm at 75 *per cent* above estimate rates (since revised in January 1998). The balance works were completed in December 1998 at Rs 62.43 lakh.

Scrutiny revealed the following:

Notice Inviting Tenders forming part of the agreement spelt out clearly that quantities provided in the schedule might vary widely and that tenderer should be prepared to execute any excess over scheduled quantities at the quoted rates. Closure of contract by the CE exempting the firm from doing major items included in the agreement schedule which were not at all taken up for execution by the firm, was irregular. Re-arrangement of execution of metalling and BT works in the two reaches (from km 0/0 to 0/900 and km 2/200 to 3/600) caused additional financial commitment of Rs 13.22 lakh.

The matter was referred to Government in May 2000; reply has not been received (November 2000).

General

4.15 Miscellaneous Works Advances

Miscellaneous Works Advances (MWA) is a suspense head of account operated by Public Works Divisions to record transactions on account of (i) sale of stores on credit pending realisation of cost, (ii) expenditure incurred on deposit works in excess of deposits received pending recovery of such expenditure, (iii) losses and excess in accounts awaiting recovery, regularisation or adjustments and (iv) other items of debits the allocation of which is not known or which cannot be adjusted untill recovery is effected or write off ordered.

As of March 2000, the balance outstanding under MWA in 42 divisions of Public Works and Irrigation Departments was Rs 4.86 crore and pertained to periods from 1968-69 onwards. It was noticed that balances in six divisions[1] (exceeding Rs 25 lakh in each) amounted to Rs 2.14 crore. Of this, the outstanding balances in 5 divisions (out of six) aggregating to Rs 83.81 lakh pertained to the period prior to 1990-91 and there were no fresh transactions since 1994-95. However, Government did not take any action on age-old balances. A review of outstandings revealed the following:

(a) Government issued (March 1998) orders dispensing with the system of credit sale of departmental materials between divisions through 'cash settlement suspense accounts' with effect from 1 April 1998 and introduced the system of 'Cash and carry' for inter divisional transactions. However, three divisions[2] persisted with credit sales (Rs 1.01 crore) debiting the transactions to MWA in violation of Government orders and Rs 94.14 lakh was pending settlement as of June 2000. Government did not take any action against the divisional officers responsible for the misuse of this suspense head.

(b) The liability due from departmental officers towards shortage of stores in four divisions[3] (Rs 2.07 lakh), due to shortage in supply of materials in two divisions[4] (Rs 1.20 lakh), liability of Rs 5.74 lakh recoverable from contractors towards unreturned departmental tools and plant and materials in 3 divisions[5] and advance payment of Rs 5.11 lakh in one division[6], remained unrealised due to inaction on the part of the Divisional Officers. The outstanding dues related to March 1969 to November 1996.

c) According to Kerala Public Works Account Code, expenditure should not be debited to MWA on the ground of absence or insufficiency of sanction or appropriation. In seven divisions, expenditure of Rs 61.42 lakh incurred without sanction or allotment and debited to MWA was kept unadjusted to final heads of expenditure for more than five years by the Divisional Officers.

Government should investigate the prolonged non-clearance of outstandings under MWA and take action to recover the amount due or adjust the long pending debits to the final head concerned. Government should also initiate action to curb the misuse of the suspense head for accommodating irregular transactions.

The above points were referred to Government in August 2000; reply has not been received (November 2000).

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[1] District Stores at Kannur (Rs 30.89 lakh), Kozhikode (Rs 40.81 lakh), Kottayam (Rs 26.12 lakh) Roads Divisions, Alappuzha (Rs 29.84 lakh), Thrissur (Rs 51.50 lakh); Buildings Division, Kollam (Rs 35.25 lakh)

[2] District stores at Kannur, Kottayam and Kozhikode

[3] District Store, Kozhikode (Rs 0.13 lakh), Minor Irrigation Division, Kannur (Rs 0.25 lakh) and two Buildings Divisions (Thrissur (Rs 1.56 lakh) and Kasaragod (Rs 0.13 lakh))

[4] District Store Kozhikode (Rs 1.08 lakh) and Alappuzha (Rs 0.12 lakh)

[5] Minor Irrigation Division, Kannur (Rs 1.46 lakh), Irrigation Division, Alappuzha (Rs 4.09 lakh) and Buildings Division, Thalassery (Rs 0.19 lakh).

[6] Buildings Division, Alappuzha

CHAPTER V

STORES AND STOCK

IRRIGATION DEPARTMENT

5.1 Fictitious purchase of cement and steel

Local purchase not limited to the ceilings fixed by Government

Karapuzha Irrigation Project Division in Wayanad District is implementing Karapuzha Irrigation Project partly financed by National Bank for Agriculture and Rural Development (NABARD). A total quantity of 14437.25 tonnes of cement costing Rs 4.32 crore (1458 bills) was purchased locally by the Divisional Officer directly and through two contractors during 1994-96. The payment for the entire quantity of 14437.25 tonnes of cement was made by the Divisional Officer between June 1995 and March 1996 and debited to project account. Out of the total purchase of 14437.25 tonnes of cement purchased locally 12477.25 tonnes were purchased through two contractors. Of these, 11002.25 tonnes were supplied by Contractor 'A'. It was observed that disregarding Government orders against local purchase of materials through contractors and the annual limit of 2000 tonnes fixed by Government for local purchase, the Divisional Officer purchased 13107.25 tonnes of cement during 1995-96 from the contractors (12477.25 tonnes) and dealers (630 tonnes). Besides, 501.75 tonnes of steel valued at Rs 77.42 lakh (in 53 bills) were also purchased.

A scrutiny of the bills for supply of cement and steel revealed that :

Heavy rush of expenditure during February-March

(i) Out of a total expenditure of Rs 4.32 crore on purchase of cement and Rs 0.77 crore on purchase of steel, the expenditure during February-March 1996 alone was 87 *per cent* in the case of cement and 80 *per cent* in respect of steel. This indicated that there was heavy rush of expenditure during the fag end of the financial year.

Wide disparity between amount billed for and reimbursed

(ii) While cash bills from dealers for purchase of cement furnished by the contractors for reimbursement showed varying rates from Rs 32000 to Rs 34875 per 10 tonnes of cement, the Divisional Officer made reimbursement to contractors against these bills at the uniform rate of Rs 30000 per 10 tonnes. Thus, the contractors would have suffered a loss of Rs 28.61 lakh computed on the basis of the lowest rate paid by them and the rate of reimbursement. No contractor could be expected to incur such a loss and therefore the supply of cement was doubtful.

Bills of different dealers contained similar mistakes

(iii) The bills for supply of cement by different dealers at different dates contained similar mistakes (like wrong spelling as 'Exicutive Engineer', omission to indicate unit rate, brand name, grade of cement, customer's

signature etc.) and also appeared to have been written in similar hand raising doubts about their genuineness.

Payment made on incomplete bill

(iv) In one bill for Rs 0.30 lakh furnished by contractor 'A', neither the quantity of cement supplied nor the cost thereof was indicated; but the bill was paid by the EE on the basis of stock certificate recorded by the Assistant Engineer and countersigned by the Assistant Executive Engineer leading to serious doubts regarding genuineness of the bill and supply of material.

Due to such doubts, Audit decided to conduct a cross verification of the following bills submitted by the contractors with the records of Sales Tax Department.

Name of contractor	Item	Name of firm	Number of bills	Quantity (in tonnes)	Amount paid (Rs in lakh)	Period
T.B.Kunhimahin Haji	Cement	M.A Traders, Thamarassery	77	770	23.10	February/ March 1996
N.P. Paily	-do-	P.K. Hardwares, Sulthan Bathery	6	60	1.80	March 1996
-do-	Steel	-do-	10	90	13.87	March 1996
T.B.Kunhimahin Haji	Cement	Home Rows, Kozhikode	10	100	3.00	March 1996
-do-	Cement	JAS Agencies, Sulthan Bathery	83	814	24.42	February/ March 1996
-do-	Steel	Chanthiam Hardwares, Sulthan Bathery	8	75.055	11.59	February/ March 1996
-do-	Cement	ABCO Agency, Panamaram	451	4451.95	132.00	1995-96
			30	300	7.29	1994-95
	Steel		25	225.65	34.81	1995-96
-do-	Cement	S.K Cements and Steel, Kalpetta	1	*	0.30	March 1996
Total			**701**		**252.18**	

The scrutiny revealed following serious discrepancies in the assessment records leading to doubts about the dealers and the supplies of material by them. The details are as under:

Bills of non-existent firms produced

(a) Sales Tax Department confirmed that two dealers, whose bills (93 numbers) for Rs 24.90 lakh for the supply of 830 tonnes of cement and bills for 90 tonnes of steel costing Rs 13.87 lakh were produced by the contractors in support of supplies of cement and steel and paid by EE during February-March 1996 were non-existent.

* Quantity and cost not given in the invoice

Sales to the division not accounted for in the statutory returns filed with the Sales Tax Department

(*b*) Three dealers who reportedly supplied 914 tonnes of cement costing Rs 27.42 lakh (93 bills) and 75.055 tonnes of steel costing Rs 11.59 lakh (8 bills) did not include the value of sales purported to have been made to the division in their turnover for 1995-96, while filing their Sales Tax Returns. In response to Sales Tax Department's order imposing penalty, the dealers denied any sales to the contractors. Thus, the Divisional Officer released payments of Rs 39.01 lakh to contractor A on the basis of bogus bills.

Dealer inflated purchase accounts to account for bogus sale

(*c*) According to Sales Tax Department, ABCO Agency manipulated its purchase account records for 1994-96 by showing that the dealer had purchased 16100 bags of cement during 1994-95 and 54150 bags of cement during 1995-96 costing Rs 94.08 lakh from another dealer whereas the latter supplied only 800 bags to ABCO as per the details furnished to the Sales Tax Department.

Discrepancy in the bills submitted to AG and Sales Tax authorities

(*d*) There were many discrepancies (like colour of the bills, hand writing entries in the bills, telephone numbers etc.) between the original bills of ABCO Agency submitted by the Divisional Officer with the monthly accounts for the period 1994-95 to Accountant General (A&E) and the office copies of the cash bills of the dealer produced before the Sales Tax Authorities in response to their notices. Evidently, the dealer issued one set of bills to the contractor to claim payment from the division and another set of bills to the Sales Tax authorities. The dealer inflated his purchase account to account for the bogus sale. The payments made on such bogus bills (481 numbers) pertaining to contractor 'A' amounted to Rs 1.39 crore for 4751.95 tonnes of cement and Rs 34.81 lakh for 225.65 tonnes of steel (25 bills).

In view of these, there is a strong possibility of use of inadequate quantity of cement and steel in the project works affecting their quality and durability and thus, their safety.

Rs 2.52 crore paid to contractors on bogus bills

Evidently, the departmental officers made huge payments for fictitious purchase of cement and steel amounting to Rs 2.52 crore. Government may investigate to fix responsibility and recover the amount from the officials and contractors.

The matter was referred to Government in November 2000; reply has not been received (January 2001).

FISHERIES AND PORTS DEPARTMENT

5.2 Blocking of capital due to prolonged idling of equipment in Ports Department

5.2.1 Introduction

The Department of Ports consists of the Ports and Hydrographic Survey wings. The Ports wing is headed by the Director of Ports who is responsible for conservancy and maintenance of intermediate and minor ports in the State.

The Hydrographic Survey wing, headed by the Chief Hydrographer, is engaged in surveys for collection of investigation data for the development of various ports. Stores in the Department comprise mainly items like marine vessels, tugs, dredgers and survey instruments. Records in the Directorate of Ports, three port offices at Kollam, Alappuzha and Kozhikode and the Chief Hydrographer for the period 1995-96 to 1999-2000 were test checked. Important points noticed in audit are mentioned below:

5.2.2 Idling of a new hull

A hull constructed at Rs 45.63 lakh lying idle for about two years

Government accorded (March 1996) sanction for construction of a new hull for tug Jalashree at a cost of Rs 70.20 lakh by Steel Industrials Kerala Limited (SILK), a Government company. SILK reported (October 1996) that overhauling and repairing of the old engines and gear boxes was not feasible as most of the vital components were extensively corroded. The Department suggested providing 2 engines of 620 HP each taking into account the ongoing developmental projects at Beypore Port. The revised estimate for Rs 1.35 crore was pending sanction from Government (May 2000). Though the construction of the steel hull was completed in December 1998 at a cost of Rs 45.63 lakh, the hull was lying in the open, as of October 2000, exposed to the vagaries of nature pending sanction for the new engines. SILK cautioned the Department in November 1999 that if the vessel was allowed to remain as such, it might lead to further deterioration resulting in replacement of some of the steel plates used for its construction. Had the poor condition of the engines and gear boxes been assessed in time, the present impasse of the newly built hull rotting in the open for nearly two years awaiting erection of new engines and gear boxes could have been avoided. Thus, lack of proper technical scrutiny and planning led to idle investment of Rs 45.63 lakh.

5.2.3 Non-receipt of stores for nearly two years

Delay of two years in supply of stores though Rs 2.01 crore were paid

The Director of Ports placed orders with three firms* during March 1996 to March 1998 for purchase of two barges, a tug, diesel generator and two electrical cranes at a contract cost of Rs 2.63 crore (vide details in Appendix XXXVII). The items were to be delivered/installed and commissioned during March 1997 to September 1998. Though the firms were given stage payments of Rs 2.01 crore between March 1996 and March 1999, except two electrical cranes, the remaining items were not delivered/installed and commissioned as of October 2000. Though penalty recoverable from the firms worked out to Rs 35.47 lakh as of May 2000, only Rs 7.40 lakh was recovered from two firms as of October 2000. No effective action was taken by the Secretary to Government, Fisheries and Ports Department to enforce the time schedule stipulated for supply of these items and to recover the penalty from the firms for their failure to complete the supplies in time.

* 1. Steel Industrials Kerala Limited. 2.Delta Marine Engineering, Kochi.
3. Western Marine Engineering, Kochi.

5.2.4 Idle machinery/equipment/vessels

Machinery/equipment idling in various ports

Seven items of machinery/equipment such as outboard engines, electric cranes, mobile cranes, trolleys, etc., were idling in three Port Offices and one office under the Hydrographic Survey Wing vide Appendix XXXVIII. Though port operations in Alappuzha Port ceased during November 1989, five items (cost of four items was not known to the port officer) connected with port operations were neither transferred to other needy ports nor disposed of as of October 2000. Further, four vessels (cost : Rs 52.38 lakh)# were idling in various ports; one in Alappuzha since November 1989, two in Kollam (Rs 12.38 lakh) and one in Kozhikode (Rs 40 lakh) since October 1998. Director of Ports stated (October 2000) that the vessels were kept in anticipation of port activities.

5.2.5 Disposal of obsolete items

Obsolete tug and lathe not disposed of

Tug 'Ilmenite' procured in 1969 at a cost of Rs 7.30 lakh was idling from April 1997 in Port Office, Kollam and survey report was submitted to Government in March 2000. Similarly in Mechanical Engineering Workshop, Neendakara a centre lathe was idling. The Director of Ports stated (October 2000) that survey report for disposal of the 26 year old lathe would be taken up after providing a slipway and procuring a new lathe. However, retention of such a lathe did not serve any purpose with the added risk of fetching a lesser value with passage of time.

5.2.6 Physical verification of stock

According to financial rules, all stores should be verified periodically at least once in a year. Audit scrutiny revealed that annual physical verification of stores has not been conducted during 1998-2000.

The above points were referred to Government in July 2000; reply has not been received (November 2000).

Excluding the cost of the vessel in Alappuzha, which is not known.

CHAPTER VI

COMMERCIAL ACTIVITIES

GENERAL

6.1 Lack of accountability for the use of public funds in departmental commercial undertakings

Activities of quasi-commercial nature are performed by the departmental undertakings of certain Government departments. These undertakings are to prepare *pro forma* accounts in the prescribed format annually showing the results of financial operation so that Government can assess the results of their working. The Heads of Department in Government are to ensure that the undertakings which are funded by the budgetary release, prepare the accounts on timely basis and submit the same to Accountant General for audit. In respect of certain schemes/activities run on a commercial basis also, the Heads of Department concerned have to submit *pro forma* accounts. As of December 2000, there were seven such undertakings/trading schemes under the Government of Kerala, of which two undertakings did not prepare accounts for more than 10 years and four undertakings for more than 5 years. A total amount of Rs 41.63* crore has been invested by the State Government in six of the undertakings at the end of the financial year up to which their accounts were completed.

Comptroller and Auditor General of India has repeatedly commented in the Audit Reports of the State upon the failure of the Heads of Department and the management of the undertakings, to prepare the *pro forma* accounts. The matter was also brought to the notice of Finance Department and the Secretary of the concerned departments. In spite of these there was little improvement in the situation and most of these undertakings did not finalise their accounts for period upto 10 years or more. Government neither initiated action against the defaulting managements for their failure to prepare the accounts nor took any effective initiative to remedy the situation. As a result accountability of the management and Government in respect of the public funds spent by these undertakings, was not ensured.

The department-wise position of arrears in preparation of *pro forma* accounts is given in the following table:

* Includes Rs 0.13 crore on the Rubber Plantation at Open Prison, Nettukaltheri.

Sl. No.	Department	Number of undertakings under the Department	Account not finalised (Name of undertaking/trading scheme)	Year for which accounts are due	Investment as per last accounts (Rs in crore)
1.	Finance Department	1	Kerala State Insurance Department	1967 to 1982 and 1991 to 2000	-
2.	General Education Department	1	Text Book Office, Thiruvananthapuram	1987-88 to 1995-96, 1998-99 and 1999-2000	26.28
3.	Public Works and Transport Department	1	State Water Transport Department, Alappuzha	1991-92 to 1999-2000	14.02
4.	Agriculture (Animal Husbandry) Department	3	(i) Intensive Poultry Development Block, Muvattupuzha	1992-93 to 1999-2000	0.40
			(ii) Intensive Poultry Development Block, Pettah	1994-95 to 1999-2000	0.72
			(iii) Feed Compounding Unit, Chengannur*	1991-92 to 1999-2000	0.08

The *pro forma* accounts from April 1983 to June 1983 in respect of Egg Collection and Marketing Scheme, Chengannur (wound up on 30 June 1983) and that of Livestock and Poultry feed Compounding Factory, Malampuzha (transferred to Kerala Live Stock Development Board from 1 May 1976) for 1970-71 were also in arrears.

No action was taken against the managements of these undertakings for such gross failure and disregard of public interest.

The lack of accountability displayed by the failure to prepare the accounts by the management of these undertakings is a matter of serious concern as large amount of public funds are involved in these cases. Government need to initiate strong and effective action against the defaulting management for their failure, to reduce the possibility of serious financial irregularities remaining undetected for long period. Government should also take a relook at the internal system and arrangements for finalising the accounts and take up the preparation of the accounts on war footing so that the managements are held accountable for the proper use of public funds. Government should also re-examine the justification of release of budgetary funds to the undertakings without assessing the financial performance and without finalised accounts.

A synoptic statement showing the summarised financial results of two undertakings/trading schemes on the basis of latest accounts certified as of January 2001 is given in Appendix XXXIX.

It would be observed that the Rubber Plantation at the Open Prison, Nettukaltheri swerved from the profit earning track and was incurring loss continuously from 1996-97 onwards. The loss incurred was also increasing.

* Formerly Poultry Feed Manufacturing and Distribution Scheme, Chengannur.

Government attributed (January 2001) the recurring losses to non-collection and/or low collection of latex due to slaughter tapping and cut and removal of old trees.

The State Water Transport Department suffered a loss of Rs 1.78 crore in 1989-90 and the accumulated loss piled up to Rs 11.67 crore as of March 1990. As the accounts were in arrears for about a decade, the financial condition of the undertaking for the later periods could not be evaluated.

The matter was referred to Government in November 2000; reply has not been received from General Education and Agriculture (Animal Husbandry) Departments (January 2001).

FINANCE DEPARTMENT

6.2 Working of Kerala State Insurance Department

(i) Introduction

The Kerala State Insurance Department established by the erstwhile Government of Travancore in 1896 has two branches, namely (i) Life Insurance branch* (ii) General Insurance branch**. The department has been recognised as an insurer for underwriting life insurance business under section 44 (1) of the Life Insurance Corporation Act, 1956 and general insurance business under section 36 (1) of the General Insurance Nationalisation Act, 1972. The department is headed by a Director assisted by three Deputy Directors and three Assistant Directors. Secretary, Finance is in overall charge of the activities. The working of the department for the period 1994-99 was reviewed during June to September 1999. The following points were noticed.

(ii) Arrears in the preparation of pro forma accounts

***Pro forma* accounts from 1991 not prepared**

Government declared the department as 'commercial' in October 1979 and the commercial accounting system was introduced from 1983-84 onwards. The Department was to prepare annual *pro forma* accounts. These were prepared only upto 1990. The Department stated (December 2000) that the preliminary work on preparation of *pro forma* accounts for the period from 1991 to 1999 had commenced. As *pro forma* accounts were in arrears for a decade, the financial results of working of the department was not known.

(iii) Deficiency in accounts

Account records not maintained at all or improperly maintained

Ledger or register to record the postings of subscription or loan in respect of State Life Insurance branch was not properly maintained by the Director of Insurance. There was no consolidated or detailed accounts of demand, collection and balance of premia in respect of life and general insurance

* Included State Life Insurance, Group Insurance and Advocate Clerk's Welfare Fund.

