

REPORT OF THE COMPTROLLER
AND AUDITOR GENERAL
OF INDIA

FOR THE YEAR 1976-77

GOVERNMENT OF KERALA
(CIVIL)

REPORT OF THE COMPTROLLER
AND AUDITOR GENERAL
OF INDIANA

FOR THE YEAR 1917

GOVERNMENT OF INDIANA
INDIANAPOLIS

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ERRATA

Report of the Comptroller and Auditor General of India for the year 1976-77-Government of Kerala (Civil)

<i>Page no.</i>	<i>Reference to paragraph/line</i>	<i>For</i>	<i>Read</i>
iii	Name of paragraph under Health Department	the District Medical Stores,	District Medical Stores,
14	Line 14	commuicated	communicated
32	Line 3	post budget	post-budget
33	Line 4 from bottom	Acadvances	Advances
36	Line 10	post budget	post-budget
42	Line 13	outastanding	outstanding
53	Line 15	producers	producers
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57	Line 20	casualty	casualty
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61	Line 2 from bottom	Live Stock	Live-Stock
61	Line 6 from bottom	Live Stock	Live-Stock
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105	First line	materials.	materials.
106	Line 15 from bottom	odged	lodged
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121	Line 22	t these	at these
125	Line 2	lakhs)	lakhs
138	Line 7	State as	State, as
146	Line 6	However	However,
148	Line 20 from bottom	section 15	Section 15
154	Line 9	Audit	audit
157	Line 10 from bottom	building	buildings
183	Against Sl. No. 25	432 00	432.00
184	Against Sl. No. 6, last column-first line	Post budget	Post-budget
193	Foot-note (hh)-Line 2 from bottom	and other	and other units.

PREFATORY REMARKS

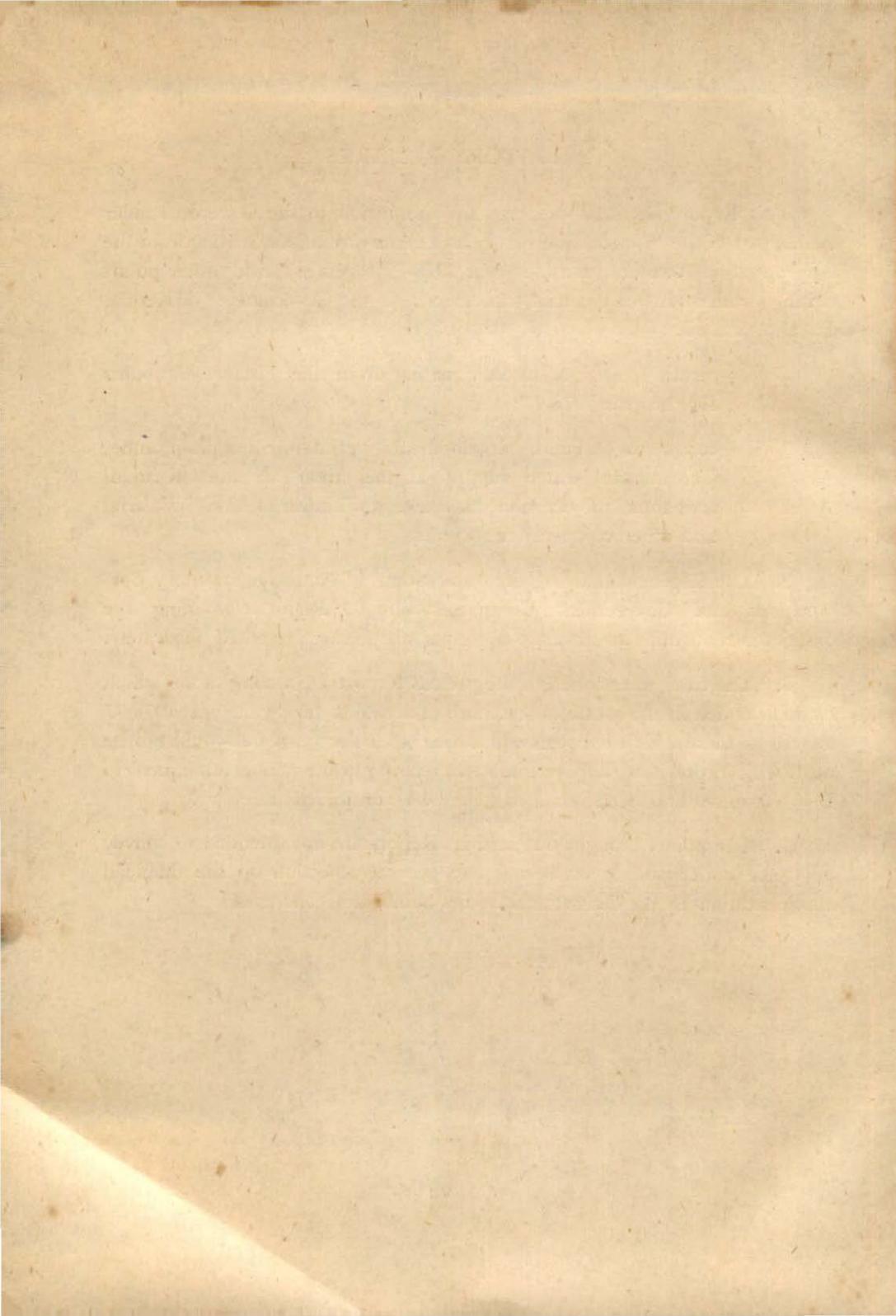
This Report has been prepared for submission to the Governor under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts for the year 1976-77 together with other points arising from audit of financial transactions of the Government of Kerala. It also includes:—

- (i) certain points of interest arising from the Finance Accounts for the year 1976-77; and
- (ii) comments on Poultry development, Special nutrition programme, Trivandrum water supply augmentation scheme, Kuttiadi irrigation project and assistance to industries and industrial and other co-operative societies.

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

3. The cases mentioned in the present Report are among those which came to notice in the course of test audit of accounts during the year 1976-77 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 1976-77 have also been included, wherever considered necessary.

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



CHAPTER I

GENERAL

1.1. Summary of transactions

The receipts, expenditure and surplus/deficit of the Government for the year 1976-77 are given below with the corresponding figures of the previous year:—

	1975-76	1976-77
	<i>(in crores of rupees)</i>	
(1) Revenue		
Revenue receipts	351.22	386.18
Revenue expenditure	355.04	389.48
Revenue deficit (—)	(—)3.82	(—)3.30
(2) Public Debt		
Internal Debt of the State Government (net)		
Increase (+)	(+)26.39	(+)13.16
Loans and Advances from the Central Government (net)		
Increase (+)	(+)12.88	(+)21.25
Total Public Debt (net)		
Increase (+)	(+)39.27	(+)34.41
(3) Loans and Advances by the State Government (net)		
Increase (—)	(—)8.20	(—)9.84
(4) Contingency Fund (net)		
Increase (+)		
Decrease (—)	(—)0.15	(+)0.66

	1975-76	1976-77
	<i>(in crores of rupees)</i>	
(5) Public Account (net)		
Increase (+)	(+)24.14	(+)25.89
(6) Capital Account (net)		
Increase (—)	(—)47.06	(—)56.80
<u>Net surplus (+)</u>	(+) 4.18	(—)8.98
<u>Net deficit (—)</u>		
Opening Cash Balance	(—)3.99	(+)0.19
<u>Net surplus (+)</u>	(+) 4.18	(—)8.98
<u>Net deficit (—)</u>		
Closing Cash Balance	(+)0.19	(—)8.79*

1.2. Budget and actuals

(a) Revenue receipts:

The actuals of revenue receipts for 1976-77 compared with (i) the budget estimates and (ii) the budget estimates plus additional taxation during the

*There was a difference of Rs. 19.72 crores (net credit) between the figure reflected in the accounts [Rs. (—) 11.49 crores] and that intimated by the Reserve Bank of India (Rs. 31.21 crores) in respect of 'Deposits with Reserve Bank' (included in the cash balance). Against this, Rs. 19.77 crores were adjusted in respect of shortfall from the agreed minimum cash balance (Rs. 0.60 crore) and overdrafts (Rs. 19.17 crores). Of the remaining difference of Rs. 0.05 crore (net debit), difference to the extent of Rs. 0.02 crore has since been reconciled and difference of Rs. 0.03 crore is under reconciliation (January 1978).

year along with the corresponding figures for 1974-75 and 1975-76 are shown below:—

Year	Budget	Budget plus additional taxation	Actuals	Variation between columns (4) and (3)	
				Amount	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
<i>(in crores of rupees)</i>					
1974-75	253.40	260.15	287.97	(+)27.82	10.69
1975-76	295.29	300.29	351.22	(+)50.93	16.96
1976-77	387.76	399.76	386.18	(—)13.58	3.40

(b) *Expenditure on revenue account:*

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

Year	Budget	Budget plus supplementary grants| appropriations	Actuals	Variation between columns (4) and (3)	
				Amount	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
<i>(in crores of rupees)</i>					
1974-75	258.97	292.89	287.66	(—)5.23	1.78
1975-76	316.26	356.07	355.04	(—)1.03	0.29
1976-77	388.48	414.33	389.48	(—)24.85	6.00

(c) The year ended with a revenue deficit of Rs. 3.30 crores as against a revenue deficit of Rs. 0.72 crore anticipated in the budget.

1.3. Revenue receipts

The revenue receipts during 1976-77 (Rs. 386.18 crores) increased by Rs. 34.96 crores over those in 1975-76 (Rs. 351.22 crores). The increase of

Rs. 32.07 crores was due to increase in revenue raised by the State Government. The balance of Rs. 2.89 crores was due to increase in receipts from the Government of India as shown below:—

	1975-76	1976-77	Amount of increase (+)/ decrease (—)
<i>(in crores of rupees)</i>			
Receipts from the Government of India—			
(a) State's share of net proceeds of the divisible Union Taxes			
(i) Taxes on income other than Corporation tax	28.78	25.57	(—)3.21
(ii) Union Excise Duties	32.54	38.95	(+)6.41
(iii) Estate Duty	0.38	0.43	(+)0.05
(b) Grants			
(i) Grants under the Constitution (Distribution of Revenues) Order and proviso to Article 275 (1) of the Constitution	44.03	41.69	(—) 2.34
(ii) Other grants—Grants and subventions for different purposes and schemes	22.99	24.99	(+) 2.00
(c) Grants in lieu of tax on railway passenger fare	0.26	0.26	..
(d) Receipts for the administration of Central Acts and Regulations	0.04	0.02	(—)0.02
Total	129.02	131.91	(+)2.89

Increase of Rs. 32.07 crores in the revenue raised by the State Government during 1976-77 was mainly under the following heads:—

Major Head of Account	Actuals		Increase during 1976-77 (in crores of rupees)	Reasons for increase
	1975-76	1976-77		
040. Sales Tax	97.92	107.60	9.68	Mainly due to restructuring the rates of sales tax on certain commodities and toning up the administration of Sales Tax.
039. State Excise	21.54	31.03	9.49	Due to more receipts on sale of country spirits (Rs. 7.49 crores) as a result of strict watch against illicit distillation and also to the higher bid amount fetched in auction of liquor shops.
041. Taxes on Vehicles	9.25	17.13	7.88	Mainly due to the merger of "Taxes on goods and passengers" with "Taxes on Vehicles" and due to increase in collection of motor vehicles tax in the wake of revision of bus fares.
113. Forest	21.92	26.18	4.26	Mainly due to more receipts on sale of timber and other forest produce.

1.4. Taxation measures

Government anticipated at the budget stage additional revenue of Rs. 12* crores from the following measures. The approximate yield from each of those measures is also indicated:—

Particulars of measure	Additional revenue anticipated (in crores of rupees)	Approximate yield of additional revenue	Remarks
(i) Restructuring the tax and toning up the administration of Sales Tax	7.00	7.00	Implemented with effect from 1st April 1976.

*Excludes Rs. 6 crores from increase of bus fare and Rs. 4 crores by streamlining the electricity tariff applicable to non-domestic consumers, revenue accruing to the Kerala State Road Transport Corporation in the former case and the Kerala State Electricity Board in the latter.

<i>Particulars of measure</i>	<i>Additional revenue anticipated</i>	<i>Approximate yield of additional revenue</i>	<i>Remarks</i>
(ii) Increase in collection of motor vehicles tax in the wake of revision of bus fares	2.00	2.00	Implemented with effect from 1st April 1976.
(iii) Change in auction procedure and revision of Licence fees in respect of State Excise Duties	2.00	2.00	Implemented with effect from 1st April 1976.
(iv) Sales Tax on monopoly trade commodities	1.00	..	Not implemented fully due to procedural reasons.

In addition to the measures mentioned above, an 'Employment Tax' was introduced with effect from 1st April 1976. However, no tax could be collected during the year 1976-77 as the rules under the Act were issued only in November 1977.

1.5. Arrears in collection of revenue

According to the information furnished by the departments, the arrears in the collection of revenue as on 31st March 1977 were Rs. 75.04 crores @ (19.4 per cent of the revenue receipts during 1976-77). The departments with heavy arrears are indicated below:—

<i>Department</i>	<i>Arrears on 31st March</i>		
	1975	1976	1977
	<i>(in crores of rupees)</i>		
Taxes			
Sales Tax	18.41	23.36	31.54
Agricultural Income Tax	4.65	4.78	5.56
Revenue			
Land Revenue	4.13	4.07*	4.24*
Survey and Land Records	(A)	1.77*	2.93*

@ Does not include arrears pertaining to the department of Health Services.

(A) Figures are not available.

* Figures are provisional.

<i>Department</i>	<i>Arrears on 31st March</i>		
	1975	1976	1977
	<i>(in crores of rupees)</i>		
Agriculture			
Forest	4.61	5.73	4.36
Public Works			
Vehicle Tax	0.23	6.74	8.60
Taxes on goods and passengers	2.53	2.53	2.12
Local Administration and Social Welfare			
Public Health Engineering	1.63	1.73	5.69

Further details are given in the separate Report of the Comptroller and Auditor General of India for the year 1976-77, Government of Kerala-Revenue Receipts.

1.6. Expenditure on revenue account

In 1976-77 the expenditure on revenue account (Rs. 389.48 crores) increased by Rs. 34.44 crores over that in 1975-76 (Rs. 355.04 crores). The increase was mainly under:—

<i>Major Head of Account</i>	<i>Actuals</i>		<i>Increase during 1976-77</i>	<i>Reasons for increase</i>
	1975-76	1976-77		
	<i>(in crores of rupees)</i>			
277. Education	128.97	141.03	12.06	The increase was mainly under Primary Education (Rs. 7.25 crores) and Secondary Education (Rs. 3.79 crores) and was due to increase in administrative expenditure, increase in assistance given to non-Government institutions and due to enhanced expenditure on Plan Schemes.
304. Other General Economic Services	6.85	11.67	4.82	The increase was under 'Land ceilings' and was mainly due to more expenditure on payment of compensation for tenanted lands and payment of annuity under the Kerala Land Reforms Act.

Major Head of Account	Actuals		Increase during 1976-77	Reasons for increase
	1975-76	1976-77		
	(in crores of rupees)			
249. Interest Payments	30.07	33.59	3.52	Mainly due to more payment of interest on Ways and Means Advances obtained from the Reserve Bank of India and on overdraft account with the Reserve Bank of India (Rs. 1.25 crores), on Provident Funds and Savings Bank Deposits (Rs. 1.13 crores) and on Loans and Advances from the Central Government (Rs. 0.87 crore).
280. Medical	26.93	29.63	2.70	The increase was mainly under Medical Relief (Rs. 1.73 crores) and Employees' State Insurance Scheme (Rs. 0.53 crore) and was due to more expenditure on materials and supplies.
281. Family Planning	3.93	6.27	2.34	Mainly due to more expenditure on compensation paid to persons subjected to family planning measures.
283. Housing	0.96	2.86	1.90	Due to write back from capital account of amount representing the value of 4½ per cent and 4½ per cent Kerala House sites and Houses for families of landless workers (Compensation for the value of lands) Bonds redeemed to the end of the year.
255. Police	16.40	18.10	1.70	Mainly due to increase in administrative expenditure under Criminal Investigation Branch and District Police force.
282. Public Health, Sanitation and Water Supply.	6.16	7.85	1.69	Mainly due to more expenditure under Urban Water Supply Schemes (Rs. 0.47 crore) and increase in net debits under suspense (Rs. 0.44 crore) and also due to normal increase in administrative expenditure.