** Included (a) Fire Insurance (b) Marine Insurance (c) Accident Insurance (Act Liability) for Motor Vehicles (d) Crop Insurance and (e) Miscellaneous Insurance branches. Hence the Department did not know whether all amounts due had been received. Departmental accounts of collections of premia etc., were not reconciled by Director of Insurance with treasury figures. The accounts in respect of 'Fire and Miscellaneous' branches had not been prepared and settled (July 2000) since March 1997 and that of 'Marine insurance' branch since March 1996.

(iv) Delay in issue of policies under State Life Insurance scheme

Issue of SLI policies delayed in district offices

Every government servant within one year of his joining government service, were to subscribe to a policy of the State Life Insurance (SLI) till he ceased to be in government service. Till March 1998, the Directorate issued the policies and thereafter, the district offices were to issue the policies. Scrutiny revealed that district offices delayed the issue of policies by eight to fourteen months. As a result there was delay in receipt of premia due. Estimated loss due to such delay was Rs 1.00 crore (vide Appendix XL) during October 1997 to September 1999.

(v) Motor accident claims

(a) Excessive claims on account of ACT Liability Insurance

Kerala Financial Code as well as the loan agreements executed by KFC* stipulated that all vehicles purchased by availing loans from Government or KFC should be insured with the Department for accident insurance (ACT liability). The compensation awarded by the Motor Accident Claims Tribunal (MACT) was paid by the Department to the victims/legal heirs.

Analysis of premia received and expenditure towards claims during 1995-99 showed that the payments made were much in excess of the receipts as shown below:

(Rupees in crore)

Year	Premia received	Claims paid
1995-96	0.74	1.19
1996-97	0.71	1.52
1997-98	0.77	1.34
1998-99	0.94	1.57
Total	**3.16**	**5.62**

Failure to get re-insurance coverage resulted in heavy outgo of funds towards accident claims

It was evident that the business was totally unviable and put the Government to a loss of Rs 2.46 crore in 4 years. The main reason for this loss was the failure of the management to cover ACT insurance policies under re-insurance by other insurance companies and failure to review the matter and take remedial action. The Director of Insurance stated (August 2000) that review of existing re-insurance treaty has been proposed and coverage of ACT insurance would be considered.

* Kerala Financial Corporation

(b) Financial relief to the victims of motor accidents

Though funds for interim relief to victims were given to Tahsildars the department did not ensure its utilisation

As per Government orders of August 1976, the department allotted to Tahsildars Rs 67.50 lakh for payment of interim relief to victims of motor accidents (Rs 22 lakh in 1994-95 to 1996-97; Rs 19.88 lakh in 1997-98 and Rs 25.62 lakh in 1998-99). The Department, however, did not watch the utilisation of the funds allotted to the Tahsildars.

(vi) Crop Insurance Scheme

Government of India introduced (1985) a crop insurance scheme with the objective of providing financial assistance to farmers in the event of crop failure. In Kerala, the insurance scheme was implemented by the Department as a co-insurer along with the General Insurance Company.

Crop insurance business led to loss of Rs 1.91 crore

The scheme was not financially viable and caused huge loss to Government. From 1994-95 to 1998-99, the Department paid Rs 1.20 crore to farmers as its share of claim for shortfall in yield during Khariff season as against receipt of Rs 9.51 lakh as premium. Payments to farmers and receipt in respect of Rabi I and Rabi II for the period from 1994-95 to 1998-99 amounted to Rs 90.58 lakh and Rs 9.57 lakh respectively. Thus, the crop insurance business caused a loss of Rs 1.10 crore for Khariff and Rs 81.01 lakh for Rabi I and II during 1994-95 to 1998-99.

(vii) Loss of income due to non-renewal of policy

Non-renewal of policies resulted in loss of Rs 26.80 lakh

Loanees who availed loans from State Government Undertakings such as Kerala Financial Corporation, Kerala State Financial Enterprises Limited etc., were to insure the assets acquired from out of such loans with the Department and the insurance was to be renewed till the loan was fully repaid. It was noticed in audit that in a number of cases the policies were not renewed with the Department. During 1995-99, at least in 167 cases the policies were not renewed involving a premia of Rs 26.80 lakh.

The above points were referred to Government in August 2000; reply has not been received (November 2000).

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 1999-2000, financial assistance of Rs 3413.95 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.)	1584.88	19.00	1603.88
2	Panchayat raj institutions	1021.14	-	1021.14
3	Municipalities, Corporations , etc.	160.94	5.00	165.94
4	Development agencies	22.12	15.28	37.40
5	Hospitals, Charitable institutions, etc.	20.32	Nil	20.32
6	Other institutions	378.38	186.89	565.27
	Total	**3187.78**	**226.17**	**3413.95**

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 June 2000, 175 certificates for Rs 101.05 crore paid as grants up to 31 May 1999 had not been 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	1994-95	1	20.00
		1995-96	2	13.00
		1996-97	1	24.83
		1998-99	17	229.52
2	General Education Department	1996-97	3	15.00
		1997-98	4	21.50
		1998-99	4	515.00
3	Health and Family Welfare Department	1989-90	1	12.00
		1994-95	1	72.25
4	Higher Education Department	1986-87	2	2.50
		1989-90	1	5.00
		1992-93	6	360.27
		1993-94	10	602.19
		1994-95	8	657.42
		1995-96	29	2194.73
		1996-97	22	1863.40
		1997-98	23	2261.11
		1998-99	6	617.08
5	Science, Technology and Environment Department	1989-90	3	11.25
		1991-92	11	93.77
		1994-95	1	2.50
		1995-96	2	8.00
		1998-99	17	502.64
Total			**175**	**10104.96**

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 1999-2000 called for in April 2000 was awaited as of October 2000 from 11 departments of Government and 21 Heads of Department. The following departments had not furnished information for the period indicated against each.

Sl. No.	Name of department	Year for which information had not been furnished
1.	Science, Technology and Environment Department	1996-97, 1997-98 and 1999-2000
2.	Finance Department	1997-98 and 1999-2000
3.	Fisheries and Ports Department	1997-98 to 1999-2000
4.	General Education Department	1997-98 to 1999-2000
5.	Labour and Rehabilitation Department	1997-98 and 1999-2000
6.	Agriculture Department	1998-99 and 1999-2000
7.	Scheduled Castes/Scheduled Tribes Development Department	1999-2000
8.	Animal Husbandry Department	1999-2000
9.	Higher Education Department	1999-2000
10.	Irrigation Department	1999-2000
11.	Social Welfare Department	1999-2000

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 mentioned against each:

Sl. No.	Name of body	Period of entrustment	Date of entrustment
1	Command Area Development Authority	up to 2004-05	3 August 2000
2	Kerala Institute of Labour and Employment	up to 2001-02	7 November 1997
3	Kerala Khadi and Village Industries Board	up to 2002-03	20 January 1999
4	Kerala State Commission for Backward classes	up to 2001-02	16 February 1998
5	Kerala Water Authority	up to 2003-04	10 February 1999

(ii) The status of submission of accounts by bodies/authorities and submission of Audit Reports thereon to the State Legislature as on December 2000 is given below:

Sl. No.	Name of body	Year up to which accounts were due	Year up to which accounts were submitted	Year up to which Audit Reports were issued	Reasons for non-finalisation of Audit Report
1	Command Area Development Authority	1999-2000	1997-98	1997-98	Accounts for 1998-99 and 1999-2000 not received.
2	Kerala Institute of Labour and Employment	1999-2000	1999-2000	1998-99	-
3	Kerala Khadi and Village Industries Board	1999-2000	1998-99	1997-98	Accounts for 1999-2000 not received.
4	Kerala State Commission for Backward classes	1999-2000	1997-98	1997-98	Accounts for 1998-99 and 1999-2000 not received.
5	Kerala Water Authority	1999-2000	1998-99	1998-99	Accounts for 1999-2000 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

Against 1050 grantee institutions which attracted audit, the audit of 394 institutions was taken up during 1999-2000.

AGRICULTURE (ANIMAL HUSBANDRY) DEPARTMENT

7.5 Kerala Agricultural University – Government investment on carcass utilisation plant wasted

The carcass utilisation plant set up at a cost of Rs 1.53 crore was grossly under-utilised and the investment proved to be abysmally unremunerative.

Kerala Agricultural University (KAU) decided (April 1994) to set up a model carcass utilisation plant attached to its Meat Technology Unit (MTU), under a Centrally sponsored scheme*. Main objectives of the scheme were effective animal by-products utilisation and production of value added products like meat meal, bone meal, blood meal etc to be utilised as livestock feed, biofertilizers etc. Government accorded administrative sanction in February 1996 for establishment of the plant at a total cost of Rs 1.52 crore. The plant was constructed at a cost of Rs 1.53 crore and commissioned in June 1997. The following points were noticed in audit:-

(i) Under-utilisation of capacity

The raw materials for the plant were to be procured from various units of KAU like MTU, Pathology Department and Poultry Farm and the municipal slaughter house, Thrissur. According to the project report, 1773 tonnes of raw material were to be processed per annum. However, only 52.1 tonnes (0.98 *per cent)* of raw material were actually processed vide table below.

* Assistance to States for establishment of carcass utilisation centre at Meat Technology Unit of Kerala Agricultural University, Thrissur.

Year	Quantity of materials used (in tonnes)	Actual production (in tonnes)		Income earned (Rs in lakh)
		Meat –cum-bone meals	Rendered fat	
1997-98	7.1	2.5	1.04	0.54
1998-99	21.9	7.1	3.42	1.10
1999-2000	23.1	10.6	3.9	1.81
Total	**52.1**	**20.2**	**8.36**	**3.45**

Gross under-utilisation of installed capacity and poor return from the investment of Rs 1.53 crore

Due to such gross under-utilisation of the plant, only Rs 3.45 lakh of revenue was earned during 1997-2000 as against the projected revenue of Rs 19.50 lakh per annum. Thus, the carcass utilisation plant set up at a huge cost of Rs 1.53 crore was largely under-utilised and the investment was mostly unfruitful.

(ii) Idling of mini lorry and jib crane

Vehicle and crane (cost: Rs 10.52 lakh) for conveyance of animal carcass were idling

One mini lorry and a jib crane were purchased at a cost of Rs 10.52 lakh in April/August 1996 for transporting carcass from various stations to the centre. They were lying idle in a temporary shed for more than three years due to failure to carry out some alterations and modifications in the vehicle prior to fixing the crane on it. Possibility of their obsolescence due to long period of non-use cannot be ruled out.

The matter was referred to Government in June 2000; reply has not been received (November 2000).

HIGHER EDUCATION DEPARTMENT

7.6 Failure to properly utilise the assistance

Though Rs 85 lakh was paid in February 1998 for purchase of modern kitchen equipment, items worth Rs 43.31 lakh only were supplied by KTDC. Balance amount and penal charges of Rs 27.07 lakh are due for non-supply of the material

Government sanctioned (March 1997) a non-recurring grant of Rs 85 lakh to Food Craft Institute (Kerala) Society, Kalamassery, a society registered under the Charitable Societies Act, 1955 to improve the training facilities and to develop it into a model Food Craft Institute. The Principal of the institute paid (February 1998) the amount to the Kerala Tourism Development Corporation (KTDC), a Government company, for purchase of modern kitchen equipment, bakery equipment, cutleries etc. The payment was made only after obtaining an assurance from the KTDC that supplies would be effected within three months. It also agreed to pay penal charge of 1 *per cent* for each month of delay. However, KTDC supplied items worth Rs 43.31 lakh only till October 2000. KTDC refunded Rs 30 lakh in August 2000 which was deposited by the institute in the treasury. The penal charges of Rs 15.38 lakh for the delay from

June 1998 to October 2000 leviable from KTDC had not been realised. The institute had not taken any effective action to obtain the remaining supplies from KTDC. Consequently, the plan to develop the model institute had not materialised (October 2000). Despite the fact that the grantee institution as well as the purchasing agency were fully Government controlled, the grant was not utilised for the intended purpose till date (October 2000). Clearly, Government failed to watch and ensure proper utilisation of the assistance.

The matter was referred to Government in June 2000; reply has not been received (November 2000).

INDUSTRIES DEPARTMENT

7.7 Working of Kerala State Cashew Workers Apex Industrial Co operative Society

7.7.1 Introduction

Kerala State Cashew Workers Apex Industrial Co-operative Society (CAPEX), Kollam is an apex society of cashew workers industrial co operative societies, registered in August 1984 under the Kerala State Co operative Societies Act, 1969. Main objectives of CAPEX include procurement of raw cashew nuts and its distribution among the member-societies and marketing of kernels and other items processed in the factories of the member-societies with a view to provide employment to cashew workers. CAPEX received Rs 29.22 crore (loans: Rs 28.31 crore; grants: Rs 0.91 crore) from State Government during the period 1993-94 to 1998-99. CAPEX could repay only a small portion of the loan amounting to Rs 4.19 crore as of October 2000.

A review of the cashew operations undertaken by CAPEX during 1993-94 to 1998-99 conducted in April-June 1999 disclosed the following points:

7.7.2 Purchase of raw nuts

a) Short procurement

nder-utilisation of -oduction capacity nd low generation of nployment

CAPEX procured raw cashew nuts from abroad as well as from indigenous sources for distribution among its ten member societies. The purchases of raw nuts during 1993 – 99 from various sources were as under:

Year	Requirement	Import		Domestic		Total		Employment
	Quantity	Quantity	Value	Quantity	Value	Quantity	Value	days
1993-94	13000	2654.987	823.04	6264.46	1591.56	8919.447	2414.60	185
1994-95	13000	3629.300	1004.98	8737.36	2247.89	12366.660	3252.87	166
1995-96	13000	-	-	6558.511	2084.44	6558.511	2084.44	180
1996-97	13000	-	-	2058.903	727.15	2058.903	727.15	64
1997-98	13000	-	-	3853.402	1208.19	3853.402	1208.19	83
1998-99	13000	1426.036	700.97	1780.924	711.51	3206.960	1412.48	65
Total	**78000**	**7710.323**	**2528.99**	**29253.56**	**8570.74**	**36963.883**	**11099.73**	**743**

(Quantity: in metric tonnes; Value : Rupees in lakh)

Against the total requirement of 78000 tonnes of raw cashew nuts, CAPEX purchased only 36964 tonnes (47 *per cent*). The average shortfall in purchase during last 3 years (1996-99), was as high as 77 *per cent,* which led to substantial reduction in generation of employment days. The number of days for which employment was generated decreased from 185 in 1993-94 to 65 in 1998-99.

b) Purchase of raw nuts of Pondicherry origin

Post-tender decision for additional supplies of raw nuts resulted in procurement of inferior variety involving loss of Rs 36.63 lakh

In May 1997 CAPEX invited tenders for supply of 3000 tonnes of raw nuts. But offers from two tenderers for supply of 700 tonnes (600+100) at the rate of Rs 34.50 per kg were accepted and agreements executed on 20 June 1997 with period of completion of supply as 19 July 1997. Fresh agreements were executed again with the same tenderers on 25 June 1997 and 4 July 1997 for supply of additional quantity of 1750 tonnes at the same rate of Rs 34.50 per kg. As the suppliers could not supply the raw nuts within the stipulated date as per the original orders, extension of time was granted up to 18 August 1997. The suppliers were allowed (August 1997) to supply raw nuts of Pondicherry origin instead of Orissa/Andhra origin as originally agreed to. Against supply of 2128.976 tonnes up to 18 August 1997, 1317.539 tonnes was of Pondicherry origin. The out-turn obtained in the cutting test for Pondicherry origin was only 44.88 to 50.421 pounds (lbs) per bag of 80 kg of raw nuts compared to the out-turn of 50 to 55.61 lbs per bag for Orissa variety. In the tender call in August 1997 for purchase of raw nuts, the same suppliers had quoted for Pondicherry variety at Rs 30.50 per kg for an agreed out-turn of 50 lbs as against the rate of Rs 34.50 per kg quoted by them in May 1997 for an agreed out-turn of 52 lbs. Thus, the additional quantity of 1317.539 tonnes of Pondicherry variety purchased in August 1997 could have been procured at the rate of Rs 30.50per kg. The consequent loss worked out to Rs 36.63 lakh.

7.7.3 Monopoly procurement of raw cashew nuts

Government implemented a scheme for monopoly procurement of raw cashew nuts during 1988-89 to 1992-93 and during 1994-95. CAPEX was designated as the monopoly procurement and selling agent for the entire State during 1988-89 to 1991-92 and for 11 districts (except Thiruvananthapuram, Kottayam and Kannur)[1] during 1992-93 and 1994-95. CAPEX procured 18841 tonnes of raw nuts under the scheme against which net quantity allotable was 17214 tonnes only. CAPEX incurred an expenditure of Rs 45.19 crore for implementing the scheme during 1994-95 as against the income of Rs 43.37 crore generated, resulting in a loss of Rs 1.82 crore. The major factors are mentioned below:

a) Excess driage loss

Driage loss was in excess of norms prescribed

Government had allowed CAPEX a margin of Rs 3 for procurement of each kilogram of raw nut of which Rs 1.62 was to compensate the weight loss on driage of nuts. As the net quantity available for allotment was only 17214 tonnes, the total admissible loss on driage at Rs 1.62 per kg was Rs 2.79 crore against which CAPEX had claimed a driage loss of Rs 3.04

[1] Kerala State Consumer Marketing Federation, Ernakulam was the agency for these three districts.

crore being the value of 1370 tonnes lost on driage. This resulted in claiming of excess driage loss amounting to Rs 25 lakh.

b) Inadmissible godown shortage

CAPEX had recorded a shortage of 257 tonnes out of 17471 tonnes of dried nuts stored in its godowns. The godown shortage valued at Rs 57 lakh was inadmissible.

c) Credit sales

Credit sales resulted in an interest liability of Rs 1.24 core

During 1994-95, the Kerala State Co-operative Bank provided a cash credit accommodation of Rs 35 crore to CAPEX on Government guarantee which was to be closed before the end of July 1994. Though the cash credit accommodation was to be closed before the end of July 1994, it was not closed as of October 2000. The total amount outstanding to be paid including interest at the rate of 18 *per cent* as of October 2000 was Rs 17.18 crore. CAPEX had allotted a quantity of 433 tonnes of raw nuts valued at Rs 1.10 crore to the Kerala State Cashew Development Corporation, Kollam, a Government company, without realising advance payment. The interest on this outstanding dues worked out to Rs 1.24 crore at 18 *per cent* for the period from August 1994 to October 2000.

7.7.4 Production of kernels

i) Low yield of export grade kernels

Recovery of export grade kernels depended largely on quality of raw nuts and workmanship of the workers. It varied in different years and between factory to factory. The details of year-wise yield of kernels for the period 1993-1999 were as under.

(Quantity in tonnes)

Year	Raw nuts processed	Recovery of kernels –Export grade					
		Quantity			Recovery percentage		
		Wholes	Pieces	Total	Wholes	Pieces	Total
1993-94	8943.92	1600.954	486.866	2087.820	17.90	5.44	23.34
1994-95	10826.56	1745.134	637.153	2382.287	16.12	5.89	22.01
1995-96	7273.680	1032.541	425.505	1458.046	14.20	5.85	20.05
1996-97	2307.440	352.977	143.717	496.694	15.30	6.23	21.53
1997-98	3637.040	597.663	213.043	810.706	16.43	5.86	22.29
1998-99	2601.280	425.786	152.670	578.456	16.37	5.87	22.24
Total	**35589.920**	**5755.055**	**2058.954**	**7814.009**	**16.17**	**5.79**	**21.96**

Potential loss of revenue owing to low recovery of kernels worked out to Rs 4.49 crore

During 1993-94, the recovery of export grade kernels was 23.34 *per cent* whereas it varied from 20.04 *per cent* to 22.29 *per cent* in the subsequent years. This indicated that quality of raw nuts procured during 1994-98 was inferior to the 1993-94 consignments. Even though there was a well defined system of monitoring production performance of each factory by CAPEX through daily processing statements, this system was not put to effective use to monitor the out-turn and to compare the yield with the respective cutting test results based on which payments for raw nuts were made. Compared to the average production performance of 21.96 *per cent* , the achievement during 1995-96 and 1996-97 was very poor. Potential loss of revenue on account of the poor production performance during the two years worked out to Rs 4.49 crore.

b) Discrepancy in the stock of processed kernels

Quantity packed in tins was more than the quantity despatched by the factories

After processing, export grade kernels would be packed in tins at the rate of 25 pounds (11.34 kg) per tin at the two* filling centres. It was seen in audit that there were discrepancies between the stock of processed kernels sent for filling and the quantity of kernels filled in the two centres during 1993-94 to 1997-98. As against the total quantity of 6515.530 tonnes despatched by all the factories the number of tins filled was 576828 based on which the quantity was 6541.229 tonnes. Obviously, quantity of processed kernels sent to the filling centres was in excess of the quantity shown in the despatch note. No investigation of such a huge stock difference of 25.699 tonnes was made. As the stock accounts of kernels maintained by the factories as well as the filling centres did not tally, possibility for manipulation could not be ruled out.

c) Loss on rework

Loss on rework amounted to Rs 0.60 crore

Rework was required as a result of leaking of carbon dioxide from filled tins which would cause infestation of kernels. Rework involved heating, grading and refilling in fresh tins. During this process, kernels lose weight and quality. The average loss on rework of a tin was worked out at Rs 117. In Perinad Filling Centre, 47969 tins (out of 355724 filled) had to be reworked during 1993-99 and in Navaikulam centre 3395 tins (out of 24916) were reworked during 1998-99. The loss on rework amounted to Rs 0.60 crore, which could be attributed to longer retention of stock and poor production quality.

7.7.5. Sale of processed kernels

a) Sale performance

During 1993-98, CAPEX produced 7235.553 tonnes of export grade cashew kernels and purchased 669.336 tonnes of kernels. The details of sale of cashew kernels effected by CAPEX were as follows.