Major Head of Account	Actuals		Increase during 1976-77	Reasons for increase
	1975-76	1976-77		
(in crores of rupees)				
266. Pensions and Other Retirement Benefits	13.73	14.93	1.20	Due to increase in quantum of pension (including commuted value of pension) consequent on pay revision and enhancement in the rates of pension ordered with effect from 1st April 1976.
333. Irrigation, Navigation, Drainage and Flood Control Projects	3.56	4.67	1.11	Mainly due to increase in administrative expenditure (Rs. 0.52 crore) and more expenditure on Periyar Valley Project (Rs. 0.29 crore) and machinery and equipment (Rs. 0.21 crore).

1.7. Capital expenditure

The capital expenditure during the three years ending 1976-77 as compared with (i) the budget estimates and (ii) the budget estimates plus supplementary grants/appropriations is shown below:—

Year	Budget	Budget plus supplementary	Actuals	Variation between columns (4) and (3)	
				Amount	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
(in crores of rupees)					
1974-75	38.47	45.24	32.11	(—)13.13	29.02
1975-76	44.54	53.74	47.39	(—)6.35	11.82
1976-77	50.89	63.56	56.80	(—)6.76	10.64

The progressive capital expenditure to end of March 1977 was Rs. 455 crores. Further details are given in Statement Nos. 2 and 13 of the Finance Accounts 1976-77.

An analysis of the capital expenditure during and to end of 1976-77 is given below:—

	<i>During 1976-77</i>	<i>Progressive total to end of 1976-77</i>
	<i>(in crores of rupees)</i>	
(i) Capital expenditure on Water and Power Development	25.22	149.63
(ii) Capital expenditure on Social and Community Services including public health, sanitation and water supply, housing, etc.	10.57	119.57
(iii) Capital expenditure on Transport and Communications including ports, roads and bridges, water transport services, etc.	8.37	71.92
(iv) Capital expenditure on industry and minerals including investments in industrial financial institutions	6.30	51.86
(v) Capital expenditure on agriculture and allied services including minor irrigation, soil conservation, animal husbandry, dairy development, fisheries and forests	0.16	28.92
(vi) Capital expenditure on general economic services including co-operation	4.24	21.51
(vii) Capital expenditure on general services including public works	1.94	11.59
Total	56.80	455.00*

*The progressive total to the end of 1975-76 mentioned in paragraph 1.7. 'Capital expenditure' of the Report of the Comptroller and Auditor General of India for the year 1975-76 (Civil) has been revised *pro forma* (vide details given in the foot-notes to Statement No. 13 of the Finance Accounts 1976-77) and the progressive total to end of 1976-77 now indicated is with reference to the revised progressive expenditure as on 1st April 1976 adopted in Finance Accounts 1976-77.

1.8. Loans and advances by Government

(a) The actuals of disbursement of loans and advances by the Government for 1976-77 as compared with (i) the budget estimates and (ii) the budget estimates plus supplementary grants along with the corresponding figures for 1974-75 and 1975-76 are shown below:—

Year	Budget	Budget plus supplementary	Actuals	Variation between columns (4) and (3)	
				Amount	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
(in crores of rupees)					
1974-75	15.85	35.75	30.69	(—)5.06	14.15
1975-76	15.93	26.62	24.54	(—)2.08	7.81
1976-77	18.98	24.63	24.46	(—)0.17	0.69

(b) The budget and actuals of recoveries of loans and advances for the three years ending 1976-77 are given below:—

Year	Budget	Actuals	Variation	
			Amount	Percentage
(in crores of rupees)				
1974-75	14.58	11.80	(—)2.78	19.00
1975-76	20.15	16.34	(—)3.81	19.00
1976-77	15.45	14.62	(—)0.83	5.37

(c) The balance of loans and advances by the Government outstanding on 31st March 1977 was Rs. 251.08 crores as shown below:—

Classes of loans and advances	Balance outstanding on 31st March 1977 (in crores of rupees)
(1) Loans for Social and Community Services including education, housing, urban development, etc.	17.68
(2) Loans for Economic Services	
(i) Loans for General Economic Services including those to Co-operative Societies and general financial and trading institutions	16.55*

*This balance is with reference to the balance as on 1st April 1976 as revised *pro forma* in the Finance Accounts 1976-77.

<i>Classes of loans and advances</i>	<i>Balance outstanding on 31st March 1977 (in crores of rupees)</i>
(ii) Loans for Agricultural and Allied Services	16.64
(iii) Loans for Industry and Minerals	19.54*
(iv) Loans for Water and Power Development	177.48
(v) Loans for Transport and Communications	0.09
(3) Loans to Government Servants, etc.	2.75
(4) Loans for miscellaneous purposes	0.35
Total	251.08

Further details are given in Statement Nos. 5 and 18 of the Finance Accounts 1976-77.

(d) The departmental officers who maintain the detailed accounts of loans are required to intimate to Audit by the 15th July each year the arrears (as on 31st March) in recovery of principal and interest on loans. The information in regard to arrears in recovery of loans and advances as on 31st March 1977 had not been supplied (January 1978) in the following cases:—

<i>Name of Department</i>	<i>Category of loans</i>
Agriculture	Agricultural loans
Development	Loans to Co-operative Societies
	Loans to scheduled castes/scheduled tribes
	Loans for fishery schemes
Industries	Loans for handloom schemes
	Loans under small scale industries schemes
	Loans for powerloom schemes
	Loans under State Aid to Industries Act.
Labour	Loans to Government Companies
	Loans under plantation labour housing schemes
Local Administration and Social Welfare	Loans for social welfare schemes

*This balance is with reference to the balance as on 1st April 1976 as revised *pro forma* in the Finance Accounts 1976-77.

<i>Name of Department</i>	<i>Category of loans</i>
Education	Loans under National Loan-Scholarship scheme
Revenue	Other loans
Health	Medical loans

The details of arrears in recovery of loans as on 31st March 1977, the detailed accounts of which are maintained by the departmental officers, to the extent information has been received, are given below:—

	<i>Amount overdue</i>		
	<i>Principal</i>	<i>Interest (including penal interest)</i>	<i>Earliest year from which outstanding</i>
	<i>(in lakhs of rupees)</i>		
Agriculture Department			
Loans for soil conservation schemes	26.11	(†)	(†)
Loans for dairy development	10.15	20.16	(†)
Loans for animal husbandry	0.59	0.40	(†)
Development Department			
Loans under community development programme	35.50	16.77	1955-56
Loans for port development	0.05	0.03	1976-77
Education Department			
Miscellaneous loans (Loan scholarship to technical students)	3.00	0.47	1965-66
Industries Department			
Loans for coir development	46.89	13.32	1959-60
Labour Department			
Loans to repatriates from Burma/Sri Lanka	8.92	6.39	1965-66
Local Administration and Social Welfare Department			
Loans for housing schemes	15.87	15.84	1963-64
Revenue Department			
Loans to cultivators affected by floods	4.11	1.29	1966-67
Colonisation schemes	1.48	0.32	1969-70
Other loans	1.83	0.67	1968-69

† Information awaited.

In the case of loans given to bodies like municipalities, panchayats, etc., the detailed accounts of which are maintained by Audit, the amount overdue for recovery at the end of March 1977 was Rs. 0.56 lakh [(principal: Rs. 0.38 lakh (39 cases); interest: Rs. 0.18 lakh (39 cases)].

(c) Interest due from the Kerala State Electricity Board

The amounts of interest due as on 31st March 1977 from the Kerala State Electricity Board on loans paid by Government was Rs. 40.26 crores after effecting adjustments in the accounts for 1976-77 for Rs. 3.26 crores against subsidies sanctioned towards loss in rural electrification and contribution payable to it towards commuted value of pension.

(f) Rules require that departmental officers who administer loans should furnish to Audit by 15th July every year a certificate that the aggregate balances shown as recoverable at the end of preceding March in the registers maintained by them agree with those communicated to them by the Accountant General. In 320 cases the certificates of acceptance of balances had not been received from the Departmental Officers (January 1978) as shown below:—

<i>Department</i>	<i>Number</i>	<i>Balance of loans on 31st March 1977 (in crores of rupees)</i>
Agriculture	132	15.78
Industries	106	25.52
Development	32	7.22
Revenue/Local Administration and Social Welfare	16	7.94
Labour	8	0.39
Education	7	4.06
Health	2	0.52
Others	17	2.16
Total	320	63.59

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

<i>Year from which certificates are due</i>	<i>Number of cases</i>
1966-67 and earlier years	89
1967-68 to 1970-71	69
1971-72	18
1972-73	23
1973-74	23
1974-75	35
1975-76	19
1976-77	44
Total	320

Out of these 320 cases, 98 cases show minus balances. The department-wise break up of these cases is given below:—

<i>Department</i>	<i>Number</i>	<i>Balance of loans on 31st March 1977 (in lakhs of rupees)</i>
Industries	36	(—)38.45
Agriculture	43	(—)62.88
Development	7	(—)15.51
Revenue	3	(—)1.29
Local Administration and Social Welfare	2	(—)0.08
Labour	1	(A)
Others	6	(—)1.45
Total	98	(—)119.66

(g) In respect of loans the detailed accounts of which are maintained by the Accountant General, the arrears in respect of receipt of certificates of acceptance of balances at the end of January 1978 were as follows:—

	<i>Number of certificates</i>	<i>Balance of loans as on 31st March 1977</i>	<i>Earliest year to which the outstanding certificates pertain</i>
		<i>(in lakhs of rupees)</i>	
Municipalities	3	0.42	1976-77
Corporations/Boards, etc.	3	27.05	1976-77
Panchayats	552	41.50	1973-74
Total	558	68.97	

(A) Rupees (—)244

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

The sources from which capital expenditure (Rs. 56.80 crores) and the net expenditure under 'Loans and Advances by the State Government' (Rs. 9.84 crores) during 1976-77 were met are shown below:—

	<i>(in crores of rupees)</i>
I. Net additions to—	
(i) Internal Debt of the State Government	13.16
(ii) Loans from the Central Government	21.25
(iii) Small Savings, Provident Funds, etc.	16.35
II. Miscellaneous (mainly deposits, etc. received by Government less the amounts refunded)	10.24
III. Investments and drawing down of cash balances	8.94
IV. Revenue deficit	(−)3.30
Net amount available for expenditure	66.64

1.10. Debt position of Government

At the end of 1976-77 the outstanding public debt and other obligations of the Government were Rs. 745.40 crores. An analysis of the outstandings compared with the corresponding figures at the end of each of the three preceding years is given below:—

	1973-74	1974-75	1975-76	1976-77
	<i>(in crores of rupees)</i>			
Public Debt	470.33	487.69	526.96	561.37
Small Savings, Provident Funds, etc.	55.28	76.53	88.04	104.39
Other obligations	57.21	60.20	71.23	79.64
Total	582.82	624.42	686.23	745.40

A. Public Debt:

Public Debt comprises loans from the Government of India, market loans and other loans from the Life Insurance Corporation of India,

Reserve Bank of India, State Bank of India and other institutions. Public Debt increased during 1976-77 by Rs. 34.41 crores; details are given below:—

	<i>Raised during</i>	<i>Discharged during</i>	<i>Increase during</i>	<i>Balance on the 31st</i>
	1976-77	1976-77	1976-77	March 1977
	<i>(in crores of rupees)</i>			
Internal debt of the State Government	219.83	206.67	13.16	131.55
Loans and Advances from the Central Government	68.82	47.57	21.25	429.82
Total	288.65	254.24	34.41	561.37

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

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

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

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

The transactions relating to loans raised from the open market to finance certain projects, schemes, etc., and the loans received from the Reserve

Bank of India, the Life Insurance Corporation of India, the National Agricultural Credit Fund of the Reserve Bank of India, the National Co-operative Development Corporation etc., are recorded under this head.

(a) *Market loans:*

A sum of Rs. 10.60 crores carrying 6 per cent interest was raised during 1976-77 at 1 per cent discount. It is repayable in 1986.

Further, transactions relating to 4 per cent Jenmikaram payment (Abolition) Bonds, and 4.25 per cent and 4.50 per cent Kerala House Sites and Houses for families of landless workers (compensation for the value of lands) Bonds and 4.50 per cent Kerala Land Reforms (payment of compensation for excess lands) Bonds are also included under this head. The Government has constituted a depreciation fund for purchasing securities of the loans for cancellation during their currency and a general sinking fund for amortisation of loans. Upto 1966-67, only nominal amounts (2 per cent of the loans) were being contributed to these funds. During 1967-68, the rate of the contribution was increased to 8 per cent of the outstanding balance of the loans. The rate of contribution to these funds was changed in 1968-69 to range between 6.2 per cent and 9.2 per cent (depending upon the number of years in which the loans were to be repaid). In 1976-77, Rs. 102.32 lakhs were contributed to the Loan Depreciation Fund and Rs. 320.59 lakhs to the General Sinking Fund. The balance in these two funds at the end of 1976-77 was Rs. 562.71 lakhs and Rs. 1,779.22 lakhs respectively. Out of the total balance of Rs. 2,341.93 lakhs in these funds, Rs. 87.34 lakhs were invested in the securities of the Government of India and Rs. 13 lakhs in the Industrial Finance Corporation Bonds. The balance of Rs. 2,241.59 lakhs was not invested and was utilised to augment the general cash balance of the State. Rupees 5.28 lakhs were received during the year as interest on the investments.

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

Under an agreement with the Reserve Bank of India, the Government of Kerala has to maintain with the Bank a minimum cash balance of Rs. 60 lakhs on all days from 1st May 1976 (Rs. 30 lakhs up to 30th April 1976). If the balance falls below this agreed minimum on any day the Bank gives ways and means advances limited to a maximum of Rs. 6 crores from 1st May 1976 (Rs. 3.60 crores up to 30th April 1976). In addition, special ways and means advances not exceeding Rs. 6 crores from 1st May 1976 (Rs. 3.75 crores

up to 30th April 1976) are made available by the Bank against marketable Government of India securities. Government of India securities held by the State Government are, however, sufficient to cover such special advances to the extent of Rs. 4.15 crores only. The ordinary and special ways and means advances carried interest at one per cent below the Bank Rate up to 2nd May 1976. From 3rd May 1976 the rates of interest have been revised as under:—

- | | |
|-----------------------------------|----------------------------------|
| (i) For the first 90 days | One per cent below the Bank Rate |
| (ii) Beyond 90 days upto 180 days | One per cent above the Bank Rate |
| (iii) Beyond 180 days | Two per cent above the Bank Rate |

If, even after the maximum advances are given, the cash balance falls below the prescribed minimum, the deficiency is left uncovered; the deficiency to the extent of the minimum balance is treated as shortfall on which interest is payable at one per cent below the Bank Rate. Overdrafts are given by the Bank if the State has a minus balance after availing the maximum amount of ways and means advances admissible. Overdrafts granted by the Bank carried interest at the Bank Rate up to 2nd May 1976. The rates in force from 3rd May 1976 are as under:—

- | | |
|---|--|
| (i) Up to and including the seventh day | At Bank Rate |
| (ii) From eighth day | At three per cent
above the Bank Rate |

The Bank Rate in force during the year 1976-77 was 9 per cent.

The extent to which the State Government was able to maintain the minimum balance with the Bank during the two years 1975-76 and 1976-77 is given below:—

	1975-76	1976-77
Number of days on which the minimum balance was maintained without obtaining any advance	63	2
Number of days on which the minimum balance was maintained by taking ordinary ways and means advances	36	50
Number of days on which the minimum balance was maintained by taking also special ways and means advances	118	71

	1975-76	1976-77
Number of days on which there was shortfall from the agreed minimum balance, even after availing the ordinary and special ways and means advances to the full extent, but no overdraft was taken	4	15
Number of days on which overdrafts were taken	145	227

Ways and means advances:

At the end of the year 1975-76, Rs.7.35 crores were outstanding as ways and means advances. During 1976-77, the State Government availed ordinary ways and means advances amounting to Rs. 23.27 crores from the Reserve Bank of India. Besides ordinary ways and means advances, special ways and means advances amounting to Rs. 34.34 crores were also availed of from the Bank. Out of the total advances of Rs. 64.96 crores, advances to the extent of Rs. 54.81 crores were repaid during the year leaving a balance of Rs. 10.15 crores. Interest of Rs. 0.74 lakh was paid in 1976-77 on these advances.