Year	Sales				Average export realisation	
	Domestic		Export		CAPEX (Rs in lakhs)	All India (Rs in lakhs)
	Quantity (MT)	Value (Rs in lakhs)	Quantity (MT)	Value (Rs in lakhs)		
1993-94	224.200	248.11	2117.200	2957.53	1.40	1.51
1994-95	110.290	164.09	2670.281	3856.66	1.44	1.62
1995-96	10.210	90.95	1712.340	2648.54	1.55	1.76
1996-97	4.078	18.40	349.272	652.68	1.87	*
1997-98	4.536	32.56	793.800	1361.93	1.72	*
1998-99			539.784	1055.74	1.96	*
Total	**353.314**	**554.11**	**8182.677**	**12533.08**		

* *Information awaited*

* At Perinad and Navaikulam

Export realisation by CAPEX lagged behind All India realisation average

The average export realisation by CAPEX was less than the All India realisation average during 1993-94 to 1995-96. On account of this, CAPEX sustained a loss of potential revenue of Rs 10.74 crore during the period 1993-96.

b) Export incentives

Direct availment of export incentives resulted in loss of revenue of Rs 24.32 lakh

CAPEX earned a revenue of Rs 1.84 crore by way of premium for on – account-sale during 1993-96. During 1996-97 to 1998-99, CAPEX discontinued the system of premium-on-account-sale and decided to avail themselves of the export incentives directly. Against the total amount of Rs 59.88 lakh realisable under premium-on-account-sale calculated at 1.95 *per cent* of FOB value of exports for Rs 30.71 crore, CAPEX realised a total amount of Rs 35.56 lakh only as incentives. Thus, there was short realisation of revenue of Rs 24.32 lakh.

The above points were referred to Government in May 2000; reply has not been received (November 2000).

7.8 Irregular sanction of loan

Due to lack of proper checks at the time of sanction of loan to a stone crushing industrial society, Rs 33.26 lakh of loan became unrecoverable.

Kerala Khadi and Village Industries Board (the Board) sanctioned (December 1996) a loan of Rs 22 lakh to a stone crushing industrial society at Kodikulam in Idukki District for setting up a metal crusher unit at a total cost of Rs 25 lakh. The balance amount of Rs 3 lakh was to be raised by the society. The society mortgaged 32.60 ares of land owned by its President for the loan.

Project Officer(PO) discovered in October 1997 that the metal crusher unit was not set up by the society. Board's attempt to recover the due amount (Rs 28.32 lakh) from office bearers of the society through revenue authorities did not succeed as demand notices could not be served for want of correct addresses of the office bearers. Scrutiny revealed that except the Treasurer all executants of the loan deed gave the same residential address and were relatives of the President. However, the addresses recorded by the PO in the requisition letter for Revenue Recovery action were at variance with those in the loan bond. As of December 1999, no amount out of Rs 33.26 lakh (including interest) was realised from the society. Evidently, the amount was misappropriated by the members of the society.

The Board issued (March 1998) memo of charges to the concerned Senior Co-operative Inspector, in the District Khadi and Village Industries Office, Idukki who had recommended the loan, for suppression of material facts regarding the property offered as security by the society and lack of infrastructure facilities. Further developments in this regard were awaited (October 2000).

Government stated (October 2000) that the correct addresses were subsequently furnished to the Tahsildar and the dues would be realised through RR proceedings.

IRRIGATION (WATER SUPPLY) DEPARTMENT

KERALA WATER AUTHORITY

7.9 Extra expenditure due to defective processing of tender

Irregularities in considering tenders necessitated repeat tender calls and caused avoidable additional financial commitment of Rs 62.90 lakh, besides time over run of more than 3 years in commencement of work.

Chief Engineer(CE), Southern Region, Kerala Water Authority(KWA) invited (June 1995) tenders for construction of water treatment plant (WTP) of 19 MLD* for Varkala Water Supply Scheme. According to the Notice Inviting Tenders (NIT), the tender was to be submitted within 23 August 1995 in 3 covers – cover A containing earnest money deposit, cover B for technical designs, specifications, drawings etc and cover C with the price bid. The bid covers A and B were opened on 23 August 1995. After discussions with and further clarifications from the tenderers, CE permitted them to offer changes in financial implications, if any, in their offers in a fresh sealed cover marked D. The sealed covers C and D were opened (15 November 1995) and CE recommended (30 December 1995) acceptance of the lowest offer of Rs 123 lakh from contractor 'A'. KWA resolved in February 1996 to recommend acceptance of the offer to Government. Based on the remarks of Chief Technical Examiner (CTE), Government rejected (October 1996) the tenders observing that CE had committed serious irregularities like seeking a revised financial bid from the tenderers, incorrect determination of the lowest offer, etc., and directed KWA to seek CE's explanation. CTE pointed out in March 1996 that the lowest offer was from another contractor 'B' at Rs 134.10 lakh.

CE invited tenders again in December 1996 fixing last date for receipt of tenders as 31 January 1997. Of the 5 tenders received, the lowest offer was from contractor 'C' at Rs 169.70 lakh. Since the lowest tenderer failed to produce credentials in support of experience and capacity to execute the works, CE after conducting negotiations with the second lowest tenderer (contractor 'A'), recommended (January 1998) award of work to him at the rate quoted by the lowest tenderer 'C'. In March 1998, KWA resolved to award the work to contractor 'A' at the negotiated reduced rate of Rs 169.70 lakh and sought Government approval. Government, however, directed (July 1998) KWA to retender the work as there were no pre-qualified tenderers as in the first tender. Though KWA again pleaded (October 1998) with Government for award of the work to contractor 'A', Government reiterated

* Million litres per day.

(December 1998) its earlier orders of July 1998 and directed KWA to retender the work.

CE invited tenders in March 1999 and recommended (10 December 1999) acceptance of the lowest offer of Rs 197 lakh from contractor 'D'. KWA in its meeting held in December 1999 resolved to approve and to recommend to Government acceptance of this offer. Government approved the offer in February 2000, and accordingly agreement was executed (February 2000) entrusting the work with contractor 'D'.

The action of the CE in seeking revised financial bids from the tenderers was in violation of rules, which led to cancellation of the original tender and consequent additional financial commitment of Rs 62.90 lakh, apart from delaying execution of the work by more than 3 years.

Government also erred in ordering cancellation of the tender of June 1995 rather than re-evaluating the offers already received in the bid, in the light of the advice of CTE tendered in March 1996 to negotiate with other bidders merit-wise. The violation of rules and procedures by CE in the first tender call and repeated rejection of tenders in succession, call for proper investigation of the failures.

The matter was referred to Government in May 2000; reply has not been received (November 2000).

7.10 Extra expenditure due to non-acceptance of a cheaper offer

Unnecessary rejection of the negotiated lowest offer led to extra expenditure of Rs 17.25 lakh at award stage due to retender.

Chief Engineer (CE), Southern Region, Kerala Water Authority(KWA) invited (November 1996) tenders for construction of a water treatment plant at Arakuzha for the Urban Water Supply Scheme to Koothattukulam. Of the three valid offers received, the lowest offer was for Rs 1.03 crore reduced to Rs 99.90 lakh on negotiation. Though CE recommended (21 July 1997) acceptance of the lowest offer at Rs 99.90 lakh, Tender Committee (TC) of KWA recommended further negotiations by the Chief Engineer (Purchase, Stores & General) to bring down the rate still further. On further negotiations, the lowest tenderer reduced (20 October 1997) the rate to Rs 99 lakh. TC recommended (22 October 1997) that the contract could be awarded to the lowest tenderer if he was willing to execute the work for Rs 90 lakh. However, the contractor expressed (December 1997) his inability to undertake the work at the reduced rate of Rs 90 lakh.

The Superintending Engineer, Muvattupuzha retendered the work in October 1998. Only a single offer at Rs 1.18 crore was received from a bidder who was the third lowest in the first tender call. CE recommended (January 1999) it to Managing Director (MD), KWA. TC authorised (February 1999) CE (Purchase, Stores & General) to negotiate with the single tenderer. As a result of the negotiations, the tenderer reduced (February 1999) the rate marginally to Rs 116.75 lakh. KWA decided (February 1999) to direct MD to negotiate again with the tenderer. The tenderer expressed (March 1999) his willingness to reduce the rate slightly to Rs 116.25 lakh. The Board resolved in March 1999 to recommend the single negotiated tender to Government. Government approved (December 1999) the offer of Rs 116.25 lakh subject to the condition that no further escalation in cost would be allowed for the work. The work was awarded to the contractor in March 2000.

Thus, arbitrary rejection of the offer of the lowest tenderer in the original tender in January 1997 resulted in totally avoidable additional financial liability of Rs 17.25 lakh and delay in execution of the scheme for more than 2 years.

Government stated (September 2000) that the offer of Rs 99 lakh was not accepted as the cost of construction of Rs 16.5 lakh per mld was far in excess of the IPD* norm of Rs 12 lakh per mld. The reply was not tenable since the cost of construction in respect of the finally accepted offer was much higher at Rs 19.37 lakh per mld and the wrong decision in rejecting the tender led to unnecessary cost escalation.

7.11 Inordinate delay in implementation of a scheme to supply water to problem villages

Huge quantity of pipes and specials were procured without ensuring availability of land and execution of structural works.

Implementation of Accelerated Rural Water Supply Scheme to three problem villages, viz., Irimbilium, Edayoor and Valanchery in Malappuram District was sanctioned by Kerala Water Authority (KWA) in October 1993 at an estimated cost of Rs 2.72 crore. The scheme, comprised construction of a well-cum-pump house, infiltration gallery, treatment plant, sump and pump house, overhead (OH) and ground level service reservoirs and a distribution system of 116 Km. It also envisaged supply of water in elevated region by drilling 25 bore wells. About 1.68 acres of land required for construction of well-cum-pump house, treatment plant and service reservoirs was to be obtained on surrender by the panchayats. The work of drilling 25 bore wells was taken up in August 1996 and completed in October 1996 at a cost of Rs 7.15 lakh. However, other components of the scheme (treatment plant, sump and pump house, OH reservoir, etc) had not been taken up as of December 1999 pending surrender of 1.18 acres of land required for the same.

Managing Director (MD) KWA directed (October 1993) the Engineer in charge of the work that tenders for the components of the work should be invited only after getting the required land surrendered by the panchayats. However, in disregard of these instructions, the EE procured pipes and specials for Rs 83.66 lakh between December 1993 and May 1994 (Rs 29.09 lakh) and between October 1997 and February 1998 (Rs 54.57 lakh), of which pipes and specials valued at Rs 74.62 lakh were lying unused for two to six

* IPD - Investigation, Planning and Design Wing of Kerala Water Authority.

years. Thus, unnecessary purchase of materials resulted in unfruitful expenditure of Rs 74.62 lakh.

MD stated (July 1998) that pipes and specials were procured as per the decision taken in the review meeting in December 1992 convened by the Minister for Irrigation to start the work during 1993-94 and on the assurance of the panchayats to surrender the land. The fact, however, remained that only procurement of pipes and supplies was completed and the required land had not been made available for the work.

The matter was referred to Government in April 2000; reply has not been received (November 2000).

7.12 Unfruitful expenditure due to non-execution of a water supply scheme

Delay in finalisation of a proper source and lack of planning in execution of the scheme in a time-bound manner resulted in inordinate delay in completion of a decade-old scheme and unproductive expenditure of Rs 1.61 crore.

Accelerated Rural Water Supply Scheme to Kollencode and areas under adjoining panchayats in Palakkad District sanctioned (March 1980) at an estimated cost of Rs 47 lakh was not fully commissioned as the water source identified was inadequate and dried up during 1983 summer. Water supply in some areas of these Panchayats was met from borewell sources through a distribution network laid during 1985-89 at a cost of Rs 80 lakh. In December 1989, Kerala Water Authority (KWA) sanctioned implementation of a revamped scheme at an estimated cost of Rs 2.58 crore (including the expenditure already incurred). Loan assistance of Rs 40 lakh was also obtained by KWA in March 1989 from Life Insurance Corporation of India (LIC). The new scheme was proposed to be implemented in three zones covering five panchayats tapping borewell sources. Since yield of water from borewells was scanty, the scheme was redesigned in November 1992 by pruning it for supplying water to three panchayats (viz. Kollencode, Muthalamada and Vadavannur panchayats) from Meenkara Dam, with a reduced outlay of Rs 1 crore.

Out of nine components envisaged for the scheme, only filter plant with 5 mld capacity (cost: Rs 56.90 lakh) and OH tank (cost: Rs 11.77 lakh) were completed as of March 2000. In June 1998, KWA decided to provide an intake structure inside the dam reservoir instead of constructing a well and to entrust the work with the Irrigation Department as a 'deposit work'. However, no work on the source has been arranged even as of March 2000. As major components of the scheme were not completed, pipes and specials purchased between November 1996 and November 1998 costing Rs 92.37 lakh remained unutilised.

In addition, KWA paid Rs 41.65 lakh as interest on the loan of Rs 40 lakh from LIC for the period March 1989 to March 2000.

Government admitted (October 2000) that due to delay in finalisation of head works, work on the reservoirs, raw water pumping main and clear water gravity main could not be taken up. Government added that all the components would be completed once the intake works were over and balance pipes for the distribution system were procured.

7.13 Inordinate delay in implementation of an augmentation scheme

Failure to arrange execution of balance works on the source (well) and other major components in a time-bound manner led to delay of six years in completion of the scheme and unfruitful expenditure of Rs 6.86 crore.

In March 1991, Kerala Water Authority (KWA) sanctioned implementation of Urban Water Supply Scheme to Thirur Municipality (Augmentation) at a cost of Rs 4.27 crore. Construction of intake well-cum-pump house at Thirunavaya was entrusted with a firm in April 1993 for Rs 17.40 lakh for completion by February 1994. The firm stopped the work in May 1997 after sinking the well for 9 metres (out of 11.83 metres) alleging presence of hard rock and demanded enhanced rates for hard rock blasting under water. Although execution of work was stopped in May 1997, KWA did not re-arrange the balance work as of October 2000.

In May 1997, KWA modified the scheme increasing the size and capacity of the source well, construction of sub surface dam instead of porous wells, enlarging the distribution system, etc., at an estimated cost of Rs 14.96 crore which was sanctioned by Government in January 2000 for Rs 14 crore. The enlargement of the source was intended to augment the source to cater to the entire Municipality as well as to feed the adjacent Thirunavaya scheme.

Only a few components such as raw water pumping main, treatment plant, one sump and distribution lines for 12 km (out of 60 km) were completed at an expenditure of Rs 6.86 crore as of October 2000. Thus, the augmentation scheme sanctioned in March 1991 remained incomplete for nearly a decade and Rs 6.86 crore spent on it remained unfruitful.

Government stated (October 2000) that scope of the augmentation scheme was enlarged to cover the entire Municipality including its elevated zones. Frequent changes in the method of drawal of water and delays in identification of proper source delayed the works on the source. The works on other components were also not executed in a time-bound manner. Failure to fix a proper source and complete the various components within the scheduled time-frame resulted in unjustified delay in completion of the augmentation scheme sanctioned in March 1991.

7.14 Inordinate delay in completion of a water supply scheme

A scheme to supply water to two problem villages commenced in June 1991 has not been completed for nearly nine years and expenditure of Rs 1.40 crore remained unfruitful.

Kerala Water Authority decided in July 1989 to take up Accelerated Rural Water Supply Scheme to provide drinking water in two problem villages, namely Mangattidam and Kandankunnu in Kannur District benefiting 34083 people at an estimated cost of Rs 57.87 lakh. The scheme comprised construction of 3 well-cum-pump-houses, 3 reservoirs, pumping mains, distribution system for 78055 metres etc. Though work was started in June 1991, it has not been completed as of May 2000 as major components like one well-cum-pump-house for Zone I, pumping main for Zone III and distribution system for a length of 46534 metres were pending completion. The delay in completion was on account of delay in rearranging balance works on the well for Zone I, defective preparation of estimate by the Executive Engineer for the well in Zone II, non-surrender of land by the Panchayat for the pumping main in Zone III and non-availability of pipes for the distribution system. Expenditure incurred on the scheme as of July 2000 was Rs 1.40 crore. Further expenditure was estimated at Rs 18 lakh. Thus, the scheme taken up in June 1991 remained incomplete for nearly nine years. Consequently, the objective of providing drinking water to the two problem villages was not achieved though more than 200 *per cent* of the sanctioned funds were already spent for the same.

The matter was referred to Government in June 2000; reply has not been received (November 2000).

7.15 Avoidable expenditure due to change in specification

Substitution of poor quality Premo pipes for AC pipes resulted in extensive leak in joints of pipes leading to disruption in supply of water and avoidable extra expenditure of Rs 1.11 crore.

Urban Water Supply Scheme to Manjeri Municipality sanctioned in May 1983 for implementation at an estimated cost of Rs 4.53 crore was completed in June 1993 (expenditure: Rs 8.26 crore). Though the scheme envisaged laying of gravity main with 400 mm AC class 15 pipes, Kerala Water Authority (KWA) decided (October 1986) to use 400 mm prestressed concrete pipes manufactured by Kerala Premo Pipe Factory, a Government company.

Owing to change in specification of pipes, KWA incurred extra expenditure of Rs 31.90 lakh as AC class 15 pipes cost only Rs 42.21 lakh against Rs 74.11 lakh for Premo pipes. On commissioning the scheme (June 1993), only one million litres per day (mld) could flow into the sump for distribution, due to leak in 2700 joints in the gravity main. The widespread leaks were due to absence of grooves in the joints to prevent displacement of the rubber caskets when the line was fully charged. For rectification of leaks in 1300 joints, the Authority spent Rs 56.68 lakh (October 2000) including Rs 34.04 lakh spent for redoing the repair works in 858 joints as the rectification work carried out earlier at a cost of Rs 21.99 lakh had failed.

Thus, decision of KWA to use premo pipes instead of AC pipes as envisaged in the scheme was technically flawed and not in the best interest of KWA. It cost KWA dearly as it had to bear avoidable financial burden of Rs 1.11 crore and disruption in the scheme.

The matter was referred to Government in May 2000; reply has not been received (November 2000).

LOCAL SELF-GOVERNMENT DEPARTMENT

7.16 Municipal Corporation of Thiruvananthapuram - Implementation of Plan Schemes

7.16.1 Introduction

The Municipal Corporation of Thiruvananthapuram (MCT) formed in the year 1940 covered an area of 75.11 square kilometres and a population of 5.24 lakh (1991 census). Audit scrutiny of the accounts of MCT for the period from 1995-96 to 1999-2000 revealed the following points:

7.16.2 Financial performance

(a) Accounts and audit in arrears

The Director of Local Fund Audit (DLFA) was the statutory auditor of MCT. MCT had not finalised the annual accounts for the years 1995-96 to 1999-2000. The audit of the accounts was in arrears for the period 1992-93 to 1994-95 (as of October 2000).

b) Inflow of funds

During 1995-96 to 1999-2000, MCT received Rs 149.67 crore from different sources (Grants from Government: Rs 74.84 crore; internal sources: Rs 74.19 crore; beneficiary contribution: Rs 0.64 crore) as shown in Appendix - XLI.

Nearly 50 *per cent* of the receipts comprised grant–in–aid from Government. Out of Government grants of Rs 74.84 crore received during 1995–2000, Rs 42.34 crore represented untied funds (57 *per cent*) meant for implementation of schemes approved by MCT under People's Plan Campaign.

c) Poor financial progress

MCT maintained separate accounts for utilisation of grants received under Category A and Category B. The expenditure incurred during 1995-2000 was as follows:

(Rupees in crore)

Year	Category A	Category B	Others*	Total
1995-96	Nil	Nil	18.12	18.12
1996-97	Nil	1.37	19.70	21.07
1997-98	12.16	2.77	20.43	35.36
1998-99	11.74	1.43	19.65	32.82
1999-2000	15.12	1.49	22.30	38.91
Total	**39.02**	**7.06**	**100.20**	**146.28**

* Included expenditure from Category 'C' funds, own funds and beneficiary contributions.

Heavy shortfall in utilisation of tied funds

There was substantial shortfall (27 *per cent*) in utilisation of tied funds (Category B). Scrutiny revealed that implementation of schemes transferred from the departments of Scheduled Castes/Scheduled Tribes Development, Fisheries, General Education and Revenue was tardy as Rs 2.18 crore out of Rs 5.84 crore received from them during 1997-98 to 1999-2000 remained unspent as of June 2000.

Government attributed (November 2000) the shortfall in expenditure to belated allotment of funds and non-receipt of details of State/Central schemes from the departments at the time of formulation of projects. Government, however, did not indicate the remedial measures taken to eliminate/minimise such departmental delays.

d) Unauthorised drawal of cheques in advance of requirement

During 1997-98, Corporation Council allotted plan funds of Rs 11.10 crore to the Secretary, MCT which could be utilised up to 30 June 1998. It was seen that MCT drew 931 cheques for Rs 9.53 crore in June 1998, of which 677 cheques for Rs 74.78 lakh were actually issued between July and August 1998. It is evident that cheques were drawn in advance of requirement to project financial achievement of atleast 90 *per cent* which was a pre-requisite for obtaining release of first instalment of plan funds of next year.

e) Irregular diversion of beneficiary contribution

In addition to plan funds, MCT was to collect contribution from the beneficiaries to meet the expenditure of certain beneficiary-oriented projects. During 1997-99, though MCT collected Rs 37.34 lakh the amount was not transferred to the respective implementing officers which indicated that the corresponding amount was spent from plan funds and people's contribution was used to meet non-plan expenditure.