Shortfalls and overdrafts:

At the commencement of the year 1976-77, after adjustment of Rs. 0.30 crore as shortfall and Rs. 17.45 crores as overdraft, the State Government had a minus balance of Rs. 1.83 crores with the Reserve Bank of India. During the year, the State Government could maintain the prescribed minimum cash balance without availing ways and means advances from the Bank only on two days. Even after availing the maximum ways and means advances, the cash balance of the Government was below the prescribed minimum on 242 days. On 227 days, the Government had minus cash balance with the Reserve Bank of India. During 1976-77, the amount of shortfall from the agreed minimum cash balance was Rs. 8.09 crores. Against the total shortfall of Rs. 8.39 crores (inclusive of Rs. 0.30 crore of previous year) Rs. 7.79 crores were repaid before the close of the year leaving a balance of Rs. 0.60 crore. Overdrafts availed of during the year were Rs. 140.39 crores. Against the total overdraft of Rs. 157.84 crores (inclusive of Rs. 17.45 crores of previous year) Rs. 138.67 crores were repaid during the year leaving a balance of Rs. 19.17 crores. The interest paid on shortfalls and overdrafts during the year amounted to Rs. 0.96 crore.

There were minus balances continuously for more than seven days during the period from 1st April 1976 to 28th June 1976, 16th to 23rd September 1976, 11th to 18th October 1976, 16th to 23rd November 1976, 10th to 17th and 21st

to 29th December 1976, 4th to 26th January 1977 and 8th February 1977 to 31st March 1977. The minus balance touched the maximum figure of Rs. 29.14 crores on 16th June 1976. At the end of the year, the State Government had a minus balance of Rs. 11.49 crores with the Reserve Bank of India after adjustment of Rs.0.60 crore as shortfall and Rs. 19.17 crores as overdraft. Thus, throughout the year the State Government experienced acute ways and means difficulties and had to rely heavily on advances and overdrafts from the Bank as a source of finance for meeting the day to day expenditure of Government.

(c) *Other loans:*

The balance of loans taken from other sources outstanding at the end of March 1977 was Rs. 16.92 crores. Its break-up is given below:—

<i>Source of loan</i>	<i>Balance outstanding on 31st March 1977 (in lakhs of rupees)</i>	<i>Details of loans obtained during 1976-77</i>
The National Agricultural Credit Fund of the Reserve Bank of India	490.69	Rupees 93.25 lakhs for subscribing to the share capital of four Central Co-operative Banks, 187 Primary Agricultural Credit Societies, eight Primary Land Mortgage Banks, Primary (Urban) Co-operative Banks and Kerala Co-operative Central Land Mortgage Bank.
The Life Insurance Corporation of India	975.07	Rupees 100 lakhs mainly for the approved loan schemes viz. Middle Income Group Housing Scheme, Low Income Group Housing Scheme, Rental Housing Scheme for State Government Employees, Land Acquisition and Development Scheme and Village Housing Project Scheme.

<i>Source of loan</i>	<i>Balance outstanding on 31st March 1977 (in lakhs of rupees)</i>	<i>Details of loans obtained during 1976-77</i>
The National Co-operative Development Corporation	225.87	Rupees 69.94 lakhs mainly for various co-operative ventures sponsored by the Corporation
The Central Warehousing Corporation	0.66	Nil
Total	1,692.29	

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

The loans and advances received from the Government of India and outstanding at the end of 1976-77 (Rs. 429.82 crores) formed 77 per cent of the total public debt.

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

Out of Rs. 5.60 crores received from the Government of India as ways and means advances during 1976-77 for 'Plan' Schemes, Rs. 0.49 crore were adjusted as loans and Rs. 5.11 crores as grant.

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

In addition to public debt, the balances under small savings, provident funds, deposits, etc., to the extent they have not been separately invested but are merged with the general cash balance of the State Government, constitute the liability of the State Government. Such liability on 31st March 1977 was Rs. 184.03 crores comprising un-invested balances of (i) interest-bearing obligations such as depreciation reserve funds of Government commercial undertakings, etc. (Rs. 0.64 crore), (ii) non-interest-bearing obligations such as deposits of local funds, civil deposits, other earmarked funds, etc. (Rs. 79 crores) and (iii) provident fund balances and deposits under small savings, etc. (Rs. 104.39 crores).

Interest on debt and other obligations:

The gross interest paid by the Government during the year was Rs. 33.56 crores on public debt (including expenditure on management), small savings, provident funds, etc. and Rs. 0.03 crore on other obligations.

Against these, Government received Rs. 5.70 crores towards interest on loans and advances and capital contribution given by it and Rs. 0.23 crore on investment of cash balances. The net burden of interest charges on debt and other obligations during the year was Rs. 27.66 crores (7.16 per cent of the total revenue receipts) as compared to Rs. 22.29 crores (6.35 per cent of the total revenue receipts) in 1975-76 and Rs. 12.81 crores (4.45 per cent of the total revenue receipts) in 1974-75.

The increase of Rs. 5.37 crores in the net amount of interest charges during 1976-77 as compared to 1975-76 was the result of increase in the amount of interest paid by Government (Rs. 3.53 crores) and decrease in the amount of interest received by Government (Rs. 1.84 crores). The increase in interest charges was mainly due to payment of more interest on ways and means advances by Reserve Bank of India and overdraft account with the Reserve Bank of India (Rs. 1.25 crores), on provident funds and savings bank deposits (Rs. 1.13 crores) and loans and advances from the Central Government (Rs. 0.87 crore). The decrease in interest receipts was mainly due to adjustment of Rs. 3.26 crores as interest received from the Kerala State Electricity Board against subsidies and other contributions payable to it.

There were, in addition, certain other receipts and adjustments (Rs. 2.01 crores) such as interest received from Departmental Commercial Undertakings, etc. If these are also taken into account, the net burden of interest during 1976-77 would be Rs. 25.65 crores (6.64 per cent of the revenue receipts).

The Government also received during the year Rs. 100.56 lakhs as dividend on investments in commercial undertakings, etc.

1.11. Guarantees

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

	<i>Maximum amount guaranteed (principal only)</i>	<i>Sums guaranteed outstanding on 31st March 1977</i>	
		<i>Principal</i>	<i>Interest</i>
<i>(in crores of rupees)</i>			
(a) Working capital raised by the Kerala Financial Corporation and dividends thereon	3.00	2.22	..

Maximum amount guaranteed (principal only) *Sums guaranteed outstanding on 31st March 1977*
Principal Interest
(in crores of rupees)

(b) Loans, debentures, bonds, etc., raised by

(1) Statutory Corporations and Boards	114.60	106.74	0.04
(2) Government Companies	54.79	30.94	3.40
(3) Co-operative Banks and Societies	98.01	44.86	0.79
(4) Municipalities, Corporations and Townships	22.85	21.57	0.05
(5) Other institutions	0.74	0.10	0.08
Total	293.99	206.43	4.36

- Note:* (1) The details of amounts outstanding as on 31st March 1977 have not been intimated by the Government in respect of guarantees given to a few institutions.
- (2) In cases where details of amounts of principal and interest are not separately available, the entire amount has been shown under "Principal".

(a) Under section 6 of the State Financial Corporations Act, 1951, the shares of the State Financial Corporation are to be guaranteed by the State Government as to the repayment of principal and payment of annual dividend. Again, under section 7 of the above Act, the bonds and debentures of the State Financial Corporation are to be guaranteed as to the repayment of principal and payment of interest. Further, under section 8 of the Act *ibid*, fixed deposits accepted by the State Financial Corporation are also to be guaranteed by the State Government as to the repayment of principal and payment of interest. The actual amounts guaranteed on behalf of the Kerala Financial Corporation by the State Government under sections 6, 7 and 8 *ibid* and outstanding as on 31st March 1977 were Rs. 222 lakhs, Rs. 1,420 lakhs and Rs. 43.02 lakhs respectively. Up to end of 1976-77, the Government paid Rs. 17.45 lakhs towards the guaranteed minimum dividend on the share capital of the Corporation. Of this, Rs. 0.20 lakh only have been recovered (January 1978).

(b) Under section 66 of the Electricity (Supply) Act, 1948, the State Government may guarantee in such manner as it thinks fit the payment of the principal and interest of any loans proposed to be raised by the State Electricity Board or of either the principal or the interest. The actual amount covered on 31st March 1977 by the guarantee given on behalf of the Kerala State Electricity Board by the State Government under this section was Rs. 7,525.39 lakhs.

(c) Under section 26 of the Road Transport Corporations Act, 1950, a State Road Transport Corporation may, with the previous approval of the Central/State Governments, borrow money in the open market or otherwise for the purpose of raising its working capital or for meeting expenditure of a capital nature. The State Government has guaranteed on behalf of the Kerala State Road Transport Corporation the repayment of principal and payment of interest in respect of debentures/bonds issued by it. As on 31st March 1977, the actual amount covered by the guarantee was Rs. 247.50 lakhs under principal and Rs. 4.15 lakhs under interest.

(d) Under section 93 of the Kerala State Housing Board Act, 1971, the State Government may guarantee, in such manner as it thinks fit, the payment of the principal and interest of any loan proposed to be raised by the Kerala State Housing Board on debentures or of either the principal or the interest. The amount guaranteed by State Government in regard to the loans raised by the Board and outstanding on 31st March 1977 was Rs. 868.50 lakhs (principal).

(e) Under section 11 of the Kerala State Rural Development Board Act, 1971, the State Government may guarantee the repayment of principal and payment of interest of any loan proposed to be raised by the Kerala State Rural Development Board. As on 31st March 1977, the amount thus guaranteed and outstanding was Rs. 569.70 lakhs.

(f) Apart from the above, the State Government had guaranteed (to third parties) to the end of 1976-77 the repayment of loans/bonds/debentures/overdrafts/ cash credit, etc., on behalf of 26 Government Companies, 34 Co-operative banks and societies, 32 local bodies (28 municipalities, 3 corporations and Guruvayur township) and 5 private firms. The maximum amount guaranteed on their behalf to the end of 1976-77 was Rs. 17,638.82 lakhs against which the loans etc., actually outstanding were Rs. 10,179.39 lakhs (principal: Rs. 9,747.27 lakhs; interest: Rs. 432.12 lakhs).

Rupees 7.92 lakhs were received by Government during the year towards guarantee commission. As at the end of 31st March 1977, arrears in respect of guarantee commission due from twelve institutions amounted to Rs. 13.59 lakhs.

Further details of the guarantees are given in Statement No. 6 of Finance Accounts 1976-77.

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

1.12. Investments

During 1976-77 the Government invested Rs. 1.71 lakhs in Statutory Corporations, Rs. 822.45 lakhs in Government Companies, Rs. 37.68 lakhs in other Joint Stock Companies and Rs. 364.19 lakhs in co-operative banks and societies. In addition, loans paid in earlier years were converted as share capital investment in the case of the Kerala State Electronics Development Corporation Limited (Rs. 10 lakhs). The investment of Rs. 30 lakhs made in the Plantation Corporation of Kerala Limited during 1971-72 to 1973-74 for the formation of a subsidiary company for oil palm plantation was converted as loan. The progressive expenditure on investments was also increased by Rs. 0.49 lakh due to *pro forma* adjustments. The amount of investment during the year includes Rs. 0.72 lakh spent from out of advances from the Contingency Fund obtained during 1975-76 and recouped to the Fund during 1976-77. The Government also invested Rs. 9.90 lakhs in the Industrial Finance Corporation Bonds during 1976-77.

The following table shows the extent of Government's investments at the end of 1976-77 in the shares of Statutory Corporations, Government Companies, other Joint-Stock Companies, co-operative societies and banks and debentures and bonds of banks and other concerns and the returns therefrom, with the corresponding figures for 1975-76:

	Year	Number of concerns at the end of the year	Investments to the end of the year	Dividend/interest received	
				Amount	Percentage
(1)	(2)	(3)	(4)	(in lakhs of rupees)	
				(5)	(6)
A. Shares of:					
Statutory Corporations	1975-76	3	1,391.36	1.59	0.11
	1976-77	3	1,562.36	34.83	2.23

	Year	Number of concerns at the end of the year	Investments to the end of the year	Dividend/interest received	
				Amount	Percentage
(1)	(2)	(3)	(4)	(in lakhs of rupees)	
				(5)	(6)
Government Companies	1975-76	55	4,535.54	9.99	0.22
	1976-77	54*	5,176.96	1.99	0.04
Other Joint Stock Companies	1975-76	40	322.81	16.67	5.16
	1976-77	43	522.02	36.18	6.93
Co-operative societies and banks	1975-76	**	1,664.91	18.69	1.12
	1976-77	**	2,029.10	1.67	0.08
B. Debentures and bonds	1975-76	1	49.75	2.19	4.40
	1976-77	1	59.65	2.80	4.69
Total	1975-76		7,964.37	49.13	0.62
	1976-77		9,350.09	77.47	0.83

Further details of investments of Government are given in Statement No. 14 of the Finance Accounts 1976-77 and in the Report of the Comptroller and Auditor General of India for the year 1976-77 (Commercial) brought out separately.

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

1.13. Financial results of irrigation works

(a) The irrigation works are broadly classified into two categories, viz., 'Commercial' and 'non-Commercial'. *Pro forma* accounts are at present prepared only in respect of 'Commercial' irrigation works. Government has not so far laid down any norms for classifying irrigation works as 'Commercial' or 'non-Commercial' (January 1978).

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

* Includes five Central Government Companies (investment: Rs. 273.79 lakhs).

** Details awaited.

The total revenue from these works during 1976-77 was Rs. 56.07 lakhs while the working expenses were Rs. 63.65 lakhs. Taking into account the interest (Rs. 179.26 lakhs) on capital, the loss during the year was Rs. 186.84 lakhs, which was 6.29 per cent of the capital outlay against 5.78 per cent in 1975-76.

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

	1974-75	1975-76	1976-77
	<i>(in lakhs of rupees)</i>		
Capital outlay to end of the year	2,475.63	2,663.81	2,970.82*
Total revenue during the year	38.55	51.73	56.07
Working expenses	48.02	42.45	63.65
Net profit/loss excluding interest	(—) 9.47	(+) 9.28	(—) 7.58
Interest on capital	155.14	163.31	179.26
Loss after meeting interest	164.61	154.03	186.84
Percentage of loss	6.65	5.78	6.29

1.14. Utilisation certificates

During the year 1976-77 Government paid Rs. 91.03 crores (approximately) as grants and contributions. The beneficiaries were local bodies, educational and co-operative institutions, other bodies and individuals. The table below shows the broad purposes for which the grants were given:—

<i>Purpose</i>	<i>Amount</i> <i>(in crores of rupees)</i>
Education	
Universities	2.40
Non-Government Colleges	10.65
Non-Government Secondary Schools	19.24
Non-Government Primary Schools	45.29
Non-Government Special Schools	0.47
Non-Government Technical Colleges and institutions	0.96
Other bodies, institutions and individuals	1.09

*Progressive expenditure was reduced by Rs. 0.32 lakh *pro forma* during the year being the value of quarters at Malampuzha transferred to Health Services Department.

<i>Purpose</i>	<i>Amount</i> <i>(in crores of rupees)</i>
Kerala Agricultural University	2.21
Urban Development	0.47
Medical and Public Health	0.43
Co-operation	0.36
Assistance to Panchayats	1.09
Kerala Khadi and Village Industries Board	0.49
Social Security and Welfare	1.13
Subsidy to Kerala State Electricity Board	3.26
Other purposes	1.49
Total	91.03

The financial rules of the Government require that where grants are given for specific purposes, certificates of proper utilisation of grants should be forwarded to Audit, after verification by the departmental officers, within twelve months from the date of sanction or such time as may be specified in each case. On 1st October 1977, 7,848 certificates (Rs. 653.31 lakhs) relating to grants paid up to March 1976 were awaited. The department-wise details of the certificates due, received and outstanding are given in Appendix I.