7.16.3 Release of grants without ensuring utilisation.

Plan assistance released without ensuring utilisation of funds released earlier

The third and fourth instalments of category 'A' funds due in October and January were to be released to the local bodies only on utilising 30 *per cent* and 60 *per cent* respectively of grants already released. It was noticed that during 1997-98 to 1999-2000, third and fourth instalments were released to MCT without ensuring prescribed level of utilisation out of earlier releases. As a result, the fourth instalment of Rs 3.84 crore remained totally unutilised during 1998-99 whereas in 1999-2000, Rs 3.32 crore out of Rs 4.13 crore released as fourth instalment remained unutilised.

Government admitted (November 2000) that such mistakes could not be ruled out in the initial years of implementation of People's Plan.

7.16.4 Slum improvement project

The slum improvement scheme included in the annual plan for 1997-98 envisaged improvement of 12 slums in the city at a cost of Rs 1.66 crore. In June 1998, MCT revised the project limiting it to six SC colonies. It was observed that five out of six SC colonies included in the revised project were not actually slums and that the revised project was implemented without prior approval of the District Planning Committee.

Six schemes remained incomplete as of February 2000

All the six works (estimate: Rs 1.51 crore) were entrusted in June 1998 to the respective beneficiary committees for execution and agreements got executed. Though mobilisation advances and secured advances were paid (June 1998) for Rs 31.23 lakh (vide Appendix-XLII) and the convenors commenced the work in June 1998, the works had not been completed as of February 2000. As the Corporation failed to specify any time limit in the agreements, no action for delay in execution could be taken. Estimates of these works were revised to Rs 2.21 crore in December 1998 incorporating costly items, changing specifications of roads and increasing the number of latrines to be constructed.

Excess payment of secured advance

Against materials worth Rs 2.96 lakh supplied and stacked at site, MCT paid secured advance amounting to Rs 26.73 lakh to the convenors based on the certificates furnished by Assistant Engineer and countersigned by Assistant Executive Engineer that materials costing Rs 36.29 lakh were supplied (details in Appendix-XLIII). Advance payable (at 75 *per cent* of cost of materials supplied) worked out to Rs 2.22 lakh and excess payment of advance was Rs 24.51 lakh.

(i) Irregularities noticed in the execution of works at Kunnathukulathinkara and Attinkara colonies are detailed below:

(a) Kunnathukulathinkara slum improvement

The convenor for the work was a student without any experience of construction works. Reasons for selection of a student for executing a work costing Rs 72.78 lakh were not on records. MCT paid (June 1998) him secured advance of Rs 4.16 lakh even though, he had not supplied any material. Due to change in alignment, the length of the colony road was increased from 170 metres to 1.60 km by the MCT in December 1998 boosting the estimated cost from Rs 21.50 lakh to Rs 72.78 lakh.

Government informed (November 2000) that Director of Municipal Administration had been directed to conduct an enquiry.

b) Attinkara slum improvement

No muster roll indicating the details of labourers engaged and wages paid, to be maintained by the convenor of beneficiary committee, was maintained.

The convenor accounted Rs 1.34 lakh as wages paid to labourers whereas the actual wages paid as per the work bill submitted by him was only Rs 0.69 lakh. In the absence of muster rolls, the possibility of excess/bogus employment of labour could not be ruled out.

(ii) Construction of latrines

MCT decided (June.1998) to provide individual latrines to 180 families in 5 SC colonies (cost: Rs 35.18 lakh). Instead of preparing a uniform type design and estimate, estimates were prepared separately for each colony. This resulted in variation in cost per unit ranging from Rs 19100 in Mudavanmugal-Vadakke colony to Rs 21400 in Kunnathukulathinkara colony mainly due to adoption of different rates for certain items of work viz, providing doors etc.

It was noticed that the cost per double pit latrine under Urban Basic Service for the Poor Scheme approved by MCT was only Rs 2,600. As such, there was no justification for preparing another estimate which pushed up the average cost to Rs 19,547 per unit. Excess expenditure due to higher rate amounted to Rs 30.68 lakh.

Government stated (November 2000) that on noticing the excessive cost per unit, directions were issued to limit the unit cost adhering to the approved ceiling.

7.16.5 Inordinate delay in completion of a scheme

The work "Beautification and development of the area in front of Sree Padmanabha Swamy Temple" (cost: Rs 14.50 lakh) was awarded (May 1998) to the lowest tenderer at 38 *per cent* above estimate rate to be completed by October 1998. Though the contractor commenced work in August 1998, it was not completed even as of March 2000. In March 1999, MCT revised the estimate to Rs 33.92 lakh and the escalation in cost was due to changes in design of pillars and increase in granite flooring.

Thus, the beautification works stipulated for completion by October 1998 had not been completed even by October 2000 though Rs 28.39 lakh had already been spent.

7.16.6 Execution of electrification works

MCT implemented a project for electrification of houses of 500 BPL families and 2000 SC/ST families during 1997-98 and 1998-99 along with supply of 2 bulbs /compact fluorescent lamps. Works on electrification of 350 BPL families during 1997-98 estimated to cost Rs 8 lakh and remaining 2150 during 1998-99 (estimated cost: Rs 51.70 lakh) were split up into 4 and 12 sub works respectively each costing Rs 0.17 lakh to Rs 6.34 lakh.

Same tenderer was awarded works at different rates

Twelve electrical works were tendered in February 1999 and different rates for similar works were accepted though all the works were awarded to the same tenderer. Compared to the lowest rates accepted, avoidable extra expenditure worked out to Rs 8 lakh.

As against the maximum admissible subsidy of Rs 750 fixed by the Government, average amount spent by MCT per beneficiary during 1998-99 for wiring of houses was Rs 2510 resulting in excess subsidy of Rs 1760 in each case. Excess subsidy to 2150 beneficiaries worked out to Rs 37.84 lakh during 1998-99.

During 1997-98, MCT paid Rs 8.67 lakh to Kerala State Electricity Board (KSEB) towards Own Your Electric Connection (OYEC) deposit for the electric connections. As no OYEC deposits were collected by KSEB from beneficiaries of 'Kutir Jyothi', a similar scheme implemented by Rural Electrification Corporation, deposit of Rs 8.67 lakh was unjustified.

Government stated (November 2000) that OYEC deposit was made in view of KSEB's unsound financial position in 1997-98.

7.16.7 Purchase of stores in violation of rules

Purchases for Rs 3.09 crore effected in violation of rules

According to Stores Purchase Manual, open tenders should be invited wherever the estimated value of the contract exceeded Rs 20,000 and the supply order placed with the lowest tenderer. Tenders were not invited by MCT in the purchase of 9 articles costing Rs 3.09 crore. Whereas in the purchase of layer pullets costing Rs 24.98 lakh, only limited tender was invited, in the purchase of goats (Rs 4.14 lakh) supply order was not placed with the lowest tenderer. The details of purchases in violation of Stores Purchase Manual are given in Appendix-XLIV. For purchase from PSUs/Government agencies, the latter were eligible for a price preference of 10 *per cent* as against firms manufacturing outside the State and 5 *per cent* as against firms manufacturing within the State. It was, however, observed that orders for purchase of vehicles and equipment, solar lanterns and computers were placed with PSUs/Government agencies without calling for tenders. Since tenders were not invited at all, the price preference accorded to them in excess of norms and the consequent loss sustained by Government were not ascertainable.

Government replied (November 2000) that procurement of materials without adopting tender system was resorted to in view of the very little time left before the last date of 30 June 1998 prescribed for completion of projects. The reply is not acceptable as the matter was foreseeable and with appropriate planning proper procedure could be followed in purchase involving substantial funds.

7.16.8 Garbage disposal

a) Avoidable payment of hire charges

MCT placed (April 1998) orders on Kerala Agro Industries Corporation (KAIC) for the supply of 28 tractors mounted with various equipment for garbage removal and 300 steel containers at a total cost of Rs 2.11 crore. The firm was paid advances of Rs 1.80 crore in May and June 1998. Though the tractors and the mounted equipment were ready for delivery by June 1998, MCT took their delivery only in January 1999.

MCT attributed (March 2000) the delay to dearth of sufficient number of expert drivers. As orders for the supply of the vehicles were placed as early as in April 1998, action to appoint drivers should have been initiated in April 1998 itself. The delay resulted in avoidable payment of hire charges of Rs 13.35 lakh for four lorries engaged in removal of garbage during July 1998 - February 1999.

b) Infructuous expenditure on purchase of refuse collector

MCT purchased (June 1996) a refuse collector at a cost of Rs 12.57 lakh for the Solid Waste Management Project. It was noticed that the vehicle was used only on three days in May-June 1998. The vehicle suffered from defects in hydraulic system since March 1997 and was not suitable for use on the city roads except the main roads. The decision to purchase the vehicle without ascertaining its maneuverability on city roads was injudicious and resulted in an infructuous expenditure of Rs 12.57 lakh.

7.17 Government could not purchase photocopiers for panchayats in 18 months

Plan funds of Rs 7.79 crore for 1997-98 diverted by 691 grama panchayats and 88 block panchayats for purchase of photocopiers remained blocked as Government had not finalised the purchase procedures as of October 2000.

The Co-ordination Committee for People's Planning decided (April 1998) to purchase one photocopier for each Grama panchayat utilising the plan funds for 1997-98. The committee also decided that the Administrative Department would arrange centralised purchase at State level to secure economy through bulk purchase. The Director of Panchayat collected Rs 6.91 crore from 691 grama panchayats during June 1998 to January 2000 (Rs 6.86 crore in 1998-99 and Rs 5 lakh in 1999-2000) for the proposed purchase.

In June 1998, the Block Panchayat Presidents and Secretaries decided to purchase photocopiers for the proposed Block Information System. Accordingly, 88 block panchayats remitted Rs 88 lakh to the Commissioner for Rural Development during June 1998 to March 1999. Government constituted a Departmental Purchase Committee in March 1999 to finalise the procedures for the purchase. The Director of Panchayat invited tenders in July 1999 and ten offers were received. The tenders were forwarded to Government in October 1999. However, the machines had not been purchased even as of October 2000.

Thus, purchase and supply of the photocopiers to block panchayat/grama panchayat did not materialise as of October 2000 even though the panchayats had remitted Rs 1 lakh each from their plan allocation for 1997-98. The Panchayat funds of Rs 7.79 crore meant for the People's Plan for 1997-98 remained locked up during 1998-99 and 1999-2000. While funds remain so blocked, the grama panchayats/block panchayats incurred substantial expenditure on photocopying. It was seen that Kazhakuttom panchayat spent Rs 1.08 lakh for taking photostat copies during 1997-98 to 1999-2000.

Government stated (June 2000) that the procedures for the purchase were under finalisation and the machines would be supplied soon.

7.18 Housing scheme for scheduled tribe beneficiaries in Wayanad District

Although construction of 750 houses was entrusted with Nirmithi Kendra for expeditious completion and Rs 3.37 crore paid in June 1998, only 183 houses had been completed (June 2000).

District Panchayat, Wayanad approved construction of 750 houses for homeless scheduled tribe beneficiaries in 24 grama panchayats under People's Plan Campaign 1997-98 at a cost of Rs 2.62 crore (at the rate of Rs 35000 per house approved by Government in September 1997). The houses were to be constructed as per Jawahar Rozgar Yojana norms and the assistance to be disbursed to beneficiaries in instalments based on stage certificates issued by the concerned authorities. However, in June 1998 the District Panchayat decided to get the houses constructed by Nirmithi Kendra, Wayanad by 31 December 1998 and released Rs 3.37 crore (at the rate of Rs 45000 per house as per the estimate furnished by the kendra) to the kendra. The shortfall in funds was met by diversion of Rs 75 lakh earmarked under Tribal Sub Plan for drinking water and electrification schemes. The excess* payment of Rs 22.50 lakh was refunded by the kendra in January 2000 after it was pointed out in audit. Though the houses were required to be completed and handed over to the beneficiaries by December 1998, only 183 houses out of 750 were completed (June 2000) and unspent assistance retained by the kendra amounted to Rs 2.50 crore (October 2000).

Construction of houses was entrusted with the kendra instead of through the beneficiaries themselves to avoid delays inherent in fulfilling of various formalities by the beneficiaries and to expedite completion of projects taken up. However, it was observed that the kendra in turn entrusted the work to the respective grama panchayat and that less than 25 *per cent* of the targeted number of houses could be completed during the two years.

Thus, implementation of the housing scheme taken up under the People's Plan Campaign 1997-98 was delayed inordinately though adequate funds were available since June 1998.

The matter was referred to Government in June 2000; reply has not been received (November 2000).

* Excluding 20 *per cent* additional assistance of Rs 7000 per unit sanctioned by Government in February 1998 for tribal houses in inaccessible areas.

7.19 Non-completion of projects

Two projects approved in 1993 had not been completed for nearly 7 years though funds were available.

Government of India released Rs 1.05 crore to State Government in March 1993 (Rs 25 lakh) and March 1998 (Rs 80 lakh) for implementation of two projects in Alappuzha town under the Centrally Sponsored Scheme of Integrated Development of Small and Medium Towns (IDSMT). The details are given in the table below:

(Rupees in lakh)

Name of project	Estimated cost	Assistance received			Expenditure incurred as of November 2000
		Central share (Loan)	State's matching share (Grant)	Total	
Construction of Municipal bus stand	35.00	25.00	16.67	41.67	13.17
Improvement of Shedamony drain	52.50	80.00	53.33	133.33	0.11
Total	**87.50**	**105.00**	**70.00**	**175.00**	**13.28**

State Government released the assistance to Alappuzha Municipality in March 1994 (Rs 41.67 lakh) and March 1998 (Rs 133.33 lakh). It was noticed that only Rs 13.28 lakh (8 *per cent*) of the assistance was utilised by the municipality on these projects as of November 2000. In the case of the first project, only yard development and electrification of temporary canteen, waiting shed, etc., have been completed. For the second project, no work had commenced (October 2000). The delay in completion of the projects was attributed by the municipality to delay in approval of the structural design of the building for the municipal bus stand by Chief Engineer (CE), Buildings and Local works for the first project and non-finalisation of tenders for the second project. Audit scrutiny, however, revealed that the detailed designs forwarded by the Municipal Commissioner to CE in February 1994 were not accompanied by detailed structural drawing of the beams and columns, soil investigation report and design of foundations. Though CE called for the details in February and May 1994, municipality had not furnished these details even as of June 2000. Regarding the second project, works in reaches III to V were tendered in April 2000 and no work had commenced as of June 2000.

The Secretary, Alappuzha Municipality credited the funds to personal deposit account in disregard of GOI guidelines in this regard. The municipality opened a separate account at District Treasury, Alappuzha only in February 2000 and transferred the available balance amount of Rs 46 lakh to it.

Thus, the two projects approved by Government of India in March 1993 for implementation under IDSMT had not been completed as of November 2000 though assistance twice the estimated cost (Rs 87.50 lakh) of the projects was received in March 1993/March 1998.

The matter was referred to Government in June 2000; reply has not been received (November 2000).

7.20 Blocking of developmental funds in incomplete power projects

Test check of records of the Zilla Panchayat (ZP), Kozhikode revealed non-implementation of two schemes under Power Sector approved under the People's Plan Campaign during 1997-98 and 1998-99 which led to blocking of Plan funds amounting to Rs 3.36 crore with Kerala State Electricity Board (KSEB).

i) Non-implementation of mini hydel project

Implementation of Mini hydel project taken up under People's Plan

In March 1999, Government allotted the construction of a Mini Hydel Project in Arippara to harness the waterfalls in hilly areas in the district to Kozhikode ZP for an outlay of Rs 5.30 crore.

Rs 2 crore paid to KSEB in March 1999

Based on the preliminary report prepared by KSEB, ZP fixed the outlay at Rs 8 crore and provided Rs 41.28 lakh for the project. The balance provision of Rs 7.59 crore was proposed to be raised from financial institutions. KSEB was to implement the project as a deposit work to be completed in 24 months. Even before a detailed project report (DPR) was prepared by KSEB and feasibility of the project assessed, ZP deposited Rs 2 crore with KSEB in March 1999 diverting Rs 1.60 crore from 52 other projects approved under the People's Plan 1998-99. The DPR for Rs 10.05 crore was approved by KSEB in July 2000.

The Secretary stated (November 2000) that the amount was remitted to KSEB to avoid lapse of funds. Government stated (November 2000) that with the earnest desire to complete the project within 24 months, ZP deposited Rs 2 crore with KSEB by diversion of funds from other projects. As preliminary investigations and feasibility report were completed by KSEB in 1994, and a DPR not even prepared till July 2000 and the work not started as of November 2000 by KSEB, there was no scope of completion of the project within 2 years and therefore, there was no justification for the diversion of plan funds from other approved projects and making such an advance deposit prematurely. This action affected the implementation of 52 approved projects under various sectors viz., manufacturing (12), service (30) and infrastructure (10) sectors.

(ii) Non-implementation of electrification schemes in SC/ST colonies

Rs 1.60 crore paid to KSEB in June 1998

ZP decided (June 1998) to implement the rural electrification scheme to provide power supply in 56 SC/ST colonies at a cost of Rs 1.60 crore. Though the project was not included in the annual plan of ZP for 1997-98, ZP remitted the entire cost (Rs 1.60 crore) to KSEB in June 1998 by diverting funds from various other approved projects. KSEB did not complete the electrification schemes as of March 2000. According to the progress report for January 2000 work in respect of 12 colonies (out of 57*) only have been completed.

Electrification of colonies not completed

Government stated (November 2000) that execution of the work was delayed due to non-availability of materials and that 46 works had been completed as of July 2000. For more than two years, the intended benefit did not reach the targeted SC population.

TAXES DEPARTMENT

7.21 Non-utilisation of assistance

Formation of a State Institute of Public Finance did not materialise for the last four years though assistance of Rs 1 crore was available since 1995-96.

Centre for Taxation Studies (CTS) was established in March 1991. Government released Rs one crore between August 1995 and March 1996 as grant-in-aid for upgradation of CTS into a full fledged State Institute of Public Finance (SIPF) to undertake studies and research in the areas of the State's fiscal problems. In July 1997, a sub-committee was constituted to chalk out specific proposals to facilitate the transformation of the Centre into a State level institute and to frame rules therefor. Government stated (June 2000) that detailed proposals along with draft bye-laws for the new institute, were yet to be finalised. However, during March 1995 to October 2000, CTS spent Rs 52.31 lakh on items like building, telephones, office equipment, teaching aids, library books, etc., and balance assistance of Rs 47.69 lakh remained unutilised with CTS. Thus, the State-level institute did not materialise for the last four years.

* As two colonies were already covered under SCP, three other colonies were included by the Zilla Panchayat.

Government stated (September 2000) that the unutilised balance of Rs 47.69 lakh was reserved for construction of training hostel and that the proposal to rename the CTS as SIPF was not pursued as the intentions behind the proposed conversion were fulfilled in its true spirit by the centre. The reply indicated lack of seriousness and casual manner with which the specific proposal in the budget was implemented. It was not the question of just a change in name of the centre but utilisation of the grant of Rs 1 crore sanctioned for its upgradation into a State-level institute.

Thiruvananthapuram,
The

(R.K. VERMA)
Accountant General (Audit), Kerala

Countersigned

V. K. Shunglu

New Delhi,
The

(V.K. SHUNGLU)
Comptroller and Auditor General of India

APPENDICES

Appendix I
Part A. Government Accounts
(Reference: Paragraph 1.1; Page 1)

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

Part I. Consolidated Fund

All Receipts of the State Government from revenues, loans and recoveries of loans go into the Consolidated Fund of the State, constituted under Article 266(1) of the Constitution of India. All expenditure of the Government is incurred from this Fund from which no amount can be withdrawn without authorisation from the State Legislature. This part consists of two main divisions, namely, 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 urgent unforeseen expenditure pending authorisation from the State Legislature. Approval of the State 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 authorized by the Legislature during the year was Rs 25 crore.

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.

II. Form of Annual Accounts

The accounts of the State Government 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, present the details of expenditure by the State 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.

Part B. List of Indices/ratios and basis for their calculation
(Reference: Paragraph 1.11.2; Page 21)

Indices/ratios		Basis for calculation
Sustainability		
Balance from the Current Revenue	BCR	Revenue Receipts minus all Plan grants (under Major Head 1601-02,03,04 and 05) and Non-Plan revenue expenditure.
Primary Deficit		Fiscal Deficit minus interest payments
Interest Ratio		$\frac{\text{Interest payment – Interest receipts}}{\text{Total Revenue Receipts – Interest receipts}}$
Capital Outlay Vs Capital Receipts	Capital Outlay	Capital expenditure as per Statement No.12 of the Finance Accounts
	Capital Receipts	Internal Loans (excluding ways and means advances) + Loans and advances from Government of India + Net receipts from small savings, PF etc + Repayments received on loans advanced by the State Government – Loans advanced by the State Government.
Total Tax Receipts Vs GSDP	Total Tax Receipts	State Tax receipts plus State's share of Union Taxes
	GSDP	Exhibit IV
State Tax Receipts Vs GSDP	State Tax Receipts	Statement No.11 of Finance Accounts
Flexibility		
Balance from Current Revenue	BCR	As above
Capital repayments Vs Capital borrowings	Capital Repayments	Disbursements under Major heads 6003 and 6004 minus repayments on account of ways and means advances/overdraft under both the major heads.
	Capital Borrowings	Addition under Major Heads 6003 and 6004 minus addition on account of ways and means advances/overdraft under both the major heads.
State Tax Receipts Vs GSDP		As above
Debt Vs GSDP	Debt	Borrowings and other obligations at the end of the year (Statement No.4 of Finance Accounts).