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

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2.1. Summary

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

	<i>Grants/Charged appropriations</i>		<i>Expenditure</i>	<i>Excess (+) Saving(—)</i>	<i>Percentage</i>
<i>(in crores of rupees)</i>					
VOTED					
Original	444.20	} 486.46	458.45	(—)28.01	5.76
Supplementary	42.26				
CHARGED					
Original	218.50	} 290.20	294.90	(+)	4.70
Supplementary	71.70				
Total		776.66	753.35	(—)23.31	3.00

The overall saving of Rs. 23.31 crores was the net result of saving of Rs. 21.18 crores in 39 grants and 25 charged appropriations in the Revenue Section and Rs. 9.59 crores in 20 grants and 12 charged appropriations in the Capital Section and excess of Rs. 1.15 crores in 4 grants and 6 charged appropriations in the Revenue Section and Rs. 6.31 crores in 4 grants and 1 charged appropriation in the Capital Section.

(b) Further details are given below:—

	<i>Revenue</i>	<i>Capital</i>	<i>Loans and Advances</i>	<i>Public Debt</i>	<i>Total</i>
<i>(in crores of rupees)</i>					
Authorised to be spent (grants and charged appropriations)					
Original	402.50	61.98	18.98	179.24	662.70
Supplementary	25.85	12.67	5.65	69.79	113.96
Total	428.35	74.65	24.63	249.03	776.66
Actual expenditure (grants and charged appropriations)					
	408.32	66.34	24.45	254.24	753.35
Excess (+)					
Shortfall(—)	(—)20.03	(—)8.31	(—)0.18	(+)5.21	(—)23.31

2.2. Excess over grants/charged appropriations requiring regularisation

(a) Grants: There were excesses of Rs. 1,13,66,356 in four grants in the Revenue Section and Rs. 1,10,71,799 in four grants in the Capital Section. The excesses, details of which are given below, require regularisation under Article 205 of the Constitution.

Revenue Section

Sl.No.	Number and name of grant	Total grant Rs.	Expenditure Rs.	Excess Rs.
1.	XIII Jails	1,39,57,400	1,39,74,918	17,518

Excess was due to payment of more batta and wages to prisoners than anticipated.

2.	XIX Family Planning	5,59,24,000	6,27,16,956	67,92,956
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Excess was mainly due to payment of compensation in more number of cases than anticipated owing to wider coverage of family planning programme.

3.	XXV Labour and Employment	2,43,08,500	2,47,69,070	4,60,570
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Excess was mainly due to payment in March 1977 of cost of certain materials, machinery and equipment ordered between January and March 1977 and expected to be received in the next financial year but which were received in March 1977 itself.

4.	XXXVIII Irrigation	10,77,73,600	11,18,68,912	40,95,312
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Excess was mainly due to (i) expenditure having been incurred in excess of deposits made by the Government of Tamil Nadu for the Siruvani Project work (Rs. 28.10 lakhs), (ii) account of gross expenditure under "Suspense" following the introduction, from April 1976, of the system of 'Gross Vote on Suspense' (Rs. 25 lakhs) and (iii) adjustment of a larger number of debit advices under "Stock" than anticipated (Rs. 22 lakhs).

Capital Section

1.	XVII Education, Art and Culture	4,21,94,500	4,44,34,994	22,40,494
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Excess was mainly due to (i) incurring more expenditure than provided for under 'Onam Advance' (Rs. 14.20 lakhs), (ii) accelerated progress in construction of buildings for the Government Arts and Science College, Calicut

(Rs. 2.29 lakhs), and for the Examination wing of the office of the Director of Public Instruction, Trivandrum (Rs. 6.55 lakhs), (iii) inadequate provision of funds for other works in progress (Rs. 7.93 lakhs) and (iv) a post budget decision to pay share capital contribution to the Film Development Corporation instead of granting a loan (Rs. 3.00 lakhs).

The excess was partly offset by saving under other heads.

Sl. No.	Number and name of grant	Total grant Rs.	Expenditure Rs.	Excess Rs.
2.	XVIII Medical	76,74,000	79,20,633	2,46,633

Excess was mainly due to additional expenditure on building works, reasons for which have not been intimated (January 1978).

3.	XXI Public Health Engineering	8,34,32,400	8,54,22,113	19,89,713
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Excess was mainly due to accelerated progress of works on thirty major urban water supply schemes carried out during the year.

4.	XXXVIII Irrigation	25,00,66,900	25,66,61,859	65,94,959
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Excess was mainly due to accelerated progress in the execution of irrigation projects and a post budget decision of Government to debit tools and plant charges direct to project estimates in respect of major irrigation projects.

(b) Charged appropriations:

Excesses of Rs. 84,275 in six appropriations in the Revenue Section and Rs. 5,20,63,163 in one appropriation in the Capital Section, the details of which are given below, also require regularisation.

Revenue Section

Sl.No.	Number and name of appropriation	Total appropriation Rs.	Expenditure Rs.	Excess Rs.
1.	II Heads of States, Ministers and Headquarters staff	73,33,200	73,37,272	4,072

Excess occurred under "251 (a) 1. Public Service Commission" which was mainly due to payment of more surrender leave allowance to officers.

<i>Sl. No.</i>	<i>Number and name of appropriation</i>	<i>Total appropriation</i> Rs.	<i>Expenditure</i> Rs.	<i>Excess</i> Rs.
2.	III Administration of Justice	44,77,100	45,14,753	37,653

Excess occurred under "214 (a) 1. High Court" which was mainly due to payment of arrear claims of house rent allowance and conveyance allowance from 1st October 1974.

3.	VI Land Revenue	9,09,500	9,12,257	2,757
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Excess occurred under "229 (d) 7. Compensation for acquisition or extinguishment of Edavakai Rights under the T. C. Edavakai Rights Acquisition Act, 1955".

4.	VII Stamps and Registration Fees	1,000	1,647	647
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Excess occurred under "230 D (a) 5. Sub Registry Offices" mainly owing to meeting payments in satisfaction of court decrees.

5.	XXI Public Health Engineering	5,000	6,171	1,171
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Excess occurred under "282 B (a) 1. Direction" due to an inevitable payment in satisfaction of court decree.

6.	XXVI Social Welfare including Harijan Welfare	61,000	98,975	37,975
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Excess occurred under "288 C (b) 20. Acquisition of house sites" due to an inevitable payment in satisfaction of court decree.

Capital Section

1.	Public Debt Repayment	2,49,03,65,700	2,54,24,28,863	5,20,63,163
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Excess occurred under "603 (f) Ways and Means Advances from the Reserve Bank of India" since the disbursements towards the fag end of the year were large and the fluctuations in the daily cash balance could not be anticipated correctly.

2.3. Supplementary grants/charged appropriations

During the year supplementary provisions of Rs.24.32 crores and Rs.17.94 crores were obtained under 37 and 26 grants respectively in the Revenue and Capital Sections. Supplementary appropriation of Rs. 1.53 crores and Rs. 70.17 crores were also obtained for charged expenditure under 14 and 13 appropriations respectively in the Revenue and Capital Sections.

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

(i) Unnecessary supplementary grants

In the following cases, supplementary grants (exceeding Rs. 5 lakhs in each case) of Rs. 2.39 crores in the Revenue Section and Rs. 0.67 crore in the Capital Section remained wholly unutilised as the expenditure did not come up even to the original provision.

Sl.No.	Number and name of grant	Revenue Section		
		Original grant	Supplementary grant	Expenditure Saving
				(in lakhs of rupees)
1.	XXVI Social Welfare including Harijan Welfare	1,280.60	86.67	1,270.47 96.80

The shortfall was mainly due to (i) shortfall in the number of students belonging to scheduled castes and other backward classes eligible for the concession for pre-matriculation studies (Rs. 44.63 lakhs) and (ii) limiting the expenditure on Tribal Areas Sub Plan to the Government of India allocations (Rs. 25.29 lakhs).

2.	XXX Agriculture	1,394.48	152.53	1,365.76 181.25
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The shortfall was mainly due to (i) discontinuance of the procedure of releasing grants to Small Farmers Development Agencies through the State Government and introduction of a new procedure for the release of grants directly by the Government of India from 1976-77 onwards (Rs. 125 lakhs), (ii) less expenditure on repairing the damages caused to minor irrigation structures (Rs. 11.81 lakhs), (iii) non-sanctioning the purchase of drilling rig for Ground Water Investigation and Development (Rs. 10 lakhs), (iv) less

expenditure on development of problem areas (Rs. 8.80 lakhs), (v) less expenditure on the scheme for supply of soil ameliorants at subsidised rates to cultivators (Rs. 8.19 lakhs), (vi) shortfall in expenditure on plant protection service (Rs. 6.58 lakhs) and (vii) belated sanction of the 'Seed organisation for procurement and distribution scheme' (Rs. 6.20 lakhs).

Capital Section

Sl. No.	Number and name of grant	Original grant	Supplementary grant	Expenditure	Saving
			(in lakhs of rupees)		

1.	XXXIV Fisheries	91.55	6.00	46.15	51.40
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The shortfall was mainly due to non-sanction of investments in the Kerala Fisheries Corporation Limited by Government (Rs. 23.75 lakhs) and grant of less loans to the Corporation for purchase of trawlers (Rs. 15.00 lakhs).

2.	XL Ports	92.75	39.90	67.43	65.22
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The shortfall was mainly due to (i) postponement of payment of hire charges for dredgers to the Shipping Corporation of India and postponement of dredging work at Beypore Port as the departmental dredger was engaged in dredging work at Azhikode Port (Rs. 33.25 lakhs), (ii) belated acceptance of tenders for the construction and supply of barges for Neendakara Port (Rs. 14.95 lakhs) and (iii) non-receipt of administrative sanction for construction of transit shed and inspection bungalow at Neendakara and for dredging at Azheekal and Ponnani Ports (Rs. 11.02 lakhs).

3.	XLV Miscellaneous				
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	Loans and Advances				
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		320.34	20.76	303.40	37.70
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The shortfall was mainly due to lesser payment of Onam Advance than anticipated.

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

In the following cases the supplementary grants/charged appropriations (exceeding Rs. 5 lakhs in each case) proved excessive.

Revenue Section

1.	XVI Pension and Miscellaneous	1,495.52	298.97	1,672.13	122.36
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The shortfall was mainly under (i) 'Gratuities' (Rs. 80.97 lakhs), (ii) 'Commutated value of Pensions' (Rs. 48.49 lakhs) and (iii) 'Acquisition charges for land and buildings for Union purposes' (Rs. 25.42 lakhs). The saving was partly offset by excess under other heads.

The shortfall under (i) above was attributed to the fluctuating nature of the expenditure which decreased during the last months of the year. The shortfall under (ii) above was attributed to the unpredictable nature of expenditure, such as the number of pensioners who may commute the pension and the amount of pension to be commuted. The shortfall under (iii) above was due to a post budget decision to pass on the expenditure on acquisition of land for the Southern Railway to the Railway concerned for adjustment.

<i>Sl. No.</i>	<i>Number and name of grant</i>	<i>Original grant</i>	<i>Supplementary grant</i> <i>(in lakhs of rupees)</i>	<i>Expenditure</i>	<i>Saving</i>
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2.	XVIII Medical	2,915.22	104.47	2,963.08	56.61
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The shortfall was mainly due to (i) non-filling up of vacant posts and posting of staff with lesser pay than estimated in the Primary Health Units and Centres (Rs. 12.92 lakhs), (ii) less expenditure on Rural Dispensaries under the Minimum Needs Programme (Rs. 11.91 lakhs), (iii) non-arrangement of diet in certain Primary Health Centres (Rs. 5.76 lakhs) and (iv) vacant posts of Professors and Tutors in Medical College, Kottayam (Rs. 5.05 lakhs).

3.	XXI Public Health Engineering	263.07	423.50	492.51	194.06
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Supplementary grant to the extent of Rs. 337 lakhs was obtained in March 1977 owing to introduction of the revised system of 'Gross Vote on Suspense' with effect from 1st April 1976. The expenditure on this account was Rs. 137.50 lakhs only.

The shortfall was due to less purchase of materials for stores and more issue of materials for works falling under the revenue portion of the grant.

The saving was partly offset by excess under other heads.

4.	XXII Housing	170.43	201.01	285.74	85.70
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The shortfall was mainly due to less expenditure on purchase of house sites through panchayats under the scheme of provision of house sites to landless rural workers (Rs. 68.07 lakhs) and on ordinary and special repairs (Rs. 12.94 lakhs).

Saving under the former was due in part to non-levy of employment tax, the proceeds of which were to be utilised for the purchase of house sites and preoccupation of the staff in election work.

<i>Sl.No.</i>	<i>Number and name of grant</i>	<i>Original grant</i>	<i>Supplementary grant</i> <i>(in lakhs of rupees)</i>	<i>Expenditure</i>	<i>Saving</i>
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5.	XXXVII Industries	333.11	93.85	385.43	41.53
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The shortfall was mainly due to (i) non-implementation of the scheme of development and economic evaluation of partially developed mineral wealth with United Nations Development Programme (Special Fund) assistance since no assistance was received during the year pending approval of the scheme by the Government of India and the United Nations Development Programme (Rs. 30.50 lakhs), (ii) introduction of the revised scheme for disbursement of subsidy to industrial units in backward districts under which no subsidy was payable from 1st January 1977 (Rs. 8.37 lakhs) and (iii) non-implementation of the scheme for payment of subsidy towards interest to industrial units as it was reportedly not approved by the Government of India (Rs. 5 lakhs).

The saving was partly offset by excess under other heads.

Capital Section

1.	XV Public Works	622.16	246.49	777.04	91.61
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The shortfall was mainly due to (i) non-transferring of the roads constructed by the Kerala State Electricity Board in Project areas to the Public Works Department to the extent to which provision was made (Rs. 85.98 lakhs), (ii) non-utilisation of the provision (Rs. 15 lakhs) made for National Highway by-passes and parallel service roads within municipal reaches and (iii) non-utilisation of the provision made for roads intended for development of fisheries (Rs. 13.47 lakhs) owing to non-availability of sites, non-finalisation of tenders, delay in commencement of work, etc.

2.	XXVIII Co-operation	678.87	250.44	878.92	50.39
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The shortfall was mainly due to (i) shortfall in loans paid to co-operative central banks for procurement of paddy due to large scale levy concessions allowed during the year (Rs. 96.50 lakhs), (ii) non-spending of the provision made for payment of additional share capital contribution to the Kerala State Engineering Technicians Industrial Co-operative Society (Rs. 40 lakhs), (iii) lesser requirement of funds for giving loans for fishery development (Rs. 30.86 lakhs), (iv) non-payment of loans to Co-operative Sugars Limited,

Chittur (Rs. 29.00 lakhs) owing to non-implementation of a proposal to establish a confectionary unit, (v) reduced outlay approved by the Government of India for investment in service co-operative societies (Rs. 19.22 lakhs) and (vi) shortfall in purchase of ordinary/special debentures of Kerala Co-operative Central Land Mortgage Bank due to non-clearance by the Agricultural Refinance and Development Corporation of seventeen of the twenty schemes proposed by the Bank (Rs. 16.77 lakhs).

The saving was partly offset by excess under other heads.

(iii) *Inadequate supplementary grants/charged appropriations*

In the following cases, supplementary grants/charged appropriations (exceeding Rs. 5 lakhs in each case) of Rs. 83.48 crores proved inadequate by more than Rs. 5 lakhs in each case; the final uncovered excess was Rs. 7.38 crores.

Sl. No.	Number and name of grant/appropriation	Original grant/appropriation	Supplementary grant/appropriation	Expenditure	Excess
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(in lakhs of rupees)

Revenue Section

1.	XIX Family Planning	272.74	286.50	627.17	67.93
2.	XXXVIII Irrigation	752.73	325.01	1,118.69	40.95

Capital Section

1.	XVII Education, Art and Culture	278.38	143.57	444.35	22.40
2.	XXI Public Health Engineering	692.32	142.00	854.22	19.90
3.	XXXVIII Irrigation	2,029.28	471.39	2,566.62	65.95
4.	Public Debt Repayment				

(Charged) 17,924.26 6,979.40 25,424.29 520.63

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

2.4. Unutilised provision

(i) Rupees 21.18 crores remained unutilised in the Revenue Section (Rs. 20.75 crores in thirtynine grants and Rs. 0.43 crore in twentyfive charged appropriations).

(ii) Rupees 9.59 crores remained unutilised in the Capital Section (Rs. 9.50 crores in twenty grants and Rs. 0.09 crore in twelve charged appropriations).

(iii) In thirteen grants and four charged appropriations in the Revenue Section and in nine grants and one charged appropriation in the Capital Section, the savings (more than Rs. 2 lakhs in each case) were more than 10 per cent of the total provision. The details of these grants and charged appropriations are given in Appendix II.

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

2.5. Advances from Contingency Fund

A Contingency Fund of Rs. 300 lakhs has been placed at the disposal of the Governor to enable advances to be made by him for the purpose of meeting unforeseen expenditure pending authorisation by the Legislature. The advances from the Fund are to be obtained only for expenditure of an emergent character, the postponement of which would be undesirable till its authorisation by the Legislature.

One hundred and six sanctions were issued during 1976-77 advancing Rs. 376.33 lakhs, of which four sanctions for Rs. 3.65 lakhs were subsequently cancelled and the amount was reduced by Rs. 9.49 lakhs in six cases.

Three sanctions issued between 28th and 31st March 1977 for drawal of advances amounting to Rs. 12.44 lakhs remained to be recouped to the Fund at the close of the year 1976-77 (these were recouped to the Fund on the 6th of August 1977).

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

Under the system of gross budgeting followed by Government, the demands for grants presented to the Legislature are for gross expenditure and exclude all credits and recoveries which are adjusted in the accounts in reduction of

expenditure; the anticipated recoveries and credits are shown separately in the budget estimates. During 1976-77 such recoveries were anticipated at Rs. 25.10 crores (Revenue: Rs. 14.01 crores; Capital: Rs. 11.09 crores). Actual recoveries during the year, however, were Rs. 28.38 crores (Revenue: Rs. 18.84 crores; Capital: Rs. 9.54 crores) resulting in excess of Rs. 4.83 crores under Revenue and shortfall of Rs. 1.55 crores under Capital. Some of the important cases of short falls/excesses in recoveries are detailed below; reasons therefor have not been intimated (January 1978.)

Sl. No.	Number and name of grant	Budget estimates		Actuals		Amounts of shortfall/ excess of recoveries over estimates	
		Revenue	Capital	Revenue	Capital	Revenue More(+) Less(-)	Capital More(+) Less(-)
(in crores of rupees)							
1.	XV Public Works	7.64	..	10.32	..	(+)2.68	..
2.	XXII Housing	0.49	..	..	2.03	(-)0.49	(+)2.03
3.	XXX Agriculture	..	4.75	..	1.03	..	(-)3.72
4.	XXXII Animal Husbandry	1.74	..	0.71	..	(-)1.03	..
5.	XXXVIII Irrigation	2.43	0.23	6.52	0.57	(+)4.09	(+)0.34

CHAPTER III

CIVIL DEPARTMENTS

AGRICULTURE DEPARTMENT

(AGRICULTURE)

3.1. Short term loans to cultivators

(1) Introduction

In March-April 1974, the standing Puncta paddy crop in the State had been seriously affected by Brown Hopper attack of great intensity. With a view to providing assistance to the cultivators for paddy cultivation during the 1974-75 Virippu season, Government of India sanctioned (August 1974) a loan of Rs. 10 crores to the State Government for advancing short term loans, in the form of agricultural inputs, to the cultivators. Assistance for this purpose was continued by Government of India during 1975-76 and 1976-77 also for the Rabi programme. While the loan sanctioned in 1974-75 was to be repaid in one instalment after nine months (subsequently revised to five equal instalments commencing from July 1975), the loans for 1975-76 and 1976-77 (excluding an amount of Rs. 275 lakhs sanctioned in February 1976 which was repayable after 11 months) were to be repaid in one instalment after six months.

(2) Disbursement of loans

Details of loans received by the State Government, short term loans sanctioned by the State Government to the cultivators and the amount disbursed thereagainst during the three year period 1974-75 to 1976-77 are indicated below:—

<i>Year</i>	<i>Loan received from the Govern- ment of India</i>	<i>Short term loan sanctioned by the State Government (in lakhs of rupees)</i>	<i>Loan disbursed</i>
1974-75	1,000.00	1,000.00	662.67*
1975-76	650.00	375.00	271.76
1976-77	200.00	475.00	433.27
Total	1,850.00	1,850.00	1,367.70

Out of the total loan of Rs. 1,850 lakhs received from the Government of India, Rs. 482.30 lakhs were not utilised for the intended purpose.

* Includes Rs. 200.00 lakhs disbursed through the Kerala State Cooperative Bank.

Loans to the cultivators during 1974-75 were disbursed in kind in the form of agricultural inputs in accordance with the directions of the Government of India. For the year 1975-76, on representations received from the cultivators that they were unable to repay the loans on account of a steep decline in paddy prices and severe pest attack in many places, Government ordered (March 1976) that part of the loan sanctioned to the cultivators for the year might be adjusted against the loans received by the cultivators during 1974-75 and pending repayment and the balance disbursed in the form of agricultural inputs. Accordingly, Rs. 15.71 lakhs were adjusted during 1975-76 against loans received by the cultivators during 1974-75. The scheme was further liberalised in July 1976 when Government ordered that for the year 1976-77, fifty per cent of the loan sanctioned to the cultivators might be disbursed in cash and the balance fifty per cent by adjustment against the loans outstanding from the cultivators during 1975-76. In respect of cultivators from whom no loans were outstanding the entire amount of loan was ordered to be disbursed in cash. The amounts paid by adjustment of previous loans and in cash during 1976-77 were Rs. 43.66 lakhs and Rs. 326.37 lakhs respectively and the balance was paid in kind.

The disbursement of loan during 1975-76 and 1976-77 in the manner indicated above was contrary to the directions of the Government of India that the loan amount was to be utilised for the supply of agricultural inputs in kind only. Concurrence of the Government of India was also not obtained for the adjustment of loans against previous loans or disbursement of loans in cash during 1975-76 and 1976-77.

(3) *Utilisation certificates*

The State Government was required to furnish to Government of India a certificate to the effect that the loan had been utilised for the intended purpose of supplying inputs in kind to the cultivators. In March 1976, the State Government forwarded to Government of India the utilisation certificate furnished by the Director of Agriculture certifying that the entire loan of Rs. 1,000 lakhs received from the Government of India during 1974-75 had been utilised, even though only Rs. 663 lakhs had actually been spent under the scheme. Utilisation certificates in respect of the loans received during the years 1975-76 and 1976-77 were yet to be furnished to the Government of India (February 1978). Government stated (February 1978) that the utilisation certificate issued for Rs. 10 crores received during 1974-75

was not the final certificate and that pending receipt of reports from all levels and their consolidation, the utilisation certificate was issued to avoid delay. Government also stated that the certificates for the loans received during the years 1975-76 and 1976-77 would be sent soon.

(4) *Repayment of loans*

The loans disbursed to the cultivators in each of the years 1974-75, 1975-76 and 1976-77 were to be repaid by them in full with interest by April 1975, May 1976 and April 1977 respectively. Out of the total amount of Rs. 1,367.70 lakhs disbursed as loans under the scheme during the three year period 1974-75 to 1976-77, Rs. 624.98 lakhs were still to be recovered at the end of October 1977, as per details below:—

<i>Year</i>	<i>Amount of loan disbursed (in lakhs of rupees)</i>	<i>Amount pending recovery</i>
1974-75	662.67	157.18
1975-76	271.76	92.00
1976-77	433.27	375.80

The details of interest outstanding on the loans paid in the three years are awaited from the department (January 1978).

The State Government has repaid to the Government of India the entire loan of Rs. 1,850 lakhs sanctioned upto 31st March 1977 with interest.

(5) *Reconciliation of expenditure and receipts*

The monthly statements of the District Officers reconciling the total payments and receipts under the scheme with those booked in the District Treasuries, were not received in the Directorate regularly. Out of eleven District Officers, the statements were received from one Officer (Alleppey) alone for the year 1974-75 only. The delay was attributed (September 1977) by the department to lack of adequate staff in the District Offices.

(ANIMAL HUSBANDRY)

3.2. Poultry development

(1) *Introduction*

The poultry development programme, intended for popularising poultry breeding by distributing quality breeds of birds, chicks and eggs, was started in the State with the establishment of the first poultry farm at Mundayad in Cannanore district, in November 1948 by the erstwhile Madras Government.

The programme consisted mainly of the following activities:—

- (a) establishment and running of poultry farms;
- (b) establishment of Intensive Poultry Development Blocks;
- (c) production of poultry feed;
- (d) marketing of poultry products;
- (e) broiler production; and
- (f) duck farming.

Activities under the programme gained momentum from the Third Five Year Plan period. During the sixteen year period from 1961-62, a total expenditure of Rs. 886.29 lakhs was incurred on various poultry development activities in the State, as indicated below:—

<i>Period</i>	<i>Expenditure (in lakhs of rupees)</i>
Third Five Year Plan (1961-66)	64.45
Annual Plans (1966-69)	152.04
Fourth Five Year Plan (1969-74)	358.29
Fifth Five Year Plan (1974-75)	88.62
(1975-76)	113.38
(1976-77)	109.51
Total	886.29

In addition, Rs. 33.15 lakhs were spent on construction works till the end of March 1977.

A review of the poultry development activities in the State under the Animal Husbandry department was conducted by Audit during March-May 1977. Results of the review are mentioned in the succeeding paragraphs.

(2) *Poultry farms*

(i) *Background information*

There were three departmental poultry farms (Kodappanakunnu, Mannuthy and Mundayad) in 1956 when Kerala State was formed. More farms were started in the succeeding years and four of the district poultry farms were upgraded as regional poultry farms, while the farm at Mannuthy was transferred to the Kerala Agricultural University in February 1972.

As at the end of March 1977, there were four regional poultry farms (Kodappanakunnu, Koovappady, Malampuzha and Mundayad) and three

district poultry farms (Chathamangalam, Manarcaud and Quilon). A Central Hatchery was also started in October 1961 for hatching of eggs produced in these farms and by other poultry breeders and for organising poultry breeding on a systematic and scientific basis.

(ii) *Working results of poultry farms*

Mention was made in paragraph 49 of the Audit Report, 1967 of the losses sustained by the poultry farms. While examining this paragraph in its Third Report, the Public Accounts Committee (1967-68) had, *inter alia*, expressed the hope that it would be possible to run the farms on a 'no-profit no-loss' basis in the years to come. The Committee had also recommended that Government should arrange for periodical reviews being conducted to see that these farms were run economically and on sound footing. Orders to implement the recommendation of the Committee were issued by Government in November 1968.

As *pro forma* accounts in respect of the transactions of the farms have not been prepared in the absence of orders of Government prescribing maintenance of such accounts, the actual financial results of the working of the farms could not be ascertained. It was, however, noticed that in all the farms including Central Hatchery, expenditure exceeded receipts and the excess of expenditure over receipts was on the increase year after year ranging from Rs. 4.17 lakhs in 1972-73 to Rs. 15.94 lakhs in 1975-76 (in 1976-77 the excess was Rs. 10.03 lakhs). Receipts realised each year (except in 1972-73) were insufficient to meet even the cost of poultry feed which normally accounted for about two-third of the expenditure on maintenance of the farms.

Factors which contributed to the poor working results of the farms were under-utilisation of layer capacity, under-utilisation of incubation capacity and poor hatching results, low production of eggs and decrease in the number of hatching eggs and birds sold/supplied to poultry breeders. Results of a review of these aspects are discussed in the succeeding paragraphs.

(a) *Utilisation of layer capacity*

The extent to which the available layer capacity was utilised by each farm during the period from 1972-73 to 1976-77 is indicated in the following table:—

Name of farm	1972-73		1973-74		1974-75		1975-76		1976-77	
	Layer capacity	Layers actually maintained	Layer capacity	Layers actually maintained	Layer capacity	Layers actually maintained	Layer capacity	Layers actually maintained	Layer capacity	Layers actually maintained
	(number of layer birds)									
Regional Poultry Farm, Mundayad	1000	1173	1000	1220	1000	1244	2000	604	2000	710
Regional Poultry Farm, Malampuzha	1200	1203	1200	1168	1200	1134	2200	632	2200	1341
Regional Poultry Farm, Koovappady	1000	802	1500	879	1500	1330	1500	549	1500	808
Regional Poultry Farm, Kodappanakunnu	2000	1379	2000	1278	2000	1935	2000	1458	2000	1560
District Poultry Farm, Chathamangalam	1000	460	1000	376	1500	1055	1500	692	1500	757
District Poultry Farm, Manarcaud	1000	729	1500	1198	1500	1518	1500	891	1500	1418
District Poultry Farm, Quilon	1000	470	2000	384	2000	580	2000	535	2000	1080
Central Hatchery, Chengannur	4000	5192	4000	5084	4000	5680	4000	3920	4000	3746

- Sources: 1. Bulletin of Animal Husbandry Statistics.
2. Administration Reports of the Animal Husbandry Department.
3. Details furnished by the department.

(b) *Utilisation of incubation capacity and hatching results*

Facilities for hatching eggs by mechanical means are available in all the poultry farms and the Central Hatchery. The total annual incubation capacity available in all the institutions was about 13.36 lakh eggs in 1972-73. It was augmented to 14.56 lakhs in 1973-74, to 21.76 lakhs in 1974-75 and to the existing level of 22.57 lakhs in 1975-76.

The table below presents details of utilisation of incubation capacity and the hatching results during the period 1972-73 to 1976-77.

	1972-73	1973-74	1974-75	1975-76	1976-77
A. Maximum incubation capacity (number of eggs in lakhs)	13.36	14.56	21.76	22.57	22.57
B. Total number of eggs set for hatching (in lakhs)	8.72	5.42	4.19	2.59	7.06
C. Percentage utilisation of incubation capacity	65.3	37.2	19.3	11.5	31.3
D. Number of healthy chicks hatched (in lakhs)	5.22	2.92	1.55	1.09	4.13
E. Percentage hatchability of all eggs set (excluding weaklings)	59.9	53.9	37.0	42.0	58.5
F. Percentage of weaklings killed	2.5	5.9	2.0	1.3	2.9
G. Percentage of infertile eggs	10.5	11.5	13.7	12.6	9.4
H. Percentage of dead germs	9.0	11.3	24.7	21.7	13.0
I. Percentage of dead in shell	18.1	17.4	22.6	22.4	16.2

Sources:—1. Bulletin of Animal Husbandry Statistics.

2. Administration Reports of the Animal Husbandry Department.

3. Details furnished by the Department.

Notwithstanding the poor utilisation of the existing capacity, the incubation capacity was increased in 1974-75 by 7.20 lakh eggs per year by purchasing during 1973-74, 24 incubators (cost: Rs. 1.32 lakhs) which remained unutilised due to decrease in hatching activities. Government stated (October 1977) that hatching had to be limited to the extent of demand for chicks, that production was low owing to fall in demand due to non-availability and high cost of poultry feed, high mortality of chicks due to Marek's disease, resulting in the farmers closing down intensive system of poultry farming and going back to the traditional system of back-yard poultry-keeping which was less expensive.

According to the instructions issued in May 1970 for hatchery management by the Director of Animal Husbandry, infertility of less than 10 per cent of eggs might be considered as normal and out of the remaining eggs, at least 90 per cent (ie. 81 out of 100 eggs set) should yield good healthy chicks.

However, during the five year period from 1972-73 to 1976-77, the percentage of healthy chicks produced to the number of eggs set worked out to 59.9, 53.9, 37.0, 42.0 and 58.5 respectively.

The percentage of infertile eggs, dead germs and dead in shell had also gone up since 1972-73. This was attributed by Government (October 1977) to high in-breeding in the flock.

(c) *Production of eggs*

The breeding programme laid down in the Poultry Manual envisaged an average annual production of 240 eggs (66 per cent) per layer. The target fixed by the department was 60 per cent, i.e. 220 eggs per layer per year. According to technical standards, a minimum annual production of 200 eggs (55 per cent) per layer was necessary for any successful poultry operation. The average annual production per bird in the farms during the last five years is indicated below:

Year	Name of the farm							
	Chathamangalam	Kodappanakkunnu	Koovappady	Malam-puzha	Manar-caud	Mundayad	Quilon	Central Hatchery, Chengannur
	(number of eggs)							
1972-73	153	175	139	153	193	168	204	237
1973-74	106	153	131	139	179	164	240	190
1974-75	106	146	168	135	204	142	172	172
1975-76	179	157	204	161	146	204	157	157
1976-77	197	193	190	204	219	237	200	211

Government stated (October 1977) that in many cases the production target could not be achieved due to labour indiscipline, undetectable pilferage from the farms and built-in disadvantages of the tender system in obtaining supplies of feed ingredients and consequential inability to manufacture high quality poultry feeds.