Indices/ratios		Basis for calculation
Vulnerability		
Revenue Deficit		Paragraph No. 1.9.6 of the Audit Report
Fiscal Deficit		-------do------
Primary Deficit Vs Fiscal Deficit	Primary Deficit	As above
Outstanding guarantees including letters of comfort Vs Revenue receipts of the Government	Outstanding guarantees	Exhibit IV
	Revenue Receipts	Exhibit II
Assets Vs Liabilities	Assets and Liabilities	Exhibit I

Appendix II
List of Statutory corporations and Government companies having accumulated loss and investment in them by Government
(Reference: Paragraph 1.9.1 ; Page: 15)

Sl. No.	Name of concern	Government investment as of 31 March 2000	Accumulated loss	Period up to which accounts were finalised
		(Rupees in crore)		
1.	Kerala State Road Transport Corporation	91.99	373.76	1997-98
2.	Kerala Industrial Infrastructure Development Corporation	88.24	2.39	1998-99
3.	The Kerala Fisheries Corporation Limited	4.85*	11.05	1984-85
4.	Kerala Tourism Development Corporation Limited	34.51	8.43	1993-94
5.	Kerala Construction Components Limited	0.28	0.94	1995-96
6.	Traco Cable Company Limited	12.82	14.55	1997-98
7.	The Kerala Premo Pipe Factory Limited	1.31*	1.11[P]	1992-93
8.	The Kerala Ceramics Limited	5.24	20.86	1996-97
9.	The Kerala Agro-Industries Corporation Limited	3.05	6.03	1996-97
10.	Trivandrum Spinning Mills Limited	4.64	13.22	1998-99
11.	Kerala Electrical and Allied Engineering Company Limited	18.18	23.16	1998-99
12.	Kerala Soaps and Oils Limited	2.59	33.01	1993-94
13.	Travancore Plywood Industries Limited	0.49	18.28	1998-99
14.	Trivandrum Rubber Works Limited	2.75	17.71	1993-94
15.	Kerala State Handloom Development Corporation Limited	10.57	7.85[P]	1999-2000
16.	Handicrafts Development Corporation of Kerala Limited	1.94	1.74	1992-93
17.	The Kerala State Cashew Development Corporation Limited	40.67	207.27[P]	1998-99
18.	Chalakudy Refractories Limited	3.47	3.36	1989-90
19.	Kerala State Coir Corporation Limited	8.55	4.36[P]	1998-99
20.	Kerala State Drugs and Pharmaceuticals Limited	1.80	26.58	1993-94
21.	Sitaram Textiles Limited	4.20	21.91[P]	1999-2000
22.	Kerala State Textiles Corporation Limited	17.88	16.16	1998-99

* Under liquidation

P Provisional figure

Sl. No.	Name of concern	Government investment as of 31 March 2000	Accumulated loss	Period up to which accounts were finalised
		(Rupees in crore)		
23.	The Kerala Land Development Corporation Limited	6.71	31.64	1997-98
24.	Kerala State Electronics Development Corporation Limited	85.49	92.14	1995-96
25.	The Travancore Sugars and Chemicals Limited	0.32	3.95	1999-2000
26.	The Kerala State Civil Supplies Corporation Limited	8.56	189.69	1996-97
27.	Scooters Kerala Limited	2.20	6.92	1998-99
28.	Kerala Automobiles Limited	3.47	13.30	1998-99
29.	Steel Industrials Kerala Limited	27.92	18.51	1998-99
30.	Kerala State Construction Corporation Limited	0.88	7.46	1997-98
31.	Kerala State Film Development Corporation Limited	14.37	13.98	1997-98
32.	Kerala Livestock Development Board Limited	3.54	1.83 p	1999-2000
33.	The Pharmaceutical Corporation (Indian Medicines) Kerala, Limited	2.92	0.69	1998-99
34.	Kerala State Coconut Development Corporation Limited	2.85	9.72	1991-92
35.	Kerala Small Industries Development Corporation Limited	16.91	16.70	1996-97
36.	Overseas Development and Employment Promotion Consultants Limited	0.64	0.11	1998-99
37.	Kerala Fishermen's Welfare Corporation Limited	0.42*	1.00	1982-83
38.	Kerala State Engineering Works Limited	0.46*	1.51	1991-92
39.	Metropolitan Engineering Company Limited	2.52	4.36	1995-96
40.	The Kerala State Handicapped Persons' Welfare Corporation Limited	1.87	0.55	1988-89
41.	Kerala Artisans' Development Corporation Limited	1.93	1.55	1997-98
42.	Kerala State Development Corporation for Christian Converts from Scheduled Castes and the Recommended Communities Limited	5.58	0.30	1989-90
43.	Transformers and Electricals Kerala Limited	11.20	27.16	1997-98
44.	The Metal Industries Limited	0.47	0.99	1998-99

p Provisional figure

* Under liquidation

Sl. No.	Name of concern	Government investment as of 31 March 2000	Accumulated loss	Period up to which accounts were finalised
		(Rupees in crore)		
45.	Meat Products of India Limited	0.98	3.56	1996-97
46.	Kerala State Palmyrah Products Development and Workers' Welfare Corporation Limited	0.87	0.16	1996-97
47.	Kerala Special Refractories Limited	2.91*	2.04	1994-95
48.	Kerala State Poultry Development Corporation Limited	1.00	1.10	1997-98
49.	Kerala State Women's Development Corporation Limited	3.68	0.22	1993-94
50.	Kerala State Horticultural Products Development Corporation Limited	3.83	1.02	1995-96
51.	Kunnathara Textiles Limited	1.71#	4.49	1988-89
52.	Kerala Hitech Industries Limited	13.00	40.60	1998-99
53.	Kerala School Teachers and Non-teaching Staff Welfare Corporation Limited	0.50	0.57	1996-97
54.	Steel Complex Limited	3.00	29.84	1997-98
55.	Kerala State Wood Industries Limited	0.25	5.65	1988-89
56.	Kerala State Maritime Development Corporation	7.39	1.85	1998-99
57.	Kerala State Minerals Development Corporation Limited	1.26	0.23	1998-99
58.	Kerala State Backward Classes Development Corporation	33.19	0.04	1996-97
59	Autokast Limited	1.00	89.29	1998-99
	Total	**635.82**	**1458.45**	

* Under liquidation
\# The company is defunct

Appendix III
Working sheet showing the computation of financial indicators for the year ended 31 March 2000
(Reference: Paragraph 1.11.2; Page 21)

Sl. No.		Particulars	Amount (Rupees in crore)	Ratios Indices
1.	(a)	Revenue Receipts	7941.75	
	(b)	**All Plan grants under M.H 1601-02,03,04 & 05**	501.02	
	(c)	Non-plan Revenue Expenditure	9509.60	
	(d)	BCR [a- (b+c)]	(-) 2068.87	
2.	(a)	Interest Receipts (M.H 0049)	37.31	
	(b)	Interest payment (M.H 2049)	1952.27	
	(c)	Net Interest payment (b-a)	1914.96	
	(d)	Revenue Receipts – Interest Receipts (1a-2a)	7904.44	
	(e)	Interest Ratio (2c ÷ 2d)		**0.24**
3.		Capital Outlay	648.18	
4.		Capital Receipts		
	(a)	Addition under M.H '6003 Internal Debt minus Ways & Means Advances'	940.54	
	(b)	Addition under M.H '6004 Loans from Central Government minus Ways and Means Advance'	1072.96	
	(c)	Net receipts under Small Savings, PF etc.	2909.88	
	(d)	Misc. Capital Receipts (M.H 4000)	2.05	
	(e)	Net receipts (+)/ disbursement (-) under loans and advances by State Government	264.22	
	(f)	Total Capital Receipts (a+b+c+d-e)	4661.21	
5.		Capital Outlay/Capital Receipts (3÷4)		**0.14**
6.		Gross State Domestic product (GSDP)	64792.00	
7.		Total Tax Receipts (State tax + State's share of Union taxes)	6728.72	
8.		Total Tax Receipts/GSDP (7 ÷ 6)		**0.10**
9.		State Tax Receipts (A: Tax Revenue. – M.H 0021)	5193.50	
10.		State Tax Receipts/GSDP (9÷ 6)		**0.08**
11.		Total Investment	1774.80	
12.		Return on Investment	9.95	
13.		Ratio of return on investment (12:11)		**0.006**
14.		Capital Repayment		
	(a)	Disbursement under M.H '6003 Internal debt minus Ways & Means Advances'	122.64	
	(b)	Disbursement under M.H '6004 Loans and Advances from Central Govt. minus Ways & Means Advances'	246.94	
	(c)	Total (a+b)	369.58	
15.		Capital borrowing i.e. (4a+4b)	2013.50	

16.		Capital repayment/Capital borrowing (14 c÷15)		**0.18**
17.		Debt		
	(a)	Borrowings (Receipt during the year)	20176.06	
	(b)	Other Obligations (Receipt during the year)	1495.22	
	(c)	Total (a+b)	21671.28	
18.		Debt ÷ GSDP (17 (c) ÷ 6)		**0.33**
19.		Revenue Deficit {20 – 1a}	3624.21	
20.		Revenue Expenditure	11565.96	
21.		Fiscal Deficit (Rev. Exp. + Cap. Exp. + Net Loans and Adv.) minus (Rev. Receipts + Misc. Capital Receipts) {20+3+4(e)}-(1a+4d)	4534.56	
22.		Primary Deficit (Fiscal Deficit – Interest Payment) (21 – 2b)	2582.29	
23.		PD/FD (22 ÷ 21)		**0.57**
24.		RD/FD (19 ÷ 21)		**0.80**
25.		Outstanding Guarantees + Interest	7952.24	
26.		Outstanding Guarantees /Revenue Receipts (25÷1 a)		**1.00**
27.		Assets	11365.45	
28.		Liabilities	21829.48	
29.		Assets/Liabilities (27÷ 28)		**0.52**

Appendix IV
Cases of unnecessary supplementary grants/appropriations
(Reference: paragraph 2.3.3; Page 29)

(Rupees in crore)

Sl. No.	No. and Name of grant	Original grant	Supple-mentary grant	Actual expenditure	Savings
Revenue (Voted)					
1	II. Heads of States, Ministers and Headquarters staff	79.46	9.81	78.65	10.62
2	III Administration of Justice	80.97	2.63	77.62	5.98
3	VII Stamps and Registration	37.32	0.47	34.44	3.35
4	VIII Excise	42.11	1.07	33.91	9.27
5	IX Taxes on Vehicles	14.37	0.17	13.24	1.30
6	XVII Education, Sports, Art and Culture	2862.61	7.79	2628.61	241.79
7	XVIII Medical and Public Health	653.79	2.29	583.67	72.41
8	XX Water supply and sanitation	182.65	5.30	182.44	5.51
9	XXI Housing	47.80	0.88	46.19	2.49
10	XXII Urban Development	170.05	3.87	146.74	27.18
11	XXIV Labour and Labour Welfare	123.97	4.19	88.29	39.87
12	XXV Social Welfare including Welfare of SCs/STs and OBCs	397.67	2.71	362.78	37.60
13	XXVII Co-operation	52.80	1.65	42.83	11.62
14	XXIX Agriculture	380.39	24.84	359.28	45.95
15	XXX Food	176.37	10.00	166.61	19.76
16	XXXI Animal Husbandry	94.31	1.48	89.88	5.91
17	XXXIV Forest	161.38	0.40	127.64	34.14
18	XXXVIII Irrigation	97.98	14.72	94.85	17.85
19	XLI Transport	14.97	0.40	13.39	1.98
Revenue (Charged)					
20	III Administration of Justice	12.19	1.70	11.92	1.97
21	XVII Education, Sports, Art and Culture	0.14	0.13	0.13	0.14
Capital (Voted)					
22	XII Police	3.39	0.10	3.36	0.13
23	XVII Education, Sports, Art and Culture	23.60	1.53	16.28	8.85
24	XXV Social Welfare including Welfare of SCs/STs and OBCs	24.96	1.66	19.51	7.11
25	XXVII Co-operation	59.79	5.21	52.84	12.16
26	XXIX Agriculture	27.23	10.74	24.64	13.33
27	XXX Food	18.32	1.04	17.45	1.91
28	XXXIII Fisheries	41.53	2.60	20.10	24.03
29	XXXVII Industries	195.22	5.33	167.94	32.61
30	XXXVIII Irrigation	192.89	2.93	153.06	42.76
31	XLI Transport	21.00	1.90	19.85	3.05
	Total	**6291.23**	**129.54**	**5678.14**	**742.63**

Appendix V
Cases of excessive supplementary grants/appropriations
(Reference: paragraph 2.3.4; Page 29)

(Rupees in crore)

Sl. No	Number and name of Grant	Original grant	Supplement-ary grant	Actual expenditure	Savings
	Revenue (voted)				
1	X Treasury and Accounts	45.94	6.38	48.58	3.74
2	XI District Administration And Miscellaneous	92.53	16.36	107.43	1.46
3	XIV Stationery and Printing and Other Administrative Services	82.54	2.35	82.87	2.02
4	XV Public Works	336.55	69.48	347.17	58.86
5	XXIII Information and Publicity	9.71	0.87	10.02	0.56
6	XXXIII Fisheries	57.77	9.50	61.62	5.65
7	XLII Tourism	31.63	1.74	31.70	1.67
	Capital (Voted)				
8	XIV Stationery and Printing and Other Administrative Services	0.22	1.37	0.92	0.67
9	XV Public Works	125.89	147.34	241.66	31.57
10	XVIII Medical and Public Health	27.84	20.32	40.55	7.61
11	XXI Housing	9.61	1.31	10.04	0.88
12	XXII Urban Development	14.62	9.25	21.87	2.00
13	XLV Miscellaneous Loans and Advances	60.10	19.98	77.59	2.49
	Capital (Charged)				
14	Public Debt Repayment	747.05	3710.95	4365.32	92.68
	Total	**1642.00**	**4017.20**	**5447.34**	**211.86**

Appendix VI
Excess over grants/charged appropriations requiring regularisation
(Reference: Paragraph 2.3.5; Page 29)

Sl. No.	Number and name of grant	Total grant or appropriation	Actual expenditure	Amount of excess
		(in rupees)		
	Revenue Section (Voted)			
1	I. State Legislature	13,25,69,000	13,48,18,406	22,49,406
2	IV. Elections	30,01,63,000	31,07,42,756	1,05,79,756
3	XIII. Jails	17,13,28,000	17,48,04,366	34,76,366
4	XVI. Pensions and Miscellaneous	1634,46,19,000	18,97,24,46,234	262,78,27,234
5	XIX. Family Welfare	82,90,00,000	104,84,93,793	21,94,93,793
	Revenue Section (Charged)			
6	II.Heads of States, Ministers and Headquarters Staff	19,43,21,000	21,00,21,763	1,57,00,763
7	Debt Charges	1743,17,72,000	1952,83,37,198	209,65,65,198
	Capital Section (Voted)			
8	XXXIX. Power	11,05,00,000	44,45,00,000	33,40,00,000
	Total	**3551,42,72,000**	**4082,41,64,516**	**530,98,92,516**

Appendix VII
Cases of insufficient supplementary grants
(Reference: Paragraph 2.3.6; Page 29)

(Rupees in crore)

Sl. No.	Number and Name of grant	Original grant	Supple-mentary grant	Actual expenditure	Excess
	Revenue (Voted)				
1	I State Legislature	12.50	0.76	13.48	0.22
2	IV Elections	12.23	17.78	31.07	1.06
3	XVI. Pensions and Miscellaneous	1631.52	2.94	1897.24	262.78
	Revenue (Charged)				
4	II. Heads of State, Ministers and Headquarters Staff	19.23	0.20	21.00	1.57
5	Debt Charges	1642.49	100.69	1952.83	209.65
	Total	**3317.97**	**122.37**	**3915.62**	**475.28**

Appendix VIII
Significant cases of savings in grants/appropriations
(Reference: Paragraph 2.3.7; Page 29)

Sl. No.	Description of the Grant/appropriation	Total Grant/Appropriation (Rupees)	Amount of saving (Rupees) and percentage of saving
Revenue (Voted)			
1.	II Heads of States, Ministers and Headquarters Staff	89,27,14,000	10,61,67,420 (12)
2.	VI Land Revenue	143,98,44,000	44,49,40,379 (31)
3.	VIII Excise	43,17,52,000	9,26,85,076 (21)
4.	XII Police	442,09,65,000	52,79,23,149 (12)
5.	XV Public Works	406,03,48,000	58,86,40,917 (15)
6.	XVIII Medical and Public Health	656,08,72,000	72,41,14,753 (11)
7.	XXII Urban Development	173,92,60,000	27,18,43,770 (16)
8.	XXIV Labour and Labour Welfare	128,16,76,000	39,87,07,330 (31)
9.	XXVII Co-operation	54,44,97,000	11,62,17,303 (21)
10.	XXVIII Miscellaneous Economic Services	41,34,74,000	8,79,69,313 (21)
11.	XXIX Agriculture	405,23,87,000	45,95,31,682 (11)
12.	XXX Food	186,36,86,000	19,75,97,204 (11)
13.	XXXII Dairy	20,43,15,000	2,29,66,811 (11)
14.	XXXIV Forest	161,78,10,000	34,14,16,827 (21)
15.	XXXV Panchayat	918,83,83,000	149,19,19,908 (16)
16.	XXXVI Community Development	141,64,37,000	46,30,46,913 (33)
17.	XXXVIII Irrigation	112,70,68,000	17,85,38,243 (16)
18.	XL Ports	8,40,75,000	1,52,49,018 (18)
19.	XLI Transport	15,37,47,000	1,97,98,719 (13)
	Revenue (Charged)		
20.	III Administration of Justice	13,89,26,000	1,96,88,631 (14)
21.	XVI Pensions and Miscellaneous	11,30,70,000	8,85,51,012 (78)
	Capital (Voted)		
22.	XV Public Works	273,23,18,000	31,57,51,335 (12)
23.	XVII Education, Sports, Art & Culture	25,12,74,000	8,84,58,621 (35)

Sl. No.	Description of the Grant/appropriation	Total Grant/Appropriation (Rupees)	Amount of saving (Rupees) and percentage of saving
24.	XVIII Medical and Public Health	48,16,15,000	7,60,84,273 (16)
25.	XX Water Supply and Sanitation	71,53,37,000	40,00,00,000 (56)
26.	XXV Social Welfare including Welfare of SCs/STs and OBCs	26,61,73,000	711,04,051 (27)
27.	XXVII Co-operation	65,00,12,000	12,15,87,908 (19)
28.	XXIX Agriculture	37,97,37,000	13,32,85,676 (35)
29.	XXXIII Fisheries	44,13,00,000	24,02,75,109 (54)
30.	XXXIV Forest	7,17,36,000	1,46,70, 172 (20)
31.	XXXV Panchayat	1,00,00,000	1,00,00,000 (100)
32.	XXXVIII Irrigation	195,82,14,000	42,75,91,495 (22)
33.	XL Ports	5,27,50,000	1,28,74,815 (24)
34.	XLI Transport	22,89,89,000	3,04,93,194 (13)

Appendix IX
Persistent savings
(Reference: Paragraph 2.3.8 (a); Page 29)

(Rupees in crore)

Sl. No	No. and Name of grant/appropriation	Amount of savings (Percentage)		
		1997-98	1998-99	1999-2000
Revenue (Voted)				
1.	II Heads of States, Ministers and Headquarters staff	8.48 (15)	5.99 (10)	10.62 (12)
2.	VI Land Revenue	23.69 (22)	30.30 (27)	44.49 (31)
3.	VIII Excise	5.26 (19)	3.61 (12)	9.27 (21)
4.	XVIII Medical and Public Health	70.93 (14)	67.41 (13)	72.41
5.	XXIV Labour and Labour Welfare	14.24 (12)	46.91 (44)	39.87 (31)
6.	XXVII Co-operation	6.72 (18)	6.45 (16)	11.62 (21)
7.	XXVIII Miscellaneous Economic Services	7.08 (21)	4.40 (13)	8.80 (21)
8.	XXXIV Forest	22.89 (22)	18.40 (15)	34.14 (21)
9.	XXXVI Community Development	160.00 (61)	21.33 (15)	46.30 (33)
10.	XXXVIII Irrigation	11.98 (15)	12.21 (13)	17.85 (19)
11.	XL Ports	0.53 (10)	0.81 (14)	1.52 (18)
Revenue (charged)				
12	XVI Pensions and Miscellaneous	3.61 (33)	7.10 (64)	8.86 (78)
13	XVII Education, Sports, Art and Culture	0.11 (92)	0.13 (93)	0.14 (52)
14	XXXVIII Irrigation	0.12 (95)	0.16 (99)	0.13 (100)
Capital (Voted)				
15.	XXVII Co-operation	14.41 (22)	7.50 (17)	12.16 (19)
16.	XXIX Agriculture	10.87 (24)	25.61 (31)	13.33 (35)
17.	XXXIII Fisheries	10.00 (20)	14.39 (41)	24.03 (54)
18	XL Ports	0.66 (14)	4.11 (41)	1.29 (24)
	Capital (Charged)			
19.	XV Public Works	0.42 (65)	0.28 (52)	0.23 (43)
20.	XXXVIII Irrigation	0.24 (13)	0.52 (27)	0.96 (54)

Appendix X
Excessive/unnecessary re-appropriation of funds
(Reference: Paragraph 2.3.9; Page 30)