(d) *Supply of hatching eggs/birds*

With a view to developing and maintaining a stock which combined high economic potential with high livability under the climatic conditions of the State and providing a sufficient number of superior birds to meet the needs of the developing poultry industry of the State, the Department introduced in 1966-67 a breeding programme with imported Forsgate strain white leghorn. In terms of the targets laid down for this species in the Kerala

Poultry Manual, the birds were to give on an average 240 eggs (average weight of 680.39 grams per dozen with good quality shell) per year, 80 per cent of the eggs set for hatching should hatch with 80 per cent of the hatched chicks remaining alive throughout the first year. The breeding work under the programme was started (November 1966) in the Central Hatchery, Chengannur and in six of the farms (excluding the farms at Kodappanakunnu and Manarcaud) and the chicks produced during 1967-68 were used as parent stock to meet the demand from farmers for day-old chicks and two month-old birds.

When the programme was launched, it was expected that with the available floor space and on the assumption that 70 per cent of the eggs set would hatch, the participant farms and the Central Hatchery together could supply for breeding a maximum of 11.10 lakh birds (9.60 lakh day-old chicks and 1.50 lakh two month-old birds) every year. During the period 1972-73 to 1976-77, only 8.24 lakh chicks and birds were supplied, by all the departmental farms and the Central Hatchery, the average supply being 1.65 lakh chicks and birds per year. In addition, 2.89 lakh hatching eggs were also supplied during this period by these institutions, the average supply being 0.58 lakh eggs per year.

Government stated (October 1977) that hatching had to be limited to the extent of demand for chicks and that for various reasons like high feed prices, lower egg prices and certain poultry diseases like Marek's disease, *avian leukosis complex*, etc., to combat which no prophylactic vaccines were available, a large number of farmers had preferred to continue traditional type of poultry farming with locally graded chicken which reduced the demand for improved varieties of chicks.

(3) *Intensive poultry development blocks*

A model scheme for setting up Intensive Poultry Development Blocks in towns having a population of one lakh or more was formulated by Government of India in 1962. The object of the scheme was to intensify poultry keeping by providing quality birds, hatching facilities, balanced feed, etc. The activities under the scheme included production and multiplication of breeding stock, control of poultry diseases, supply of poultry feed, marketing of eggs and poultry, technical guidance, provision of credit facilities to poultry farmers for purchase of birds, equipment, etc.

Financial assistance was extended by Government of India for the establishment of two such blocks in the State. The State Government sanctioned 102/9042/MC.

(1964) the setting up of the blocks at Muvattupuzha (Ernakulam District) and Pettah (Trivandrum District). The total expenditure incurred on the scheme up to the end of March 1977 was Rs. 184.52 lakhs. Some aspects of the implementation of the scheme are mentioned in the following paragraphs:—

(i) *Establishment of poultry farming units*

According to the scheme, about 300 persons interested in poultry keeping were to be selected within a radius of 15 to 30 miles of the block for the grant of loan in cash or in kind in the form of supply of birds, feed, equipment, medicines, etc., on the following conditions:—

(a) they would maintain a unit of 100 layers to make it financially worthwhile;

(b) they would set up a poultry house according to the prescribed design, preferably from their own resources;

(c) form a co-operative organisation of the farmers; and

(d) market their products only through the co-operative organisation so formed.

In Pettah Block (Trivandrum District) all the 376 poultry units started from the date of inception of the block (1964) till February 1973 became defunct by the end of 1972-73 or earlier. While no new unit was started between March 1973 and December 1975, of the 261 units organised subsequently between January 1976 and March 1977, only 131 units had started functioning by March 1977. In the remaining units, construction of poultry houses or supply of chicks was pending. Out of the 131 units started, only 15 units had more than 100 layers.

In the Muvattupuzha Block (Ernakulam District), though 835 poultry units were formed during the period 1964-65 to 1976-77, a majority of them became defunct and the number of units functioning at the end of March 1977 was only 166 (excluding 19 units which had not availed of any credit facilities from the department). The number of units functioning at the end of each of the years from 1971-72 to 1974-75 was below 100, the lowest being 12 in 1974-75. Of the 166 units at the end of March 1977, only 37 had more than 100 layers.

The decline in the number of units was attributed (April 1977 and May 1977) by the Project authorities to increase in the price of poultry feed without commensurate increase in the price of eggs and severe attack of Marek's disease for which necessary vaccine was not available in India.

(ii) *Collection of eggs and table birds*

The scheme envisaged that each Intensive Poultry Development Block would handle about 10,000 eggs and 300 table birds per day, that is, a total of 36.50 lakh eggs and 1.10 lakh table birds per year. Actual collections were far below these targets as indicated below:

Year	Pettah		Muvattupuzha	
	Eggs collected	Table birds collected	Eggs collected	Table birds collected
	(in lakhs)			
1972-73	12.84	0.096	4.21	0.031
1973-74	12.60	0.033	3.01	0.015
1974-75	10.97	0.029	1.14	0.006
1975-76	11.18	0.041	0.62	0.022
1976-77	14.55	0.045	11.94	0.004

Government stated (October 1977) that the shortfall in collection was attributable to the shortfall in the establishment of poultry units.

(iii) *Formation of co-operative societies*

The scheme also envisaged the formation of co-operative societies of poultry farmers at suitable localities under the advice of the technical officers of the Animal Husbandry Department and marketing of the products through such societies. Though ten such co-operative societies were organised in the Pettah Block area, only five were functioning (January 1978). In the Muvattupuzha Block, of the three societies formed, no society was functioning at the end of January 1978.

(iv) *Working results*

Details of receipts and expenditure in respect of the two Blocks from 1972-73 to 1976-77, furnished by the department, are indicated below:—

Year	Intensive Poultry Development Block, Muvattupuzha		Intensive Poultry Development Block, Pettah	
	Receipts	Expenditure	Receipts	Expenditure
	(in lakhs of rupees)			
1972-73	2.07	3.15	10.15	9.18
1973-74	3.19	3.06	5.91	10.12
1974-75	1.84	2.79	6.00	12.10
1975-76	2.21	4.68	11.68	6.78
1976-77	11.48	11.46	24.29	14.20

An Officer of the Agricultural Department of Government who conducted an enquiry into the affairs of the Pettah Block had pointed out (April 1976) defects in the implementation of the scheme like setting up of poultry units without consideration of facilities for collection and marketing of eggs, deficiencies in the field of extension and veterinary support, lack of proper guidance and effective supervision by the Directorate of Animal Husbandry, etc.

Government stated (October 1977) that the Director of Animal Husbandry had taken action on the points mentioned in the enquiry report, which were within his powers, and that he had forwarded proposals to Government in respect of other points which were under their consideration.

(v) *Other points*

A sum of Rs. 1.10 lakhs representing the cost of chicks, table birds, etc., supplied to the Pettah Block from the Regional Poultry Farm, Kodappanakunnu during the period 1966-67 to 1972-73 was pending payment by the Block. The Project Officer stated (June 1977) that on verification of the available records in his office there was no evidence of the supplies having been received. Government, however, informed (October 1977) Audit that the Project Officer's statement was not correct and that a complete cross verification of the registers of the institutions would be made. Further developments are awaited (January 1978).

(4) *Production of poultry feed*

Facilities for the manufacture of poultry feed exist at the two Intensive Poultry Development Blocks at Pettah and Muvattupuzha, Feed Compounding Factory, Chengannur and the two regional poultry farms at Kodappanakunnu and Mundayad.

Calculated on the basis of 300 working days per year, the total installed capacity of all these units together was 7,350 tonnes per year upto 1975-76, which was enhanced to 25,800 tonnes per year during 1976-77 by installing three feed mixing plants (cost: Rs. 1.46 lakhs), one each in the Intensive Poultry Development Block, Pettah, Regional Poultry Farm, Kodappanakunnu and the Feed Compounding Factory, Chengannur. The actual production in the units during the five year period from 1972-73 to 1976-77 was only 13,023 tonnes, the average production per year being 2,605 tonnes. Production in 1976-77 (2,188 tonnes) was less than 10 per cent of the installed capacity. Government stated (October 1977) that the rated capacity of

the units was not fully utilised owing to low demand on account of the increased cost of poultry feed ingredients and resultant high cost of the mixed feed rendering poultry keeping uneconomical and a large majority of the farmers giving up organised poultry production.

None of the feed manufacturing units under the department had been provided with facilities for quality control of feed ingredients and manufactured feed. Random tests conducted by the Agricultural University and the Government Analyst's Laboratory revealed that the feed ingredients were adulterated and of sub-standard quality. Government stated (October 1977) that action was being taken for the establishment of a feed analytical laboratory at the Central Hatchery, Chengannur and that this would go a long way in solving the problem of quality control.

(5) Marketing of poultry products

The Egg Collection and Marketing Scheme was sanctioned by Government in 1964 and was intended to ensure remunerative price to producers and supply of quality eggs to consumers at reasonable price and to prevent large scale wastage of eggs by arranging proper handling, storage and transportation. Certain aspects of this scheme were dealt with in paragraph 24 of the Audit Report, 1969. While examining this paragraph, the Public Accounts Committee (1969-70) had observed, *inter alia*, in its Second Report, that the programme "was completely futile, achieved none of the objectives envisaged and ended in utter loss".

The receipts and expenditure relating to the scheme during the years 1972-73 to 1976-77 were as given below:—

Year	Expenditure	Receipts*	Surplus+/ Deficit—
	(in lakhs of rupees)		
1972-73	26.91	27.94	(+)1.03
1973-74	23.97	21.88	(—)2.09
1974-75	23.74	21.09	(—)2.65
1975-76	25.68	20.95	(—)4.73
1976-77	23.88	20.95	(—)2.93

Under the scheme, 312 lakh eggs at the rate of 6 lakh eggs per week were expected to be handled annually. The actual annual transactions during each of the five years from 1972-73 to 1976-77 was, however, only 48.30 lakh eggs on an average.

* Figures furnished by the department.

Storage facilities for 5 lakh eggs were available at the main Egg Collection and Marketing Centre established under the scheme at Chengannur, for three lakh eggs at the sales depot at Ernakulam and for 0.30 lakh eggs in each of the remaining seven sales depots. The Production Manager, Central Hatchery, Chengannur reported (August 1977) that the Egg Collection and Marketing Scheme was facing difficulties on account of accumulation of eggs at the storage centres/sales depots without outlets for marketing.

The scheme envisaged organisation of co-operative societies for collection and supply of eggs. As the societies so organised (fifteen primary societies and one regional society) were not able to function effectively, eggs were being collected by the department from private poultry breeders, open market and from the district and regional poultry farms. The purchase price of eggs was fixed, from time to time, by the Superintendent, Egg Collection and Marketing Scheme, Chengannur after taking into account the market rates prevailing in two or three markets in and around Chengannur. While private poultry breeders were paid at the rates so fixed, the departmental farms were paid (from October 1974) three paise less per egg than these rates. From 1st April 1976 onwards, with the concurrence of the Director of Animal Husbandry, a minimum purchase price of Rs. 35 per 100 eggs was paid to a limited number of farmers who had agreed to supply a fixed quantity of eggs produced by them throughout the year.

Sales to the public ranged, on an average, between 8 and 20 per cent of the total collections, the remaining quantity being usually sold to Government institutions at rates previously agreed upon.

On the basis of an order issued by the Director of Animal Husbandry in October 1974, all the farms were allowed to sell locally, table eggs produced in the farms at a price which was less than the purchase price fixed by the Superintendent, Egg Collection and Marketing Scheme by 3 paise per egg. Owing to wide fluctuations in the market rates from place to place, table eggs from the farms were sold at rates which had no relation to the prevailing market rates of the locality. For instance, while the price of eggs sold from the farms was fixed at 35 paise per egg in December 1974, the market prices at Cannanore, Trivandrum and Quilon ranged between 37 paise and 40.5 paise per egg. Similarly, between March and May 1975, while the price of eggs sold by the farms remained constant at 27 paise per egg, market prices in the three centres fluctuated between 31 paise and 39 paise per egg. A similar situation prevailed also in October 1976 and December 1976 when the

market prices ranged between 38 paise and 42 paise per egg and 39 paise and 44 paise per egg respectively as against the prices of 30 paise and 37 paise respectively for eggs sold by the farms. The Assistant Director, Mundayad Poultry farm, Cannanore informed (July 1977) Audit that the selling prices fixed were much lower than the local market rates, the difference ranging from 6 to 10 paise per egg.

Government stated (October 1977) that as the existing arrangement was found to have in-built difficulties in implementation, it was proposed to change the system.

(6) *Broiler production*

A Broiler Farm was started (1962) at Pettah (Trivandrum) for raising quality chicks for meat. Subsequently in 1966-67, a breeding programme to produce sufficient number of superior birds to meet the needs of the developing broiler industry in the State was taken up by the department with an imported stock of White Rock birds. In 1969, White Cornish chicks were also introduced for production of commercial broilers.

According to the Broiler Breeding Manual of the department, the birds should attain an average body weight of 803.8 grams in six weeks after hatching and 1.5 kilograms at ten to twelve weeks of age. Data available in the farm indicated that the body weight attained by the birds was only about 25 to 55 per cent of the standards mentioned above. Government stated (October 1977) that action was being taken to obtain chicks of higher genetic potential for the foundation stock of the farm.

Between September 1969 and October 1976, layer breed (White Leghorn) birds were also maintained in large numbers, restricting the broiler breeding activities, which was not in conformity with the objective of the broiler farm.

Details of receipts and expenditure of the farm from 1972-73 to 1976-77, furnished by the department, are indicated below:—

<i>Year</i>	<i>Receipts</i>	<i>Expenditure</i>
	<i>(in lakhs of rupees)</i>	
1972-73	0.52	0.97
1973-74	0.49	0.77
1974-75	0.56	1.19
1975-76	0.70	1.40
1976-77	0.31	1.24

(7) *Duck farming*

In July 1966, a duck farm was started at Niranam (Alleppey District) with a view to evolving a high yielding local strain of ducks and popularising such a strain among the farmers.

(i) Details of egg production, hatching results and mortality rate of birds in the farm from 1972-73 to 1975-76, are indicated in the table below:

Year	Hatching results				
	No of eggs produced	No of eggs set for hatching	No. of chicks produced	Percentage of hatchability	Percentage of mortality of the birds*
1972-73	79,145	17,199	3,376	19.6	0.8
1973-74	39,878	14,400	3,782	26.3	3.1
1974-75	19,117	746	219	29.4	72.5
1975-76	12,369	No hatching activities			81.8

A team of experts from the Kerala Agricultural University, who visited the farm in July 1976 at the instance of Government, attributed the poor performance by the farm to "substandard management skill" and "inadequate infrastructure and connected facilities". The team also stated (September 1976) that because of high mortality and poor production, no systematic breeding programme could be followed in the farm from its inception and hence the major objectives for which the farm was established could not be carried out effectively. Considering the vast potential for development of duck farming in the State, the expert team was of the view that the duck farm should be expanded. Expansion of duck farming, for which an outlay of Rs. 20 lakhs had been envisaged in the Fifth Five Year Plan proposals has, however, not been taken up so far (January 1978).

(ii) Receipts and expenditure of the Farm for the years 1972-73 to 1976-77 were as indicated below:

Year	Receipts**	Expenditure
	(in lakhs of rupees)	
1972-73	0.21	0.19
1973-74	0.34	0.21
1974-75	0.12	0.25
1975-76	0.10	0.59
1976-77	0.04	0.20

* Represents mortality of birds calculated with reference to the flock strength in the farm.