Sl. No.	Number, Name of Grant and head of account	Original Plus supplementary provision	Re-appropriation	Final Grant	Actual expenditure	Excess (+) Savings(-)
		(Rupees in crore)				
V Agricultural Income Tax and Sales Tax						
1	2040-101-97	43.45	2.85	46.30	44.54	- 1.76
XI District Administration and Miscellaneous						
2	2053-093-99	21.19	- 0.12	21.07	23.19	+ 2.12
3	2053-094-99	26.92	- 0.13	26.79	28.80	+ 2.01
XII Police						
4	2055-101-99	31.21	- 5.79	25.42	26.00	+ 0.58
5	2055-109-99	300.68	- 37.12	263.56	274.35	+ 10.79
6	2055-114-98	2.89	0.83	2.06	2.54	+ 0.48
XIV Stationery and Printing and Other Administrative Services						
7	2058-103-99	24.42	- 0.11	24.31	26.42	+ 2.11
8	2070-800-98	1.17	- 0.19	0.98	1.12	+ 0.14
XV Public Works						
9	2059-60-053-97	1.70	0.43	2.13	1.93	- 0.20
10	3054-80-800-94	5.95	0.15	6.10	2.44	- 3.66
11	5054-03-101-99	5.75	1.10	6.85	6.22	- 0.63
12	5054-03-337-98	14.22	1.03	15.25	13.32	- 1.93
13	5054-04-800-98	18.24	0.40	18.64	17.71	- 0.93
14	5054-04-800-97	7.14	0.50	7.64	5.78	- 1.86
XVI Pensions and Miscellaneous						
15	2071-01-101-99	830.70	19.30	850.00	769.21	- 80.79
16	2071-01-104-99	197.92	- 77.92	120.00	301.63	+ 181.63
17	2071-01-104-88 (Charged)	0.10	0.30	0.40	0.09	- 0.31
18	2071-01-105-99	196.44	13.56	210.00	157.53	- 52.47
19	2071-01-109-99	205.92	22.34	228.26	206.72	- 21.54
20	2071-01-111-99	1.50	0.15	1.65	1.52	- 0.13
21	2071-01-800-99	8.00	5.80	13.80	12.20	- 1.60
22	2071-01-800-97	1.00	- 0.12	0.88	1.97	+ 1.09
23	2075-103-98	43.00	- 4.73	38.27	39.19	+ 0.92
24	2075-800-93 (Charged)	0.22	0.29	0.51	0.15	- 0.36
25	2075-800-90	0.20	0.60	0.80	0.37	- 0.43
XVII Education, Sports, Art and Culture						
26	2202-01-103-46	1.84	- 1.00	0.84	1.15	+ 0.31
27	2202-02-001-95	1.50	0.10	1.60	1.42	- 0.18
28	2202-02-110-99	421.11	- 10.00	411.11	440.89	+ 29.78
29	2202-02-110-98	0.63	- 0.31	0.32	1.88	+ 1.56
30	2202-02-110-96	2.45	- 0.90	1.55	1.67	+ 0.12
31	2202-02-800-87	19.06	0.82	19.88	15.52	- 4.36

Sl. No.	Number, Name of Grant and head of account	Original Plus supplementary provision	Re-appropriation	Final Grant	Actual expenditure	Excess (+) Savings(-)
		(Rupees in crore)				
32	2202-03-800-93	1.22	0.32	1.54	1.42	- 0.12
33	2203-104-97	4.05	1.50	5.55	5.26	- 0.29
34	2203-105-98	3.46	0.41	3.87	3.54	- 0.33
35	2203-112-96	0.50	- 0.27	0.23	0.36	+ 0.13
36	2203-112-88	2.50	- 0.71	1.79	1.97	+ 0.18
37	2204-102-99	12.51	- 2.43	10.08	10.31	+ 0.23
38	2205-104-99	2.14	- 1.00	1.14	1.26	+ 0.12
39	4202-01-203-99	2.29	0.52	2.81	2.66	- 0.15
40	4202-02-105-99	4.06	0.26	4.32	3.36	- 0.96
XXIII Information and Publicity						
41	2220-01-001-99	1.81	- 0.66	1.15	1.42	+ 0.27
XXV Social Welfare including Welfare of SCs/STs and OBCs						
42	2225-01-191-50	9.52	2.92	12.44	3.38	- 9.06
43	2225-01-277-99	9.70	- 0.83	8.87	10.45	+ 1.58
44	2225-01-800-99	1.96	0.17	2.13	1.42	- 0.71
45	2225-02-001-99	1.78	- 0.23	1.55	1.72	+ 0.17
46	2235-03-277-99	8.73	3.92	12.65	12.19	- 0.46
XXVI Relief on account of Natural Calamities						
47	2245-02-101-95	9.00	- 3.49	5.51	5.64	+ 0.13
48	2245-02-106-99	29.75	6.82	36.57	36.15	- 0.42
49	2245-02-112-99	0.50	- 0.11	0.39	0.75	+ 0.36
XXVIII Miscellaneous Economic Services						
50	3454-111-98	7.00	- 1.22	5.78	7.27	+ 1.49
XXIX Agriculture						
51	2401-001-99	2.24	- 1.46	0.78	1.82	+ 1.04
52	2401-001-96	55.54	- 6.55	48.99	51.34	+ 2.35
53	2401-103-99	4.25	- 0.40	3.85	4.48	+ 0.63
54	2402-102-86	13.00	- 0.47	12.53	12.67	+ 0.14
55	4702-101-94	--	0.50	0.50	0.30	- 0.20
56	4702-101-93	2.00	1.92	3.92	3.08	- 0.84
XXX Food						
57	2236-02-101-96	2.72	- 0.74	1.98	2.23	+ 0.25
XXXI Animal Husbandry						
58	2403-101-97	10.89	- 0.91	9.98	13.34	+ 3.36
59	2403-105-93	0.01	0.25	0.26	0.10	- 0.16
60	2403-800-88	2.00	- 0.89	1.11	1.21	+ 0.10
XXXIII Fisheries						
61	4405-800-99	1.00	- 0.48	0.52	0.64	+ 0.12
XXXIV Forest						
62	2406-01-001-95	24.14	- 6.20	17.94	18.30	+ 0.36
63	2406-01-102-99	0.83	- 0.40	0.43	0.68	+ 0.25
64	2406-01-102-98	3.00	2.69	5.69	5.56	- 0.13
65	2406-01-102-92	40.00	- 12.94	27.06	28.24	+ 1.18
66	2406-01-800-95	6.00	1.24	7.24	7.13	- 0.11
67	2406-02-110-99	1.97	1.08	3.05	1.51	- 1.54

Sl. No.	Number, Name of Grant and head of account	Original Plus supplementary provision	Re-appropriation	Final Grant	Actual expenditure	Excess (+) Savings(-)
		(Rupees in crore)				
XXXVI Community Development						
68	2501-01-191-48	Token	0.96	0.96	0.66	- 30
69	2505-60-191-48	4.50	- 3.91	0.59	0.94	+ 0.35
XXXVII Industries						
70	2851-106-99	3.41	- 0.73	2.68	2.83	+ 0.15
71	2852-80-800-96	0.75	- 0.75	--	0.50	+ 0.50
72	4851-104-99	0.45	- 0.20	0.25	0.35	+ 0.10
73	4885-01-190-98	12.75	- 2.00	10.75	12.75	+ 2.00
74	6885-60-800-94	0.25	- 0.25	--	16.94	+ 16.94
XXXVIII Irrigation						
75	2711-01-001-99	1.14	0.19	1.33	1.02	- 0.31
76	2711-01-103-98	3.21	3.44	6.65	5.74	- 0.91
77	2711-02-103-99	6.13	2.30	8.43	7.80	- 0.63
78	4701-02-203-98	--	0.37	0.37	0.24	- 0.13
79	4711-01-001-99	0.59	0.44	1.03	0.91	- 0.12
80	4711-01-103-99	1.04	1.35	2.39	2.10	- 0.29
81	4711-02-001-99	2.03	0.20	2.23	1.27	- 0.96
82	4711-02-103-99	5.73	1.09	6.82	5.89	- 0.93
XLI Transport						
83	5075-60-800-96	3.80	0.76	4.56	3.34	- 1.22
XLV Miscellaneous Loans and Advances						
84	7610-202-99	15.00	0.52	15.52	14.99	- 0.53
85	7610-800-95	3.25	0.35	3.60	2.82	- 0.78
Debt Charges						
86	2049-01-200-89	20.00	- 1.79	18.21	18.72	+ 0.51
87	2049-04-104-98	329.68	- 0.88	328.80	329.00	+ 0.20
Public Debt Repayment						
88	6003-110-99	2414.00	- 97.88	2316.12	2394.14	+ 78.02
89	6003-110-98	220.00	- 7.21	212.79	224.27	+ 11.48

Appendix XI
Expenditure without provision

(Reference: Paragraph 2.3.10; Page 30)

Sl. No.	Number and name of grant	Sub-head	Expenditure (Rupees in lakh)
1	XIV Stationery and Printing and Other Administrative Services	4058-103-98	11.91
2	XVII Education, Sports, Art and Culture	2202-04-001-99	75.16
3	XVII Education, Sports, Art and Culture	2202-05-800-98	9.46
4	XVIII Medical and Public Health	2210-06-101-65	25.38
5	XXVI Relief on account of Natural Calamities	2245-02-110-99	14.99
6	XXXVII Industries	2852-80-800-96	50.00
7	XXXVII Industries	6885-60-800-94	16.94
	Total		**203.84**

Appendix XII
Non-surrender of savings of Rs 1 crore and above
(Reference: Paragraph 2.3.11(a); Page 30)

(Rupees in crore)

Sl. No.	Number and name of grant	Savings	Amount surrendered	Amount not surrendered
	Revenue (Voted)			
1	II - Heads of States, Ministers and Headquarters staff	10.62	5.74	4.88
2	III – Administration of Justice	5.98	0.29	5.69
3	V – Agricultural Income Tax and Sales Tax	5.22	2.40	2.82
4	VI - Land Revenue	44.49	13.20	31.29
5	VII – Stamps and Registration	3.35	0.35	3.00
6	VIII – Excise	9.27	0.37	8.90
7	X – Treasury and Accounts	3.73	1.87	1.86
8	XV – Public Works	58.86	6.25	52.61
7	XVII – Education, Sports, Art & Culture	241.79	47.73	194.06
9	XVIII – Medical and Public Health	72.41	28.70	43.71
10	XX - Water supply and sanitation	5.52	1.75	3.77
11	XXI - Housing	2.49	0.13	2.36
12	XXII – Urban Development	27.18	20.99	6.19
13	XXIV – Labour and Labour Welfare	39.87	38.61	1.26
14	XXV – Social Welfare including Welfare of SCs/STs and OBCs	37.60	22.98	14.62
15	XXVII – Co-operation	11.62	10.58	1.04
16	XXVIII - Miscellaneous Economic Services	8.80	3.12	5.68
17	XXIX – Agriculture	45.95	43.24	2.71
18	XXXI – Animal Husbandry	5.91	3.25	2.66
19	XXXIII - Fisheries	5.65	3.56	2.09
20	XXXIV – Forest	34.14	24.47	9.67
21	XXXV – Panchayat	149.19	20.21	128.98
22	XXXVIII – Irrigation	17.85	5.32	12.53
23	XLII – Tourism	1.67	0.32	1.35
	Revenue (Charged)			
24	III – Administration of Justice	1.97	0.03	1.94
	Capital (Voted)			
25	XV – Public Works	31.58	3.17	28.41
26	XVII – Education, Sports, Art and Culture	8.85	4.56	4.29
27	XVIII - Medical and Public Health	7.61	0	7.61
28	XXV–Social Welfare including Welfare of Scheduled Castes/Scheduled Tribes and Other Backward Classes	7.11	0.81	6.30
29	XXVII – Cooperation	12.16	6.10	6.06
30	XXIX - Agriculture	13.33	1.13	12.20
31	XXX - Food	1.91	0.58	1.33
32	XXXV – Panchayat	1.00	0.00	1.00
33	XXXVII – Industries	32.61	19.43	13.18
34	XXXVIII – Irrigation	42.76	19.34	23.42
35	XLI - Transport	3.05	1.70	1.35
36	XLV – Miscellaneous loans and advances	2.49	0.37	2.12
	Total	**1015.59**	**362.65**	**652.94**

Appendix XIII
Surrenders made on the last day of the year
(Reference: Paragraph: 2.3.11 (b); Page 31)

(in rupees)

Sl. No.	Description of grants/appropriations	Total Surrender		Amount surrendered on 31 March 2000	
		Voted	Charged	Voted	Charged
1.	I – State Legislature	47,88,000	6,37,000	47,88,000	6,37,000
2.	II-Heads of States, Ministers and Headquarters Staff	5,73,51,000	50,42,000	573,51,000	50,42,000
3.	III-Administration of Justice	28,55,000	2,51,000	28,55,000	2,51,000
4.	IV-Elections				
5.	V-Agricultural Income Tax and Sales Tax	2,40,34,000	40,000	2,40,34,000	40,000
6.	VI-Land Revenue	13,20,09,000	51,000	13,20,09,000	51,000
7.	VII-Stamps and Registration	34,84,000		34,84,000	
8.	VIII-Excise	36,57,000		36,57,000	
9.	IX-Taxes on vehicles	64,08,000	1000	64,08,000	1000
10.	X-Treasury and Accounts	1,86,95,000		1,86,95,000	
11.	XI-District Administration and Miscellaneous	97,78,000	76,000	97,78,000	76,000
12.	XII-Police	60,08,47,000	5,11,000	60,08,47,000	5,11,000
13.	XIII-Jails	7,70,000		7,70,000	
14.	XIV- Stationery and Printing and Other Administrative Services	3,74,10,000		3,74,10,000	
15.	XV-Public Works				
	Revenue	6,24,71,000		6,24,71,000	
	Capital	3,16,50,000		3,16,50,000	
16.	XVI-Pensions and Miscellaneous	---	7,89,15,000		7,89,15,000
17.	XVII-Education, Sports, Art and Culture				
	Revenue	47,73,42,000	10,90,000	47,73,42,000	10,90,000
	Capital	4,56,09,000		4,56,09,000	
18.	XVIII-Medical and Public Health	28,69,91,000	60,000	28,69,91,000	60,000
19.	XIX-Family Welfare	29,04.75,000		29,04,75,000	
20.	XX Water Supply and Sanitation				
	Revenue	1,74,93,000		1,74,93,000	
	Capital	40,00,00,000		40,00,00,000	
21	XXI-Housing	12,55,000		12,55,000	
22	XXII-Urban Development				
	Revenue	20,98,70,000		20,98,70,000	
	Capital	2,00,00,000		2,00,00,000	
23.	XXIII-Information and Publicity	85,03,000		85,03,000	
24.	XXIV-Labour and Labour Welfare	38,60,58,000		38,60,58,000	
25.	XXV-Social Welfare including Welfare of Scheduled Castes/Scheduled Tribes and other Backward Classes				
	Revenue	22,98,28,000		22,98,28,000	
	Capital	80,74,000		20,74,000	
26.	XXVII-Co-operation				
	Revenue	10,58,40,000	10,000	10,58,40,000	10,000
	Capital	6,09,79,000		6,09,79,000	

Sl. No.	Description of grants/appropriations	Total Surrender		Amount surrendered on 31 March 2000	
		Voted	Charged	Voted	Charged
27.	XXVIII-Miscellaneous Economic Services Revenue Capital	 3,11,71,000 7,14,000	 10,000	 3,11,71,000 7,14,000	 10,000
28.	XXIX-Agriculture Revenue Capital	 43,24,35,000 1,13,41,000		 43,24,35,000 1,13,41,000	
29.	XXX-Food Revenue Capital	 19,88,06,000 7,61,000	 50,000	 19,88,06,000 57,61,000	 50,000
30.	XXXI - Animal Husbandry	3,24,62,000		3,24,62,000	
31.	XXXII – Dairy	1,88,45,000		1,88,45,000	
32.	XXXIII – Fisheries Revenue Capital	 3,56,16,000 23,73,45,000		 3,56,16,000 23,73,45,000	
33.	XXXIV - Forest Revenue Capital	 24,47,49,000 92,05,000		 24,47,49,000 92,05,000	
34.	XXXV – Panchayat	20,21,28,000		20,21,28,000	
35.	XXXVI – Community Development	45,94,04,000	10,000	45,94,04,000	10,000
36.	XXXVII-Industries Revenue Capital	 10,39,77,000 19,43,08,000		 10,39,77,000 19,43,08,000	
37.	XXXVIII-Irrigation Revenue Capital	 5,31,59,000 19,34,44,000	 67,01,000	 5,31,59,000 19,34,44,000	 67,01,000
38.	XL-Ports Revenue Capital	 1,29,33,000 1,21,50,000		 1,29,33,000 1,21,50,000	
39.	XLI – Transport Revenue Capital	 1,81,58,000 1,69,53,000		 1,81,58,000 1,69,53,000	
40.	XLII – Tourism	32,19,000		32,19,000	
41.	XLV – Miscellaneous Loans and advances Capital	 36,54,000		 36,54,000	
42.	Debt Charges		1,37,65,000		1,37,65,000
43.	Public Debt Repayment Capital		183,74,43,000		183,74,43,000
	Total	**607,64,61,000**	**194,46,53,000**	**607,04,61,000**	**194,46,53,000**

Surrenders in voted grants = Rs 607, 64, 61, 000

Surrenders in charged appropriations = Rs 194, 46, 53, 000

Total surrenders = Rs 802, 11, 14, 000

Appendix XIV
Excess surrender of savings
(Reference: Paragraph 2.3.12; Page 31)

(Rupees in crore)

Sl. No.	Number and name of grant	Savings	Amount surrendered	Amount surrendered in excess
	Revenue (Voted)			
1	I State Legislature	*	0.48	0.48
2	XII Police	52.79	60.08	7.29
3	XIII Jails	*	0.08	0.08
4	XIV Stationery and Printing and Other Administrative Services	2.02	3.74	1.72
5	XIX Family Welfare	*	29.05	29.05
6	XXIII Information and Publicity	0.56	0.85	0.29
7	XXX Food	19.76	19.88	0.12
	Revenue (Charged)			
8	II Heads of States, Ministers and Headquarters staff	*	0.50	0.50
9	Debt Charges	*	1.38	1.38
	Capital (Charged)			
10	Public Debt Repayment	92.69	183.74	91.05
	Total	**167.82**	**299.78**	**131.96**

* Grants/appropriation showed overall excess

Appendix XV
Arrears in reconciliation
(Reference: Paragraph 2.3.16; Page 32)

Year	No. of Controlling Officers	No. of monthly reconciliation certificates due
1993-94	1	8
1994-95	6	72
1995-96	8	88
1996-97	14	173
1997-98	29	342
1998-99	45	513
1999-2000	54	1397
Total	157	2593

Appendix XVI
Flow of expenditure
(Reference: Paragraph 2.3.17; Page 32)

Sl. No.	Major Head	Total expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2000	
			Amonnt	Percentage of total expenditure	Amount	Percentage of total expenditure
		(Rupees in crore)			(Rupees in crore)	
1	2216- Housing	46.19	27.28	59	23.73	51
2	2225- Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	196.29	117.24	60	91.17	46
3	2405- Fisheries	61.62	35.58	58	26.04	42
4	2435- Other Agricultural Programmes	9.88	7.17	73	6.09	62
5	2506- Land Reforms	2.17	2.17	100	1.08	50
6	2515- Other Rural Development Programmes	826.24	559.76	68	403.62	49
7	2551- Hill areas	12.61	11.39	90	8.84	70
8	2705- Command Area Development	16.16	11.04	68	11.02	68
9	2852- Industries	14.52	7.39	51	6.08	42
10	4225- Capital Outlay on welfare of SCs, STs and OBCs	17.86	13.27	74	10.26	57
11	4235- Capital Outlay on Social Security and Welfare	0.85	0.65	76	0.49	58
12	4401- Capital Outlay on Crop Husbandry	2.16	1.95	90	1.86	86
13	4402- Capital Outlay on Soil and Water Conservation	5.27	5.13	98	5.11	97
14	4405- Capital Outlay on Fisheries	20.10	12.31	61	9.81	49
15	4851- Capital Outlay on Village and Small Industries	28.49	23.48	82	19.68	69
16	4858- Capital Outlay on Engineering Industries	1.63	1.60	98	1.41	87
		1262.04	837.41		626.29	

APPENDIX XVII
ORGANISATIONAL SET UP
(Reference: Paragraph 3.1.2, Page 39)

- Secretary (Health & Family Welfare)
  - Director of Health Services
    - Deputy Director
      - Health Officer/ Municipal Secretary (for urban areas)
        - Food Inspectors
      - District FIs (for rural areas)
        - Food Inspectors
      - TA (PFA)
      - TA (Legal)
      - Mobile Vigilance Squads
      - CGA
        - GA
          - Dy. GA

- In the absence of Health Officer, Municipal Secretary is to discharge the function of Health Officer.