** Figures taken from the Administration Reports of the Animal Husbandry Department.

(iii) As a measure of relief to the duck farmers affected by the large scale death of ducks, caused by an extensive out-break of 'Pasteurellosis' in the State in 1976, Government ordered (July 1976) that the farmers in the six districts affected in the State who had lost more than fifty ducks, be granted the following:—

- (a) eggs for double the number of ducks lost free of cost, subject to a maximum of 1,000 eggs to each farmer,
- (b) an amount of Re. 1 per duckling for every female duckling hatched, and
- (c) loan of Rs. 5 per duckling subject to a maximum of Rs.2,500 per individual.

According to the rules framed by Government in November 1976, the loan was payable to those farmers who had lost their ducks during 1976 for replenishment of stock and its maintenance.

The department reckoned that 3.99 lakh ducks had perished on account of the disease; 7.97 lakh eggs were accordingly purchased, after negotiation, from an individual at 50 paise per egg and were distributed to the farmers. While loan of Rs. 0.92 lakh was disbursed to farmers who had lost their ducks assistance of Re.1 per female duckling hatched had not been paid till March 1977. The department stated (May 1977) that the casualty data were based on details furnished by farmers through breeders' associations, Panchayat Presidents and officials of the Revenue and Animal Husbandry departments.

(8) *Other topics of interest*

(i) *Panchayat poultry units*

Twentytwo panchayat poultry units were started in four districts (Cannanore, Quilon, Trichur and Trivandrum) in the State between 1964 and 1968 under the Applied Nutrition Programme. As none of the units was functioning effectively, Government, on the recommendation of the Director of Animal husbandry, ordered (October 1975) the closure of the units. Between 1963-64 and 1973-74, a sum of Rs. 71.86 lakhs was spent on these units (including expenditure in the departmental poultry farms in connection with the Applied Nutrition Programme). Separate details of expenditure for subsequent years were not available.

All the five units in Trivandrum District were revived in 1976-77 as extension units of the Poultry Farm, Kodappanakunnu and the Broiler Farm,

Pettah. Against an expenditure of Rs. 10.67 lakhs incurred during the period 1965-66 to 1975-76 on five Panchayat poultry units which functioned in Quilon District, receipts realised were only Rs. 4.25 lakhs. Details relating to the remaining units are awaited from the department (January 1978).

(ii) *Poultry development scheme, Cannanore*

A scheme for the development of poultry farming on a commercial scale in Cannanore and Taliparamba taluks of Cannanore District was sanctioned by Government in 1970. It was to be implemented by the Cannanore District Poultry Farming and Marketing Co-operative Society, Pariyaram with loan assistance from the Agricultural Refinance and Development Corporation, initially as a pilot project and subsequently extended gradually to cover the entire district. Under the scheme, the society was to produce all the requirements for poultry farming and supply them to the members against cash payment or in kind; it had also to collect eggs and table birds from farmers, process them and market them to the advantage of the society and its members.

For the effective implementation of the scheme and for providing health cover to the birds, Government staff was provided from January 1971 onwards. Rupees 1.75 lakhs were also provided during 1970-71 (Rs. 1.50 lakhs) and 1971-72 (Rs.0.25 lakh) by Government as share capital contribution to the society. As the expected institutional finance was not obtained till 1975-76 on account of delay in finalisation of the terms of assistance, the functioning of the society was not effective. Against 960 poultry units to be started as per the scheme, only 87 units were started during the period June 1971 to December 1972 and most of these units (73) were closed down by August 1974 as the society failed to arrange marketing of eggs and supply of feed.

According to a revised scheme sanctioned by Government in December 1974, a total of 600 poultry units having a minimum of 100 birds each were to be started at the rate of 200 units each year from 1975-76 onwards. It was expected that the scheme, when fully implemented, could produce 150 lakh eggs annually. As against 400 poultry units to be started till 1976-77, only 122 units were actually started, which was attributed (April 1977) by the Project Officer of the scheme to late receipt of loan from the Agricultural Refinance and Development Corporation. A loan (guaranteed by Government) of Rs. 4.34 lakhs only was availed of by the society between November 1975 and December 1976 against Rs. 15.98 lakhs allotted by the Corporation for the first two years.

According to the Project Officer (April 1977), the scheme faced a number of problems like non-availability of good day-old chicks, lack of vehicles for the field officers to visit the units to render timely medical assistance and lack of outlets for the eggs produced on remunerative price. Expenditure on the staff provided by Government for the scheme, between 1971-72 and 1976-77 amounted to Rs. 2.88 lakhs.

The accumulated loss of the society at the end of each of the years from 1972-73 to 1976-77 was as follows:—

<i>Year</i>	<i>Loss</i> <i>(in lakhs of rupees)</i>
1972-73	0.37
1973-74	0.84
1974-75	0.80
1975-76	1.36
1976-77	1.10

(iii) *Expansion of poultry activities*

The Fifth Five Year Plan envisaged an outlay of Rs. 29 lakhs for starting two district poultry farms in Malappuram and Idukki districts. The outlay was intended to meet expenditure on construction, purchase of equipment and furniture and the operational cost of the farms. It was anticipated that each farm would produce 50,000 pullets and over a lakh of table eggs per annum from the second year of its establishment. Though Government sanctioned the starting of the farms in November 1974 and possession had also been taken of the land required for the farms in July 1974 (Malappuram) and February 1976 (Idukki), the farms are yet to be started as the work in Idukki started in November 1977 has not been completed and the work in Malappuram is yet to be arranged by the Public Works Department (February 1978). Government stated (October 1977) that pending completion of construction work, it was proposed to start the two farms in rented buildings.

(9) *Egg powder factory, Thiruvalla*

Mention was made in paragraph 26 of the Report of the Comptroller and Auditor General of India for the year 1970-71 of the delay in setting up of the factory, sanctioned by Government in 1968. Commenting on the "haphazard implementation" of the project in paragraph 3.38 of its Nineteenth Report (Fourth Kerala Legislative Assembly), the Public Accounts Committee

(1973-74) had observed, *inter alia*, that the project should be implemented without further delay. However, the factory has not yet been started and 12 acres of land transferred from the Agriculture Department for the establishment of the factory remain un-utilised (January 1978). Government stated (October 1977) that a feasibility survey conducted (April 1971) did not warrant establishment of the factory at this juncture and the idea of starting the factory was, therefore, shelved for the time being. Government stated further that the land was proposed to be utilised for locating the extension unit of the Duck Farm, Niranam. An expenditure of Rs. 0.58 lakh incurred in connection with the establishment of the factory has thus remained unfruitful.

(10) *Cases of financial irregularities*

(i) A special audit of the accounts of the Pettah Block was conducted (1970-73) by the Inspection Wing of the Finance Department. Their report submitted in July 1973 revealed serious financial irregularities in the Block such as short accounting and non-accountal of cash and stock.

The department determined (February 1977) the loss at Rs. 0.91 lakh after verification of the records of the Block. Individual liability was also fixed (February 1977) by the department for the amount, of which Rs. 0.25 lakh and Rs. 0.27 lakh were recoverable respectively from a Poultry Assistant and an Upper Division Clerk. Particulars of recovery called for from the department are awaited (January 1978).

(ii) Physical verification of birds in the Regional Poultry Farm, Kodappanakunnu conducted by the Joint Director (Poultry) in April 1972 revealed a shortage of 408 birds. A shortage of 903 birds was also detected by him in the Panchayat Poultry unit, Peroorkada. The value of the birds found short at Kodappanakunnu and Peroorkada was Rs. 0.12 lakh. Besides, discrepancies in the age groups of birds were also detected at Kodappanakunnu and in the Panchayat Poultry units at Peroorkada, Ulloor, Thiruvallom, Payattuvila and Kanjirakulam. These cases were stated to be under vigilance investigation. Further developments are awaited (January 1978).

(iii) Irregularities such as non-remittance of collections, excess remittance, misappropriation, part-remittances, loss of receipt books, non-entry in cash book, etc., were noticed in the departmental check of accounts of the Regional Poultry Farm, Kodappanakunnu and Panchayat Poultry Unit, Peroorkada conducted in May 1972. The loss estimated by the department was Rs. 0.22 lakh. The case had been sent to Government in January 1977, for registering it as a vigilance case. Further developments are awaited (January 1978).

(iv) Departmental check of the accounts of the District Poultry Farm, Quilon and the extension centres affiliated to it conducted during October-November 1974 revealed serious financial irregularities such as fraud, falsification of records and misappropriation of Government money, etc. The loss on this account was assessed (December 1974) by the department at Rs. 1.10 lakhs.

A case was registered by the department with the Crime Branch (Vigilance), Quilon in January 1977. Further developments are awaited (January 1978).

(v) An inspection of the cash and accounts of the Intensive Poultry Development Block, Pettah conducted by the department in August 1977 revealed that against the balance of Rs. 67,905.25 as on 20th August 1977 in the Revolving Fund Cash Book, cash and vouchers actually available were only Rs. 12,660.59. It was stated (August 1977) by the Director of Animal Husbandry that the Upper Division Accountant primarily responsible was placed under suspension and a thorough audit to determine the actual loss, was to be conducted by the department. The case was also reported by the department for vigilance investigation. Further developments are awaited (January 1978).

(11) *Revolving fund*

With the objective of quickly making available the requisite funds for speedy implementation of the under-mentioned Poultry development schemes, the department has been operating a revolving fund in the Public Account from 1965-66 onwards :—

- (i) Intensive Poultry Development Blocks at Muvattupuzha and Pettah.
- (ii) Egg Collection and Marketing Scheme, Chengannur.
- (iii) Poultry Feed Manufacturing and Distribution Scheme, Chengannur.
- (iv) Live Stock and Poultry Feed Compounding Factory, Malampuzha*

The operation of the fund is governed by the rules issued by Government for the purpose in July 1965.

*Transferred to the Kerala Live Stock Development and Milk Marketing Board with effect from 1st May 1976.

The following points were noticed in regard to the operation of the fund:—

(a) Under the rules, the individual institutions operating the revolving fund were required to maintain *pro forma* accounts. Consolidated *pro forma* accounts for all the schemes financed from the fund were also required to be prepared. *Pro forma* accounts of the Egg Collection and Marketing Scheme, Chengannur from 1965-66 to 1974-75 and for the other three schemes up to 1967-68 received in Audit were found to be defective in certain respects and revised accounts were called for in July 1977. These are awaited (January 1978).

(b) The receipts pertaining to the schemes financed from the fund were to be credited to the Personal Deposit Accounts opened in the name of the head of the institutions concerned and expenditure on the schemes were to be met from the receipts so credited. The maximum amount that could be held by each institution in the Personal Deposit Account was Rs. 50,000 and the excess, if any, was to be transferred to the main Personal Deposit Account maintained by the Joint Director (Poultry).

It was noticed that in the Pettah block, large amounts were being retained for long periods in the cash chest without being credited to the Personal Deposit Account, though the daily collections were to be remitted to the Treasury on the next working day. The balances so retained on some days were also in excess of the maximum that could be retained even in the Personal Deposit Account. For instance, between 5th April 1974 and 24th May 1974, balances retained in the cash chest progressively increased from Rs. 0.43 lakh to Rs. 0.84 lakh and an amount of Rs. 0.77 lakh was remitted to the Treasury only on 24th May 1974. Similarly, between 11th May 1976 and 28th May 1976, the balances in the cash chest increased from Rs. 0.14 lakh to Rs. 0.27 lakh and an amount of Rs. 0.26 lakh was remitted only on 28th May 1976.

(c) Financial rules require that the Personal Deposit Accounts should be closed at the end of each year by transfer of the balance in the account to the Consolidated Fund and the accounts reopened afresh in the next year, if necessary. Though the Personal Deposit Accounts were closed at the end of the year, the institutions had held back some amounts without remittance to the Personal Deposit Accounts and these were utilised for expenditure in the succeeding years.

(d) Instances of non-maintenance/defective maintenance of subsidiary accounts, delay in issue of invoices for supplies made and delay in settlement of invoices for supplies received were noticed during audit in the institutions.

(c) From November 1972, the expenditure and receipts of the workshop attached to the Central Hatchery were being booked to the revolving fund of the Feed Compounding Factory, Chengannur which was intended for financing activities relating to the manufacture and distribution of poultry feed.

(12) *Summing up*

It may be seen from the foregoing paragraphs that while a substantial investment of Rs. 886.29 lakhs has been made from the commencement of the Third Five Year Plan to end of 1976-77 on development of poultry in the State, various activities undertaken by the department in this direction have not produced the expected results. The layer capacity and incubation capacity available in the departmental farms continued to remain largely under-utilised, the production of eggs per layer and the percentage of healthy chicks hatched to the number of eggs set for hatching fell below the expected standards; the breeding programme started in the farms was not quite successful as the supply of chicks/birds was below the targets fixed. All the farms worked uneconomically as the expenditure incurred on them over the receipts continued to be on the increase year after year. These factors, coupled with the non-availability and high cost of poultry feed, caused a set back to the development of poultry. Attempts of the department to produce poultry feed by the departmental farms with a view to making available to the farmers balanced poultry feed at economic rates were also not successful owing to increased cost of poultry feed ingredients and resultant low demand for the mixed feed. Establishment of two model poultry development blocks, one at Trivandrum and the other at Muvattupuzha to intensify poultry keeping and providing quality birds, hatching facilities and balanced feed did not also improve matters as the majority of the poultry units started under these blocks either did not start functioning or became defunct after some time. Other activities undertaken by the department such as the starting of a broiler farm for raising quality chicks for meat, the establishment of a duck farm for evolving a high yielding local strain of ducks, and the starting of an egg powder factory also did not quite achieve their objectives.

3.3. **Extra expenditure**

(a) Tenders, to be received by 17th April 1972, were invited (March 1972) by the Director of Animal Husbandry for the supply of different items of poultry feed ingredients to five departmental poultry institutions at Chengannur, Kodappanakunnu, Mundayad, Muvattupuzha and Trivandrum

during the year 1972-73. The date upto which the rates quoted were to be firm was not indicated in the tender notice though this was required to be done in terms of the Stores Purchase Manual and Financial Rules. In respect of one item, de-oiled groundnut cake, the lowest tenderer had not specified the period of validity of his tender; he commenced supply of the item on 28th May 1972 on oral instructions from the departmental officers. He was informed subsequently (June 1972) by the department that his offer had been accepted provisionally subject to its approval by Government and test report of the sample being satisfactory. Formal orders accepting the tender provisionally were issued by the Director of Animal Husbandry on 25th September 1972 and this was communicated to the tenderer on 3rd October 1972. Orders of Government accepting the tender were issued on 15th November 1972 and final acceptance of his offer was communicated to the tenderer on 18th November 1972. In the meantime, the tenderer had discontinued supplies from 10th September 1972 and had informed Government on 9th October 1972 of his inability to supply the feed ingredient at the rates quoted earlier. He also declined (November 1972) to furnish security and to execute the agreement on the ground that orders of Government confirming acceptance of his tender were not received by him within the normal validity period of two months laid down in the Stores Purchase Manual for all ordinary items of stores, though this was not specified in the tender. The department, therefore, resorted to local purchase of de-oiled groundnut cake for the rest of the financial year. The extra expenditure, assessed by the department with reference to the quoted rate of the tenderer, was Rs. 2.53 lakhs.

After examining whether any action could be taken against the tenderer for his failure to effect further supplies, Government absolved (July 1974) him of the liability to make good the loss on the ground that as the final acceptance of his offer was communicated to him only in November 1972 and as he had expressed inability in October 1972 itself to supply the material at his quoted rate, there was no valid and binding contract and that the tenderer had withdrawn the offer before it was finally accepted and within a reasonable time.

(b) Tenders, to be received by 15th March 1973, for the supply of nine items of feed ingredients to the same five institutions mentioned in sub para (a) above, for the year 1973-74 were invited by the Director of Animal Husbandry in February 1973. The rates quoted were to be firm for a period of six months as against the normal period of two months. Of the fifteen tenders received, two were found defective by the Director of Animal Husbandry. All the tenders were forwarded by him on 27th April 1973 to Govern-

ment with his recommendations for issue of orders. Pending receipt of Government orders, the Director of Animal Husbandry directed the poultry institutions to purchase the feed ingredients from the tenderers recommended by him to Government. In December 1973, after the validity period of the tenders had expired, Government ordered that as most of the tenders were defective and not valid, purchase of the ingredients should be made locally observing Stores Purchase Rules; no grounds for this decision were indicated. The action of the Director of Animal Husbandry in having made the purchases in the meantime from the tenderers was also ratified by Government. The extra expenditure on the local purchase of four items by the Feed Compounding Factory, Chengannur, on the basis of Government orders, during the rest of the year 1973-74, as assessed by the department with reference to the tendered rates, amounted to Rs. 1.13 lakhs.