CGA	–	Chief Government Analyst
GA	–	Government Analyst
Dy GA	–	Deputy Government Analyst

Appendix XVIII

Deficiency in sample collection
(Reference: Paragraph 3.1.4 (ii); Page 40)

Year	Number of samples to be taken from panchayat area	Number of samples collected and percentage with reference to total	Amount provided under materials and supplies	Amount spent under materials and supplies	Projected amount required to achieve the target	Percentage of deficiency in provision
			(Rupees in lakh)			
1995-96	34524	3317 (9.59)	1	0.87	9.05	90.38
1996-97	34524	3412 (9.87)	0.9	1.19	12.04	90.11
1997-98	34524	3226 (9.33)	1	0.89	9.52	90.65
1998-99	34524	2670 (7.72)	1	1.63	21.07	92.26

Appendix XIX
Statement showing the Major Polluting Industries and polluted water bodies in Kerala based on test-check
(Reference paragraph 3.2.1; Page 51)

Sl. No.	Name of Industry	Name of water body
1	Hindustan Insecticide Ltd, Udyogamandal	Periyar
2	FACT Cochin Division	Chitrapuzha
3	FACT (PD) Kochi	Periyar
4	M/s.Commonwealth Weaving Factory, Kozhikode	Public drain (polluting the nearby wells); no consent from 2/1993 onwards
5	M/s.Uniroyal Marine Exporters, Kozhikode	Karapuzha backwaters
6	Kerala Chemicals & Proteins Ltd, Chalakudy	Chalakudy river
7	United Catalyst India Ltd, Kochi	Periyar
8	FACT Udyogamandal Dn, Kochi	Periyar
9	TCC Ltd, Kochi	Periyar
10	Periyar Chemicals, Kochi	Periyar
11	Gramos Paper & Boards Ltd, Kothamangalam	Kothamangalam river
12	Fish Processing Units in Aroor & Chandiroor (Alappuzha)	Veluthully & Vembanad backwaters
13	Fish Processing Units at Ambalappuzha	Kappithodu (canal)
14	M/s.Mc Dowell and Co. Ltd, Cherthala	Vembanad backwater
15	Slaughter house, Mullackal, Alappuzha	Vada canal
16	Medical College, Alappuzha	Canal leading to Vembanad lake
17	Kerala Minerals & Metals Ltd (KMML) Chavara	Arabian Sea
18	M/s.Kerala Ceramics Ltd, Kundara	Kanjiramkode lake (extension of Ashtamudi Backwater)
19	M/s.Chakacheril Rubbers (Pvt) Ltd, Nedumangad	Karamana river
20	Ponmudi Rubber Ltd, Palode	Karamana river
21	M/s.Titanium Products Ltd, Thiruvananthapuram	Arabian Sea
22	Kerala Co-operative Milk Marketing Federation Ltd, Kollam	Ashtamudi lake
23	Travancore Sugars & Chemicals Ltd, Sugar factory Thiruvalla	Pamba river
24	Travancore Sugars & Chemicals Ltd, Distillery, Thiruvalla	Pamba river
25	Hindustan Newsprint Ltd, Velloor, Kottayam	Moovattupuzha river
26	TECIL Industries & Hydropower Ltd, Kottayam	Vembanad lake
27	Canara Paper Mills Pvt Ltd Changanassery	Chitrapuzha
28	Tata Tea Ltd, Instant tea Division Munnar	Nallathanni river
29	Indian Rare Earths Ltd, Udyogamandal, Ernakulam	Periyar

Sl. No.	Name of Industry	Name of water body
30	Binani Zinc Ltd, Binanipuram, Ernakulam	Periyar
31	Sree Sakthi Paper Mills Ltd, Pallam Road, Ernakulam	Periyar
32	Cochin Leathers Pvt Ltd, Edayar, Ernakulam	Periyar
33	Cochin Minerals & Rutile Ltd, Aluva, Ernakulam	Periyar
34	Kainady Tanneries, Edayar, Ernakulam	Periyar
35	Travancore Chemical manufacturing Co. Ltd, Kalamassery, Ernakulam	Periyar
36	Travancore Rayons Ltd, Perumbavoor, Ernakulam	Periyar
37	Cochin Refineries Ltd, Ambalamugal, Ernakulam	Chitrapuzha
38	Cochin Refineries – Balmer Laurie Ltd PB No.25, Ambalamugal, Ernakulam	Chitrapuzha
39	Hindustan Organic Chemicals Ltd, Amabalamugal, Ernakulam	Chitrapuzha
40	Kerala Co-operative Milk Marketing Federation Ltd, Ernakulam dairy	Chitrapuzha
41	Thottakkattu Distilleries, Edayar, Ernakulam	Periyar river
42	Tapioca products Chalakudy, Thrissur	Chalakudy river
43	Madura Coats Ltd, Koratty, Thrissur	Chalakudy river
44	Sitaram Textiles Poonkunnam, Thrissur	Karuvannur river
45	Polsons Distillery, Chalakudy, Thrissur	Chalakudy river
46	Premier Breweries Ltd, Kanjikode West, Palakkad	Narukampally thodu (canal)

Appendix XX
Quantum of individual parameters of pollutants in effluent discharge in Periyar
(Reference Paragraph 3.2.7 (v); Page 58)

Parameter	No. of industrial units involved	Standard fixed	Effluent quantity in lakh KL/day	Combined load per day
Suspended solids	23	100 mg/l	1.74	17.420 tonnes
Total dissolved solids	5	2100 mg/l	0.076	15.91 tonnes
Oil and Grease	19	10 mg/l	1.68	1.68 tonnes
Sulphates	5	1000 mg/l	0.065	2.25 tonnes
Chlorides	3	1000 mg/l	0.023	2.25 tonnes
Ammoniacal Nitrogen	9	50-75 mg/l	0.756	3.78 tonnes
Chemical Oxygen demand	6	250 mg/l	0.093	2.34 tonnes
Total Kjeldahl Nitrogen	3	100-150 mg/l	0.461	4.61 tonnes
Phosphate	6	5 mg/l	0.405	202.65Kg
Flouride	9	1-2 mg/l	0.452	90.31 Kg
Biochemical Oxygen demand	15	30-100 mg/l	0.315	944 Kg.
Nitrate Nitrogen	5	10-20 mg/l	0.516	516 Kg
Sulphide	9	2 mg/l	0.358	71.69 Kg
Free Ammonia	5	5 mg/l	0.461	230.45 Kg

Appendix XXI
Statement showing the details of Laboratory equipment pending repairs/replacement as on March 2000
(Reference: Paragraph 3.2.8 (i); Page 59)

Sl. No.	Name of Laboratory	Name of equipment	Date from which out of order	Parameters whose analysis is suffering	Status of repairs/replacement
1	Central Lab, Kochi	(i)Atomic Absorption Spectrophotometer (AAS)	November 1991 (8 years)	Heavy Metals	Declared unserviceable. A new unit supplied by M/s ECIL in May1999 not yet installed due to fault in instrument
		(ii))Spectrophotometer	June 1994 (5 years)	-	Pending repairs due to delay in procuring spares
		(iii)Liquid Chromatograph	August 1997 (2 years)	Detection of polynuclear hydrocarbon/ organophosphorus and carbonate pesticides	-do-
		(iv) G.M. Counter	June 1990 (9 years)	Detection of radiation from IRE Kochi	Repairs pending
		(v) Flouride Meter	NA	-	Pending Repairs
		(vi) Liquid Scintillation System	NA	Radioactive measurements	Irrepairable
		(vii) Dissolved Oxygen temperature Recorder	NA	-	Irrepairable
2	Mini lab, District Office,Kottayam	(viii) BOD incubator	27.10.1999	BOD analysis	Pending repairs
3	Mini lab, District Office, Alappuzha	(ix) PH meter	December 1999	-	Pending repairs
4	Mini lab, District Office, Kollam	(x) Flame Photometer	December 1999	Sodium and Potassium	Pending repairs
		(xi) UV Spectrophotometer	September 1999	Fluoride, nitrate, nitrite etc	Pending repairs
		(xii) BOD Incubator	October 1998 (1 year)	BOD analysis	Pending repairs
5	Mini lab Regional Office, Thiruvananthapu ram	(xiii) Water bath	1997 (2 years)	-	Pending repairs
		(xiv) Hot plate	1995 (4 years)	-	Unserviceable
		(xv) Calorimeter	1997 (2 years)	-	Unserviceable

Appendix XXII

Statement showing the details of variation in analysis results by PCB labs and licensed private labs in respect of 11 industrial units during 1994-95 to 1999-2000.

(Reference: Paragraph 3.2.8 (iv); Page 60)

Sl. No.	Name of industries	Period of analysis	No. of samples	No. of parameters analysed		No. of parameters in which the results were above the standards in PCB analysis
				PCB lab	Private lab	
1.	Synthite Industrial Chemicals Ltd, Ernakulam	2/99 to 12/99	6	3	3	2
2.	Vysali Pharmaceuticals, Ernakulam	1/99 to 4/99	2	6	4	6
3.	HOC Ltd, Kochi	1/99 to 6/99	2	6	5	1
4.	Periyar chemical, Kochi	3/97 to 3/98	2	5	4	4
5.	Indian Rare Earth Ltd, Kochi	2/96 to 11/99	2	5	5	2
6.	SIC Ltd, Kochi	2/99 to 3/99	2	3	3	2
7.	Binani Zinc Ltd, Kochi	12/98 to 7/99	2	2	2	2
8.	HIL, Eloor	8/99 to 11/99	3	10	9	1
9.	DV DEO, Animates, Kochi	8/95 to 9/98	3	2	2	2
10.	M/s Padinjerakkara Agencies, Kottayam	11/97 to 6/98	2	4	4	2
11.	Diamond Roller Flour Mills, Kottayam	10/95 to 9/98	2	4	4	1

Appendix XXIII
Non-contribution of Municipal share to Urban Poverty Alleviation Fund
(Reference: Paragraph 3.3.8; Page 69)

(In rupees)

Sl. No.	Name of Urban Local Body	Year	2 per cent revenue income due to UPA fund	Amount credited to UPA fund	Balance due to UPA fund
1	**South Paravur**	1998-99	116276	-	116276
		1999-2000	125068	-	125068
2	**Varkala**	1998-99	300000	200000	100000
		1999-2000	300000	-	300000
3	**Kollam**	1998-99	1244584	-	1244584
		1999-2000	1200000	-	1200000
4	**Thodupuzha**	1998-99	372664	-	372664
		1999-2000	248592	-	248592
5	**Thiruvalla**	1998-99	60000	-	60000
		1999-2000	33000	-	33000
6	**Kayamkulam**	1998-99	128000	-	128000
		1999-2000	128000	-	128000
7	**Badagara**	1998-99	500000	-	500000
		1999-2000	700000	-	700000
8	**Kozhikode**	1998-99	10544023	1900000	8644023
		1999-2000	3561899	-	3561899
9	**Kottayam**	1998-99	4518067	600000	3918067
		1999-2000	1600000	-	1600000
10	**Nedumangad**	1998-99	200000	200000	-
		1999-2000	200000	-	200000
11	**Neyyattinkara**	1998-99	426133	-	426133
		1999-2000	98393	-	98393
12	**Attingal**	1998-99	200000	-	200000
		1999-2000	200000	-	200000
	Total				**24104699**

Appendix XXIV
Statement Showing the position of applications sent to banks under USEP
(Reference :Paragraph 3.3.9 (iii); Page 72)

Name of urban local body (1)	Number of applications sent to banks (2)	Number of applications rejected (3)	Number of applications sanctioned (4)	Number of applications pending				
				For less than 30 days (5)	1 to 3 months (6)	3 to 6 months (7)	More than 6 months (8)	Total pendency (9)
Kozhikode Corporation	805	360	243	10	57	34	101	202
Trivandrum Corporation	1345	381	266	-	-	698	-	698
South Piravom Municipality	252	45	-	-	-	207	-	207
Thodupuzha Municipality	126	39	59	-	-	-	28	28
Kollam Municipality	564	3	89	-	440	-	32	472
Neyyattinkara Municipality	278	-	-	278	-	--		278
Punalur Municipality	190	-	-	71	119	-	-	190
Attingal Municipality	134	8	17	-	109	-	-	109
Badagara Municipality	112	14	71	-	1	17	9	27
Kottayam Municipality	290	65	46	-	-	-	179	179
Changanacherry Municipality	127	9	4	-	1	113	-	114
Tiruvalla Municipality	404	107	85	-	212	-	-	212
Nedumangad Municipality	526	254	91	-	181	-	-	181
Varkala Municipality	126	69	48	-	9	-	-	9
Kayamkulam Municipality	324	-	148	-	176	-	-	176
Total	**5603**	**1354**	**1167**	**359**	**1305**	**1069**	**349**	**3082**

Appendix XXV
Statement Showing the position of applications sent to banks under DWCUA
(Reference: Paragraph 3.3.9 (iii); Page 72)

Name of urban local body	Number of applications sent to banks	Number of applications rejected	Number of applications sanctioned	Number of applications pending				
				For less than 30 days	1 to 3 months	3 to 6 months	More than 6 months	Total pending
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Kozhikode Corporation	4	2	-	2	-	-	-	2
Trivandrum Corporation	4	-	4	-	-	-	-	-
South Piravom Municipality	4	2	-	2	-	-	-	2
Thodupuzha Municipality	-	-	-	-	-	-	-	-
Kollam Municipality	2	-	1	-	1	-	-	1
Neyyattinkara Municipality	5	-	-	5	-	-	-	5
Punalur Municipality	6	-	-	6	-	-	-	6
Attingal Municipality	3	-	-	-	3	-	-	3
Badagara Municipality	2	-	1	1	-	-	-	1
Kottayyam Municipality	-	-	-	-	-	-	-	-
Changanacherry Municipality	-	-	-	-	-	-	-	
Tiruvalla Municipality	-	-	-	-	-	-	-	-
Nedumangad Municipality	13	-	-	13	-	-	-	13
Varkala Municipality	3	-	3	-	-	-	-	-
Kayamkulam Municipality	6		5	-	1	-	-	1
Total	**52**	**4**	**14**	**29**	**5**	**-**	**-**	**34**

Appendix XXVI
Default in repayment of PMRY loans
(Reference: Paragraph 3.3.10; Page 73)

(In Rupees)

District	Name of Bank	No. of cases of default	Amount of loan involved	Loan sanctioned during/between	Amount in default	Remarks
Kollam	Federal Bank, Umayanallur	1	23750	June 1998	Not available	Unit not functioning
	State Bank of Travancore, Karunagapally	2	142500	February 1997	,,	,,
	South Indian Bank, Kottarakara,	1	95000	February 1998	,,	,,
	Syndicate Bank,Mynagapally	4	219150	March 1995 to January 1999	226793	,,
	Catholic Syrian Bank, Sooranad,	31	1401900	January 1995 to November 1997	546442	
	State Bank of Travancore, Head Office, Trivandrum	32	998500	January 1995 to February 1999	845205	
Trivandrum	Vysya Bank, Trivandrum	2	87779	July 1996	Not available	Unit not functioning
	Bank of India, Nedumnagad	2	65400	October 1994	,,	,,
	Canara Bank, Sasthamangalam	1	95000	April 1995	,,	,,
	SBI, Sreekariyam	2	137500	April 1995 to October 1995	,,	,,
	State Bank of Travancore, Dhanuvachapuram	1	75000	October 1995	,,	,,
	Bank of India, Peringammala	1	71250	December 1995	,,	,,
	Indian Overseas Bank, Mukkola	1	42000	March 1995	,,	,,
	Punjab National Bank, Trivandrum	1	32000	March 1995	,,	,,
	Syndicate Bank, Kochuveli	2	119000	February 1996	,,	,,
	State Bank of Travancore, Sreekariyam	1	95000	October 1994	,,	,,
	State Bank of India, Kariyavattom	1	38000	NA	,,	,,
	Andhra Bank, Tvm	1	49295	,,	,,	,,
	Oriental Bank of Commerce, Tvm.	1	65000	,,	,,	,,
	State Bank of India Venjarammoodu	1	95000	,,	,,	,,

District	Name of Bank	No. of cases of default	Amount of loan involved	Loan sanctioned during/between	Amount in default	Remarks
Kozhikode	Nedungadi Bank, Eranjipalam	6	306550	June 1995 to September 1998	291465	Unit not functioning
	,,	2	110979	February 1999 June 1999	21366	
Kottayam	Federal bank, Puthuppally	1	25000	February 1999	NA	
	State Bank of Travancore, Poovathalappu	1	38650	November 1998	NA	
	State Bank of Travancore, Ettumanoor	1	220000	June 1997	265690	
	State Bank of Travancore, Thiruvarpu	9	510850	April to October 1997	276250	
	State Bank of Travancore, Thrikkodithanam	1	65000	March 1998		
	Federal Bank, Ponkunnam	1	53200	October 1996		
	State Bank of Travancore Manimala	1	28500	December 1994		
	State Bank of Travancore, Poovarani	1	63900	November 1964		
	Dhanalakshmi Bank, Chirakadavu	1	76000	January 1995		
	State Bank of Travancore, Koottikkal	8	300200	June 1991 to March 1998		
	State Bank of Travancore, Kottayam	1	65000	June 1998		
	Vysya Bank, Kottayam	1	40000	November 1997		
	Canara Bank, Manarkad	1	90750	November 1997		
Total			**5942603**		**2473211**	

Appendix XXVII
Details of Offices taken up for review
(Reference: Paragraph 3.6.1; Page 77)

I. Agriculture — Principal Agricultural Officers

1. Kollam including O/o the ADA, Oachira and Kottarakara
2. Pathanamthitta
3. Alappuzha
4. Kottayam
5. ADA, Neyyantinkara

II.Health Services

1. GovernmentVictoria Hospital, Kollam
2. District Hospital, Kollam
3. District Hospital, Kozhenchery
4. DMOH, Kollam
5. DMOH, Alappuzha
6. DMOH, Pathanamthitta
7. Taluk HQ Hospital, Chirayinkil
8. Taluk HQ Hospital, Neyyattinkara
9. Government Hospital, Kayamkulam
10. Taluk HQ Hospital, Mavelikkara

III.Medical Colleges

1. T.D Medical College, Alappuzha
2. Government Medical College, Kottayam

IV.Water Transport — Directorate of Water Transport, Alappuzha

V. Collectorates — Collectorate, Kollam

VI. Animal Husbandry Department

1. Chief Disease Investigators Office, Palode
2. Director, Animal Health and Veterinary Biological Institute, Palode.

VII. Jails — Sub-Jail, Kollam

VIII. Tourism

1. Directorate of Tourism, Trivandrum
2. Guest Houses at Thycaud, Kovalam, Ernakulam and Kollam
3. Tourism Garage, Thycaud.

IX. Technical Education

Engineering Colleges — Government College of Engineering, Trivandrum

X. General Education

1. DIET, Kollam
2. DIET, Pathanamthitta
3. DIET, Kottayam
4. Text Book Office , Trivandrum

XI. Dairy Development

Dairy Extension Offices Adoor & Trivandrum

XII. Rural Development

1. B.D.O, Chadayamangalam
2. B.D.O, Kazhakuttam

XIII. Stationery and Printing

Controller of Stationery and Printing, Trivandrum

XIV. Marine Survey

1. Chief Hydrographic Surveyor, Trivandrum
2. Asst. Director, Hydrographic survey, Kollam

Appendix XXVIII
Department-wise details of outstandings
(Reference: Paragraph 3.6.1; Page 77)

Sl. No	Department	Period	No. of DDOs	No. of items	Amount (Rs in lakh)
1.	Agriculture	1991-92 to 1998-99	5	174	2023.00
2.	Health	1994-95 to 1999-2000	11	29	46.00
3.	Tourism	1989-90 to 1999-2000	3	247	471.33
4.	Text book Office (Education)	1990-91 to 1998-99	1	96	2434.00
5.	Engineering College, Thiruvananthapuram	1990-91 to 1998-99	1	13	26.00
6.	Animal Husbandry	1996-97 to 1999-2000	2	52	63.00
7.	Stationery and Printing	1995-96 to 1999-2000	1	8	467.00
8.	DIET (Education)	1995-96 to 1999-2000	3	55	135.00
9.	Rural Development	1996-97 to 1999-2000	1	17	15.00
10.	Dairy Development	1999-2000	1	1	1.00
12.	Medical Education	1990-91 to 1998-99	2	55	218.40
	Total		**31**	**747**	**5899.73**

Appendix XXIX
List of DDOs holding heavy cash balance for three years
(Reference Paragraph 3.7.5; Page 82)

Sl. No.	Drawing and Disbursing Officer (DDO)	Cash Balance as on 31st March (Rupees in lakh)		
		1997	1998	1999
	Health & Family Welfare Department			
1	Medical College, Thiruvananthapuram	16.39	145.26	35.42
2	Government Ayurveda College, Trivandrum (Pharmacology Department)	9.40	4.89	2.25
3	District Medical (Health), Kozhikode	9.07	1.32	1.36
	Higher Education Department			
4	Government Engineering College, Thiruvananthapuram	13.38	17.51	23.33
5	Government Engineering College, Kottayam	40.69	57.61	39.05
6	Government Engineering College, Thrissur	6.40	7.06	8.56
7	Government Engineering College, Kannur	5.73	4.35	6.31
8	Maharaja Technical Institute, Thrissur	1.94	2.02	3.02
	Revenue Department			
9	Taluk Office, Ottappalam	3.02	2.58	1.89
10	Taluk Office, Kochi	13.30	3.93	4.60
11	Taluk Office, Adoor	0.74	1.52	2.62
12	Taluk Office, Kollam	3.37	4.13	11.88
13	Taluk Office, Devicolam	1.43	1.78	2.00
14	Taluk Office, Udumbanchola	3.67	A	A
	General Administration (Tourism)			
15	Government Guest House, Kovalam	1.73	1.70	4.58
16	Government Guest House, Thrissur	0.73	0.78	1.56
17	Government Guest House, Malappuram	0.55	0.92	1.02
	General Education Department			
18	Director of Public Instructions Trivandrum	17.46	17.21	18.33
19	District Educational Officer, Neyyattinkara	A	4.40	A
20	District Educational Officer, Kattappana	2.58	3.53	7.70
21	District Educational Officer, Palakkad	5.41	4.34	10.02
22	District Educational Officer, Aluva	2.36	2.42	5.75

"A" Information awaited

Appendix XXX
Pattern of financial assistance to Post Partum Centres
(Reference: Paragraph 3.12.3; Page 91)

Nature of assistance	District Level PPCs				Sub-District
	A-T	ANT	B	C	
	Amount in Rupees				
Replacement of surgical equipment	500	500	..	..	2500
Maintenance of Operation Theatre	2500	2500	..	..	..
Contingency	4000	4000	4000	4000	6000
POL Diesel	9500	9500	9500	..	..
PAP Smear Test Facility – Purchase of glass-ware etc. Contingency	3000 2000	..	..	..	..
Maintenance of PP Ward (1) When No. of Tubectomies per bed is 75 and above per annum	3000 per bed	3000 per bed	3000 per bed	3000 per bed	3000 per bed
(2) When No. of Tubectomies per bed is 45 and above but below 75	2400 per bed	2400 per bed	2400 per bed	2400 per bed	2400 per bed
Equipment for Sterilisation Ward	Rs 2000 per bed				
Surgical and Office equipment	28000	28000	21500	20000	25000
Other equipment	7500	7500	6500	6500	Nil
Renovation of labour room	..	..	..	..	25000

Note: A-T Type & ANT Type – Teaching and non-teaching type where obstetrics and abortion cases are more than 3000.
B Type – where obstetrics and abortion cases are between 1500 and 3000.
C Type – where obstetrics and abortion cases are below 1500.

Appendix XXXI

Statement of calculation of short demand of service charges for maintenance of PP wards

(Reference: Paragraph 3.12.3(i); Page 91)

(Rupees in lakh)

	1995-96	1996-97	1997-98	1998-99	1999-2000	Total
A-T Type with Cyto-technicians –contingency, equipment, etc. for two institutions	1.14	1.14	1.14	1.14	1.14	5.70
A-T Type without Cyto-technicians –contingency, equipment etc. for two institutions	1.04	1.04	1.04	1.04	1.04	5.20
Equipments for Sterilisation Ward for 4 AT-88 beds	8.34	8.34	8.34	8.34	8.34	41.70
9 ANT-256 beds,1 BT-22 beds & 4 CT-51 beds Maintenance of PP Ward-below 75, (1995-96 - 170 beds; 1996-97-147 beds; 1997-98 - 271 beds; 1998-99 - 242 beds; 1999-2000 - 180 beds)	4.08	3.53	6.50	5.81	4.32	24.24
Maintenance of PP Ward- 75& above (1995-96-- 372 beds; 1996-97 - 386 beds; 1997-98 - 415 beds; 1998-99 - 423 beds; 1999-2000 - 530 beds)	11.16	11.58	12.45	12.69	15.90	63.78
ANT –contingency, equipment, etc-9 institutions	4.68	4.68	4.68	4.68	4.68	23.40
B Type-contingency, equipment, etc-1 institution	0.42	0.42	0.42	0.42	0.42	2.10
C Type-contingency, equipment, etc-4 institutions	1.22	1.22	1.22	1.22	1.22	6.10
Sub-District – contingency, equipment, etc-60 institutions	35.10	35.10	35.10	35.10	35.10	175.50
	67.18	**67.05**	**70.89**	**70.44**	**72.16**	**347.72**
Less: Diet charges for Tubectomies in PPCs	19.69	21.42	22.16	20.75	23.07	107.09
Balance due	47.49	45.63	48.73	49.69	49.09	240.63
Less: Contingent charges included in PPC costs	8.01	5.98	3.77	4.64	5.10	27.50
Net Loss	**39.48**	**39.65**	**44.96**	**45.05**	**43.99**	**213.13**

Appendix XXXII
Details of budget provision and purchases made
(Reference: Paragraph 3.12.4; Page 92)

(Rupees in lakh)

Head of Account	1995-96		1996-97		1997-98		1998-99		1999-2000	
2211 – Family Welfare	Provision	Expenditure	Provision	Expenditure	Provision	Expenditure	Provision	Expenditure	Provision	Expenditure
101 Rural Family WelfareServices 99 SSNS 19 Machinery and Equipments	18.12	2.54	0.90	--	0.75	--	1.00	--	1.00	--
103 Maternity and Child Health 94 Reproductive and Child Health Project							181.95	81.54		
97 Reproductive and Child Health Programme									273.00	--
105 Compensation 95 Medicine	175.00	132.42	274.00	179.10	175.00	153.22	200.50	199.30	200.50	185.84
94 Extension of Sterilisation Facilities in Rural and Semi Rural Areas	125.00	25.32	125.00	78.27	34.00	32.88	36.00	35.99	36.00	11.00
200 Other Services and Supplies 99 Supply of surgical equipment to rural and urban family welfare centres	25.00	--	25.00	--	25.00	--	35.70	53.15	36.00	16.10

Appendix XXXIII
List of items held in stock unutilised
(Reference: Paragraph 3.12.4(ii); Page 93)

Sl. No.	Name of item	Period of purchase	Unit cost (Rupees)	Stock in Nos.	Total Cost (Rupees)
1.	Air Pump for Laproscope	Before April 1995	1500.00	5	7500
2.	Ambus bag	Before April 1995	3000.00	1	3000
3.	Ambus bag (Children)	Before April 1995	669.76	39	26121
4.	Adhesive Plaster (10 cm x 5 m)	November 1998	46.18	192	8869
5.	Bowel EI 6	Before April 1995	5.00	45	225
6.	BP Blade 11 (Rate per 100)	August 1998	117.38	324600	381015
7.	BP Blade 23 (Rate per 100)	August 1998	117.38	49500	58103
8.	Baby incubator	February 1998	33020.00	2	66040
9.	Cabinet Instrument	Before April 1995	2500.00	3	7500
10.	Cather (F) Metal	Before April 1995	14.56	35	510
11.	Cather Folleys Rubber	March 1999	29.00	11950	346550
12.	Dialators Uterine-Hegar's	July 1995	102.96	262	28024
13.	Endotracheal Tube Coffed size 3 to 11	April & May 1996	304.72	379	115489
14.	--------- Do ----------- size 2.5 mm	April & May 1997	26.79	1705	45660
15.	Drip Set #	November 1998 & December 1998	4.60	41350	190256
16.	Ether Mask	May 1996	42.64	65	2772
17.	Forceps Dissecting Plain	March 1996	29.12	589	17152
18.	Forceps Sponge holding	March 1996	145.60	199	28974
19.	Face Mask disposable (Rate per 50)	March 1999	143.33	120800	346285
20.	Face Mask Cotton	February 1997	4.10	5338	21886
21.	Gauze absorbent 90 x 500 packets	March 1999	60.00	7562	455520
22.	Chloroxylenol (Dettol) (Rate per packets of dozen)	January 1997	491.52	180	89554
23.	Setrimide solution (Savlon)	November 1998	120.00	200	24000
24.	Cidex (Gluteraldehyde)	September 1996	499.00	274	136726
25.	Formalin	September 1996	26.83	3386	90846
26.	Glove Powder	April 1994	10.00	1896	18960
27.	Open Type Relay 1/6 HP @	April 1997	140.40	25	3510
28.	Overload Protector @	April 1997	140.40	82	11513
29.	Cat gut CH – 1 (Rate per dozen)	February 1997	208.00	4920	85280
30.	Cat gut CH-1/0 Atromatic (Rate per dozen)	December 1998	250.55	47160	984662
31.	Cat gut 1/0 Plain (Rate per dozen)	December 1998	196.60	12600	206430
32.	Cat gut CH-2 (Rate per dozen)	October to December 1998	509.60	210840	8953672
33.	Cat gut CH-2/0 (Rate per dozen)	February 1997	150.80	14700	184730
34.	Cat gut 2/0 Plain (Rate per dozen)	December 1998	181.90	3000	45475
	Total				**12992809**

Date of expiry August 2000. Quantity required for 2000-01 is 29300. At least 25000 sets worth Rs 1.50 lakh cannot be properly and economically used before the expiry date.

@ No issue after purchase in April 1997 and the entire quantity is held in stock on 31 March 2000.

Appendix XXXIV
Department-wise details of cases of misappropriation, losses, etc.
(Reference: Paragraph 3.24; Page 108)

Department	Number of cases	Rupees in lakh
Agriculture Department	8	1.34
Animal Husbandry Department	6	0.45
Cultural Affairs Department (i) Archives	1	0.21
Finance Department (i) National Savings (ii) Treasuries	 1 11	 0.45 57.76
Fisheries and Ports Department	1	1.32
General Education Department	16	26.10
Health and Family Welfare Department (i) Health Services (ii) Medical Education	 10 2	 4.39 0.71
Higher Education Department (i) Collegiate (ii) Technical (iii) Stationery & Printing	 5 5 1	 2.15 1.23 0.14
Home Department (i) Police (ii) Administration of Justice	 4 3	 15.08 0.25
Industries Department	2	0.40
Irrigation Department	21	29.40
Labour and Rehabilitation Department	1	1.82
Local Self Government Department	1	0.77
Public Works Department (i) Buildings (ii) Roads and Bridges	 17 14	 4.63 4.35
Revenue Department (i) Land Revenue (ii) Survey of Land records	 12 1	 10.87 5.60
Rural Development Department	6	0.53
Taxes (i) Lotteries	 1	 3.43
Scheduled Caste/Scheduled Tribe Development Department	3	0.75
Total	**153**	**174.13**

Appendix XXXV
Department-wise details of writes off and waivers
(Reference: Paragraph 3.25; Page 108)

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	16	0.22	1	0.02
2	Finance Department	3	0.72	3	0.37
3	Food and Civil Supplies Department	4	0.12		
4	General Administration Department	3	1.96	1	0.35
5	Fisheries and Ports Department	6	5.70		
6	Higher Education Department	16	0.47		
7	Local Self Government Department	4	0.90		
8	Planning and Economic Affairs Department	2	0.70	1	0.20
9	Rural Development Department	3	0.83		
10	Revenue Department	1	0.01		
11	SC/ST Development Department	1	0.06		
12	Transport Department	1	0.02		
	Total	**60**	**11.71**	**6**	**0.94**

Appendix XXXVI
Statement showing number of paragraphs in respect of which Action Taken Note had not been furnished by the Administrative Department
(Reference: Paragraph 3.26; Page: 109)

Sl No	Name of Department	Audit Report for the year	Number of Audit Paragraphs
1	Agriculture	1997-98	1
		1998-99	1
2	Agriculture (Animal Husbandry)	1998-99	1
3	Cultural Affairs	1995-96	3
4	Finance	1988-89	1
		1992-93	2
		1993-94	4
		1995-96	2
		1996-97	1
		1997-98	3
		1998-99	2
5	Fisheries & Ports	1986-87	1
		1995-96	3
		1996-97	1
		1997-98	1
		1998-99	2
6	Food and Civil Supplies	1998-99	1
7	Forest & Wild Life	1987-88 (No.6)	1
		1993-94	3
		1998-99	1
8	General Education	1990-91	1
		1996-97	2
		1997-98	2
		1998-99	3
9	General Administration	1993-94	1
		1997-98	3
10	Health & Family Welfare	1996-97	3
		1998-99	4
11	Higher Education	1993-94	1
		1995-96	2
		1996-97	3
		1998-99	1
12	Home	1995-96	1
		1996-97	2
		1997-98	6
		1998-99	2
13	Housing	1997-98	1
14	Industries	1995-96	1
		1996-97	1
		1997-98	4
		1998-99	3

Sl No	Name of Department	Audit Report for the year	Number of Audit Paragraphs
15	Information Technology	1998-99	1
16	Irrigation	1988-89	1
		1992-93	3
		1993-94	3
		1994-95	5
		1995-96	5
		1996-97	6
		1997-98	7
		1998-99	9
17	Labour & Rehabilitation	1996-97	1
18	Local Self Government	1995-96	1
		1997-98	1
		1998-99	6
19	Power	1995-96	1
20	Public Works & Transport	1997-98	4
		1998-99	12
21	Planning & Economic Affairs	1997-98	1
22	Revenue	1996-97	1
23	SC & ST Development	1996-97	1
		1997-98	1
24	Social Welfare	1998-99	1
25	Taxes	1997-98	1
		1998-99	1

Appendix XXXVII
Details of stores not delivered
(Reference: paragraph 5.2.3; page 139)

Sl. No	Name of machinery/ equipment	Name of supplier	Contract cost (Rs)	Date of supply order	Due date of delivery/ commissioning	Stage payments paid (Rs)	Rate of penalty (Rs per day)	Penalty as on 31 May 2000 (Rs)	Penalty recovered as on 31 May 2000 (Rs)
1.	Water Barge (150 MT) for Neendakara	Steel Industrials Kerala Ltd, (SILK)	62,73,000	31 March 1997	31 July 1998	47,05,000	1,000	6,70,000	2,00,000
2.	15 KVA Diesel Generator set for tug Padmasree	SILK	2,70,000	30 March 1998	30 June 1998	1,35,000	270	1,89,270	-
3.	Steel tug (600 HP) for Vizhinjam Port	M/s Delta Marine Engineering, Kochi	80,64,472	21 March 1996	21 July 1997	59,53,354	1,000	10,45,000	5,40,000
4.	Electrical Crane (2 Nos.) for Beypore port	SILK	40,00,000	31 March 1997	30 September 1997	36,00,000	1,000	9,74,000	-
5.	Steel Cargo Barge (250 tonne) for Neendakara	Western Marine Engineering, Kochi	76,72,000	31 March 1997	1 August 1998	57,54,000	1,000	6,69,000	-
	Total		**2,62,79,472**			**2,01,47,354**		**35,47,270**	**7,40,000**

Appendix XXXVIII
Details of idle machinery/equipment/vessels
(Reference: Paragraph 5.2.4; Page 140)

Sl. No	Office to which attached	Name of vessel/machinery/ equipment	Date of acquisition	Cost of acquisition (Rs in lakh)	Date from which idling	Remarks
1.	Port Office, Alappuzha	Mail Boat 'Jalakanyaka'	9 November 1975	NA	2 November 1989	Lack of shipping operations. Action in progress to transfer to other needy ports.
2.	-do-	Out board engine Yamaha	26 April 1990	0.18	2 November 1989	
3.	-do-	Wooden trolleys	1 May 1964	NA	2 November 1989	
4.	-do-	Iron trolleys (30 Nos.)	17 July 1989	NA	2 November 1989	
5.	-do-	Steel rollers	NA	NA	2 November 1989	
6.	-do-	Electric cranes (2 Nos)	1 May 1964	NA	2 November 1989	
7	Port office, Kollam	Alleppey Barge No.II	1981	6.60	1992	Files with CTE*, Government of Kerala for detailed study.
8.	Port Office, Kozhikode	Brithwait 3 T electric crane (2 Nos.)	NA	NA	October 1998	Decision on disposal was not taken as the feasibility of installing the crane at Azhikkal Port was under examination.
9.	-do-	FRP tug, 'Munrothuruth'	3 May 1992	40.00	3 May 1992	Case between the Department and manufacturer was pending in the Hon.High Court
10.	-do-	'Coles' mobile crane	NA	NA	20 September 1993	Estimate for repairs was forwarded to Director of Ports for getting administrative sanction and technical sanction.
11.	Hydrographic Survey Wing, Kollam	M.V.Gaveshni	1977	5.78	30 June 1998	Estimate was prepared and submitted to Government for approval.

(NA – Not available)
* Chief Technical Examiner

Appendix XXXIX
Synoptic statement showing the summarised financial results of quasi-Government commercial undertakings
(Reference: Paragraph 6.1; Page 142)

(Rupees in lakh)

Sl. No.	Name of undertaking	Year of commence-ment	Period of account	Government capital on 31 March	Mean capital	Block assests	Depre-ciation	Loss (-)/ Profit (+)	Interest charged/ added back	Total return (Col. 9+10)
1	2	3	4	5	6	7	8	9	10	11
1	State Water Transport Department, Alappuzha	1968	1989-90	1402.37	1301.45	227.71	17.81	(-) 178.20	35.36	(-) 142.84
2	Rubber Plantation at Open Prison, Nettukaltheri, Thiruvananthapuram	1982	1996-97 1997-98 1998-99	19.95 12.74 12.80	20.27 16.35 12.77	19.95 12.74 12.80	0.26 0.26 0.29	(-) 4.14 (-) 14.64 (-) 16.55	1.34 1.30 0.83	(-) 2.80 (-) 13.34 (-) 15.72

Appendix XL
Loss of income due to non-receipt of premia due
(Reference: Paragraph 6.2.(iv); Page 144)

Name of District	Number of policies to be issued	Average number of months pending	Amount* (Rupees)
Kasaragod	2000	12	12,00,000
Kannur	1260	9	5,67,000
Wayanad	1609	10	8,04,500
Kozhikode	3000	9	13,50,000
Malappuram	2408	10	12,04,000
Palakkad	2219	10	11,09,500
Thrissur	1151	14	8,05,700
Ernakulam	2500	8	10,00,000
Idukki	673	10	3,36,500
Kottayam	1000	12	6,00,000
Alappuzha	400	10	2,00,000
Kollam	1200	12	7,20,000
Thiruvananthapuram	2450	9	1,10,250
Total			**1,00,07,450**

* Premium at the rate of Rs 50 per month

Appendix XLI
Details of assistance received by MCT during 1995-2000
(Reference: Paragraph 7.16.2(b); Page 162)

(Rupees in crore)

Year	Grant-in-aid from State Government				Internal resources	Beneficiary contribution	Total receipts
	Category A	Category B	Category C	Total			
1995-96	Nil	Nil	0.78	0.78	17.52	Nil	18.30
1996-97	Nil	2.74	6.59	9.33	12.09	Nil	21.42
1997-98	12.66	3.15	4.19	20.00	12.42	0.18	32.60
1998-99	15.36	1.62	3.72	20.70	14.68	0.19	35.57
1999-2000	14.32	2.13	7.58	24.03	17.48	0.27	41.78
Total	42.34	9.64	22.86	74.84	74.19	0.64	149.67

Category A	Plan grants directly released by Local Self Government Department for schemes prepared and approved by the local body. These are untied funds.
Category B	Funds released for schemes and institutions transferred by various departments. These are tied funds.
Category C	Amounts of basic tax, vehicle tax compensation, stamp duty etc., allocated on the basis of recommendations of the State Finance Commission.

Appendix XLII
Financial progress in implementation of slum improvement scheme in six colonies
(Reference: Paragraph 7.16.4; Page 164)

(Rupees in lakh)

Sl. No	Name of work/colony	Date of agreement	Estimated cost		Payment made			
			Original	Revised	Mobilisation advance	Secured advance	Works bills	Total
1	Kunnathukulathinkara	24 June 1998	21.50	72.78	0.50	4.16	Nil	4.66
2	Anchamada	16 June 1998	13.65	15.01	0.50	3.12	1.50	5.12
3	Attinkara	12 June 1998	21.47	25.78	0.50	5.11	0.92	6.53
4	Puthuchakonam	25 June 1998	2.87	6.30	1.00	1.21	1.11	3.32
5	Latex Colony	12 June 1998	33.40	39.50	1.00	5.25	2.13	8.38
6	Mudavanmugal	17 June 1998	58.48	61.50	1.00	7.88	16.76	25.64
Total			**151.37**	**220.87**	**4.50**	**26.73**	**22.42**	**53.65**

Appendix – XLIII
Details of secured advances paid on bogus supply of materials
(Reference: Paragraph 7.16.4; Page 164)

(Rupees in lakh)

Sl. No.	Name of work	Value of materials as claimed to be supplied	Admissible secured advance at 75 *per cent* of value in column 3	Secured advance paid	Value of materials actually procured as on 30 June 1998	Secured advance admissible (75 per cent of value in colmn 6)	Excess (column 5 –7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Kunnathukulathinkara slum improvement	5.44	4.08	4.16	Nil	Nil	4.16
2	Puthuchakonam slum improvement	1.61	1.21	1.21	0.86	0.65	0.56
3	Attinkara slum improvement	6.80	5.11	5.11	0.67	0.50	4.61
4	Latex poramboke slum improvement	6.48	4.86	5.25	0.88	0.66	4.59
5	Mudavanmugal Vadakke slum improvement	9.97	7.47	7.88	0.15	0.11	7.77
6	Anchamada slum improvement	5.99	4.49	3.12	0.40	0.30	2.82
Total		**36.29**	**27.22**	**26.73**	**2.96**	**2.22**	**24.51**

Appendix XLIV
Details of purchases made in violation of prescribed procedures
(Reference: Paragraph 7.16.7; Page 166)

Sl. No.	Items purchased (number)	Agency from which purchased	Purchase procedure adopted	Purchase value	Loss
				Rupees in lakh	
1	PVC Doors (202)	Private	Provisional invoice	5.05	Not assessable
2	PVC water tanks (4)	Private	-do-	0.14	-do-
3	Jeeps (3)	Private	-do-	10.47	-do-
4	Layer pullets	Private	Limited tender	24.98	4.00
5	Goats	-do-	Open tender- Supply order not placed with the lowest tenderer	4.14	0.70
6	Tables and chair (139)	-do-	-do-	7.66	Not assessable
7	Sewing machines	-do-	-do-	5.00	-do-
8	Toys	-do-	-do-	1.33	-do-
9	Vehicles & equipment	KAIC*	-do-	261.00	-do-
10	Solar lanterns	ANERT$	-do-	1.99	-do-
11	Computers	KELTRON#	-do-	16.33	-do-
Total				**338.09**	

* Kerala Agro-Industries Corporation – Public Sector Undertaking
$ Agency for Non-conventional Energy and Rural Technology – Autonomous Body
\# Kerala State Electronics Development Corporation – Public Sector Undertaking