Government stated (February 1978) that the delay in issuing orders on the tenders invited for the year 1973-74 was due to administrative reasons.

DEVELOPMENT DEPARTMENT

3.4. Pilot intensive rural employment project

In May 1972, Government of India formulated the Pilot Intensive Rural Employment Project to be implemented by the State Government in selected Community Development Blocks. The objects of the project were:—

(i) to provide gainful employment on work projects not requiring skill of a high order in selected compact areas progressively to all those who offered their services for a wage;

(ii) to utilise the funds appropriated for the project for creating durable assets, preferably such as would have the multiplier effect of creating new job opportunities of a continuing nature, and would form part of an Area Development plan;

(iii) to explore the possibility of imparting new skills to at least some of the workers employed on project works during the period of employment and of assisting them in finding continuous employment in the secondary or tertiary sectors in rural or urban areas; and

(iv) to study, through the implementation of the project in selected areas, the nature and dimensions of the problem of employment among the rural wage-seeking labour and the effect, if any, of the project on the wage level in the area with a view to evolving a comprehensive programme for the rest of the country.

The project envisaged the execution of the following types of works:—

(a) those directly associated with agricultural production such as minor irrigation, soil conservation, afforestation/farm forestry, reclamation and development of land, drainage, embankments, etc., water conservation and ground water recharging;

(b) those indirectly helping agricultural production, such as pisciculture tanks, pasture development, tree plantation and rural godowns; and

(c) those relating to the general development of the area such as road building, rural water supply, housing for weaker sections of the community and construction of school buildings.

The project provided for a survey of the block in order to determine the number of people who would be available for employment, the different periods for which they would need employment and the kind of jobs for which they would be suitable. Based on the data collected by the survey, an employment budget for the block indicating therein the number of persons seeking wage-paid labour during the specified months, the number of mandays of employment likely to be generated by works planned for the area by different Government departments under the Five Year Plans or otherwise and the residual number of days that had to be provided under the project was to be drawn up.

The project was to be implemented for a period of three years commencing from November 1972 and it was expected that employment would be provided in the third year to all able-bodied men and women within the age groups of 15 to 59 ordinarily residing in the selected blocks and who had declared their willingness to do manual work and registered themselves with the project authorities.

Though the project was scheduled to be completed by the end of October 1975, utilisation of the unspent balance of central assistance for completion of incomplete works was permitted (July 1975) upto 31st March 1976 by Government of India provided no new works were undertaken by the State Governments after 1975.

The State Government sanctioned the project in August 1972 in Thrithala block in Palghat District as it was industrially backward and was mainly an agricultural area with insufficient road and irrigation facilities. While the District Collector was placed in overall charge of the project, a Project Officer was appointed for its implementation.

Expenditure incurred on the Project to the end of March 1977 amounted to Rs. 80.30 lakhs. Year-wise details of expenditure incurred and Central assistance received are indicated below:

<i>Year</i>	<i>Expenditure incurred</i> <i>(in lakhs of rupees)</i>	<i>Central assistance received</i>
1972-73	2.20	10.00
1973-74	12.00	23.80
1974-75	20.60	11.00
1975-76	39.91	30.00
1976-77	5.59	..
Total	80.30	74.80

The Block Development Officer stated (December 1977) that one of the reasons for the shortfall in expenditure during 1972-73 and 1973-74 was that the identification of the works to be executed in consultation with the panchayat and local people and preparation of estimates for the works and selection of the agency for the execution took considerable time. Other reasons attributed were the difficulties in obtaining land for the works, belated issue of orders of delegation of powers to the Project Officer and District Collector, etc.

A review of the implementation of the project conducted in audit during June 1976 disclosed the following:—

(i) On the assumption that the strength of unemployed persons in a block of average size would be about 2,800 of which the hard core would be 200, the guidelines laid down (May 1972) by Government of India, envisaged that the project would provide employment over a period of three years for 2,800 unemployed persons. However, on the basis of an employment survey conducted by the department in the block in October 1972, the strength of unemployed labourers was fixed as 16,641 and the number of mandays required to provide them employment for a period of twelve months was determined as 26.02 lakhs. A study team of the Centre for Management of Agriculture, Indian Institute of Management, Ahmedabad, which undertook, at the instance of the Government of India, an evaluation of the project during September-October 1975 reported that the number of unemployed persons in the block was overestimated by the department by about 4,000 persons and assessed the number of mandays required as ranging from 16.4 to 19.5 lakhs for a period of twelve months.

Though 16,641 unemployed labourers were stated to have been located in the survey, the number of persons who were expected to turn up for full

employment was assessed by the department as 15,000. It was noticed that only 8,428 persons actually registered themselves with the block. The study team referred to earlier listed the following reasons for the poor registration of unemployed persons:—

- (i) widespread illiteracy;
- (ii) lack of time as the registration was open in the work season;
- (iii) lack of awareness of the importance of registration; and
- (iv) non-realisation of the implications and aims of the project.

According to the Project Report prepared by Government in July 1974, 26.02 lakh mandays of employment were to be created per annum to provide employment to all those who would seek for it, out of which the project was to shoulder responsibility for creating 25.28 lakh mandays. The total number of mandays of employment to be provided for 5,000 workers expected to turn up for work in the first year, 10,000 workers in the second year and 15,000 workers in the third year was assessed at 45 lakhs against which the employment estimated to be generated by the various works undertaken was 14.42 lakhs only; the actual employment per annum was, however, much less as would be seen from the following table:—

<i>Employment to be generated during the 3 year period as per Project Report (in lakh mandays)</i>	<i>Category of works</i>	<i>Employment estimated to be generated as per works taken up</i>	<i>Employment actually generated as on 31st March 1976</i>	<i>Estimated expenditure on works</i>	<i>Actual expenditure incurred upto 31st March 1976*</i>
		<i>(in lakh mandays)</i>			<i>(in lakhs of rupees)</i>
45	Road works	8.54	6.80	43.75	37.91
	Minor Irrigation	4.00	3.87	21.61	15.44
	Harijan Houses	0.87	1.05	6.98	9.56
	Drinking water wells and ramps	0.56	0.49	3.64	1.77
	School buildings, Hospitals, Rural Godowns	0.24	0.43	4.57	2.71
	Soil Conservation	0.21	0.13	0.95	0.75
	Total 45		14.42	12.77	81.50	68.14

The low generation of employment was attributed by the department (December 1977) to increase in the cost of the scheme consequent upon the increase in wages and price of materials and lack of adequate finance as a result of which some of the works were not taken up.

* Figures are as per the accounts of the department and do not include the cost of cement used on the works.

(ii) One of the objects of the project was to provide employment for creating durable assets which would have the multiplier effect of creating new job opportunities of a continuing nature. With this object in view, works directly associated with or indirectly helping agricultural production were suggested in the guidelines issued by the Government of India. However, out of the expenditure of Rs. 68.14 lakhs incurred on works up to March 1976, the expenditure on works of a continuous nature with an agricultural bias, viz., irrigation and soil conservation works, formed only 23.76 per cent, while the expenditure on roads, buildings and drinking water wells which could provide employment only for a limited period of time constituted 76.24 per cent of the total expenditure. The result was that those employed on such works had no employment after the works were completed. Even during the initial stages of the implementation of the project, the State Planning Board, which had evaluated the activities of the project, had pointed out, *inter alia*, in their report (November 1973) that the emphasis of the activities undertaken by the project seemed to be on construction programmes such as roads, houses and public buildings and had suggested a shift in emphasis to quick-yielding productive activities in the primary sector. Though the Collector informed (March 1974) Government that the pattern of investment would be changed to give preference to productive schemes, this was not done.

(iii) The State Government reported to Government of India in May 1976 that two road works and one hospital building taken up by the project had not been completed by 31st March 1976 and that further expenditure of Rs. 1.05 lakhs was required to complete the works. Government, therefore, requested the grant of a further assistance of Rs. 8.32 lakhs for completing these works already begun as well as for liquidating outstanding liabilities. This was turned down (May 1976) by the Government of India on the ground that the scheme had been discontinued from 1st April 1976 and that no provision had been made for the project in the Budget for 1976-77. Ultimately, the State Government had to spend Rs. 5.59 lakhs during 1976-77 for meeting outstanding payments (in respect of completed as well as incomplete works) owing to the non-completion of the works within the period during which the project was intended to be in operation. Of the three works mentioned above, one is reported to have been closed as the balance work could not be resumed and the other two works are yet to be completed (January 1978). Rupees 2.22 lakhs have been spent on these works till the end of January 1978.

(iv) According to the guidelines issued by Government of India, the works to be taken up under the project were to be labour-intensive with an overall labour-material ratio of 70:30 (revised subsequently to 60:40 from

1974-75). In 12 cases test-checked, it was noticed that the material component was actually more than 40 per cent of the cost of the work and ranged from 47.5 per cent to 69 per cent of the actual cost met from the project funds.

(v) No value account of cement was maintained for the quantities of cement purchased and issued for works executed under the Project. Only quantity accounts were maintained. There was no indication also whether the quantities in stock had been physically verified at any time.

(vi) The guidelines issued by Government of India stipulated that payment of wages to the workers should be made in the presence of the Officer-in-charge of the project or his authorised representative. The State Government also issued instructions (September 1972) that wages should be paid to labourers on the basis of muster rolls maintained at the work-spot in the presence of the Officer-in-charge of the project or any other officer of the block duly authorised by him. A test-check of the muster rolls revealed the following:—

(a) Payment was not verified or certified by the Project Officer or any other Officer authorised by him; there was no indication in the muster rolls or files that payment was made in the presence of the Project Officer or his authorised representative.

(b) The labourers were not mustered each day; instead, the rolls were written up later as some of the labourers were marked absent in the rolls opened on the first day of the commencement of the work.

(c) Labourers who had affixed signatures on the rolls on some days had affixed their thumb impressions on some other days.

(d) Labourers were paid for work reported to have been done on non-existent dates such as June 31st, September 31st or November 31st.

Government stated (February 1978) that the required number of workers from the registered list was allotted to each work before commencement of work and that their names were entered in the rolls, against which attendance was marked each day. Government also stated that cases of payment for work reported to have been done on non-existent dates, which were few, had been suitably dealt with and that it was not physically possible to verify payment at the work-spot owing to the simultaneous execution of 30 to 40 works in each panchayat.

(vii) In February 1973 and July 1973, Government delegated powers to the Project Officer and to the Collector, Palghat, to sanction advances up to Rs. 5000 and Rs. 10,000 respectively for execution of works taken up under the project, subject to the condition that the advances drawn were adjusted within the financial year or the completion of the project, whichever was earlier and

that they were deposited in a bank by the agency entrusted with the construction and withdrawals made only on cheques countersigned by the Project Officer. It was, however, noticed that advances drawn in twentyone cases amounting to Rs. 0.52 lakh were not deposited in banks and advances amounting to Rs. 1.94 lakhs drawn during March 1973, March 1974 and March 1975 were deposited in banks and were issued to conveners in instalments during the course of the next financial year. Government stated (February 1978) that due to urgency in the execution of work, advances paid in some cases were not deposited in banks, that all the advances paid to the conveners had been adjusted and that cases of non-remittance were punished with fine. Government also stated that advances were paid during March every year as the irrigation and other works could be executed mostly from February to May, when the agricultural labourers were un-employed.

(viii) Under the guidelines of Government of India, the cost of additional staff appointed by the State Government for the implementation of the project was not to exceed 5 per cent of the total provision made for the project for the year and could be met from the material component of the works taken up for execution. It was noticed that the cost of additional staff during the three years of the project period exceeded 5 per cent of the total outlay for each of the three years, the percentages being 7.84, 6.18 and 5.98 respectively.

Government stated (February 1978) that the cost could not be limited to the ceiling prescribed consequent on the increase in the salary structure, travelling allowance rates and cost of petrol and that reduction in the staff strength was not possible either, as the staff sanctioned was the barest minimum.

(ix) In December 1974, Government sanctioned a scheme (as provided in the guidelines issued by the Government of India) for imparting training to 325 trainees, including 65 women, in skills like metal breaking, rubble masonry, laterite masonry, note-book-making, plastic and rattan works, etc., at an estimated cost of Rs. 0.41 lakh. Training was actually imparted to 30 women in note-book-making and to 20 women in plastic and rattan works and Rs. 0.05 lakh was spent on the programme. The poor achievement under the scheme was attributed (May 1976) by the department to poor response from the labourers. Government held (February 1978) that though the training programme was not a success, the workers engaged in the project learnt trades such as metal breaking, masonry, blasting, etc., during the execution of the project and that the aim of the training course could thus be considered to have been fulfilled to a reasonable extent.

3.5 Idle barges and loss of fishing vessel

In March 1972, the Chief Engineer, Irrigation, on the basis of offers received in response to tenders invited in December 1971, placed orders with a Cochin firm for two bottom-opening steel barges, each of 250 tonnes capacity, (cost: Rs. 4.55 lakhs each), for dumping stones in the sea for construction of the breakwater included in Stage I of the Vizhinjam Fishing Harbour Project.

According to the supply order, the first barge was to be supplied within six months from the date of the firm order and the second barge within four months thereafter. An agreement stipulating the terms and conditions was concluded with the firm in March 1973. The delay in executing the agreement was attributed (August 1975) by the department to certain differences that had arisen in regard to the inclusion of a price escalation clause in the agreement.

As the barges were not self-propelling, Government approved (October 1972) the transfer of a fishing vessel "Chakara", after repairs, from the Kerala Fisheries Corporation Limited to the Vizhinjam Fishing Harbour Project for towing the barges. The vessel (cost: Rs. 2.25 lakhs) was handed over to the project in May 1974.

On receipt of the first barge at Vizhinjam in May 1974, it was found that the bottom-opening system was not working satisfactorily. The department, therefore, asked (January 1975) the firm to make certain modifications to the barge. The firm, however, proposed to try out the modified design initially on the second barge before carrying out the modifications in the first barge.

The second barge is yet to be received by the Department (February 1978). Government stated (May 1977) that though construction of the second barge was completed by the firm in January 1975, the barge had to be modified in terms of a decision taken in May 1975 in order to make it usable. These modifications were completed by the firm in October 1976. The Department further stated (June 1977) that the firm had agreed in May 1975 to have the barge towed to Vizhinjam at the expense of Government after carrying out necessary modifications. The firm is yet to arrange its delivery (February 1978).

No action for the delay in delivering the barges could be taken against the firm in the absence of a penal clause in the agreement. A total amount of Rs. 7.21 lakhs (including a part payment of Rs. 2.96 lakhs for the second barge) was paid to the firm till January 1978. In addition, Rs. 0.10 lakh was spent on towing the first barge from Cochin to Vizhinjam and Rs. 0.03 lakh on its maintenance till January 1978.

The towing-post of the fishing vessel transferred from the Kerala Fisheries Corporation Limited broke in May 1974 during a trial run and in February 1975

the vessel sank in the sea. On salvaging the sunken vessel, its hull was found to be in a decayed condition; it was, therefore, dismantled and disposed of in public auction in March 1977 for Rs. 0.15 lakh. An amount of Rs. 0.13 lakh was spent on wages of the crew and other expenses on maintenance, overhaul, etc., of the vessel. The engine and other parts of the vessel were proposed to be utilised by the Port Department for the use of the Institute on Marine Studies.

The total quantity of stones dumped by the first 250-tonne barge during trial runs was 452 tonnes. In the absence of a tug, the barge could not be put to further use; the bottom-opening system which was not working properly has not yet been rectified pending delivery of the second barge. The Department stated (September 1977) that in the absence of the barge, the availability of which would have expedited execution of works, departmental cranes were employed for dumping stones for the construction of the break-water.

Thus, the expenditure of Rs. 7.34 lakhs incurred so far on the purchase of the barges has not yet become fruitful (February 1978).

Government stated (May 1977) that the barges, after modifications, were expected to be used in Stage II of the Vizhinjam Fishing Harbour Project.

3.6. Ice Plant at Willingdon Island

Mention was made, *inter alia*, in paragraph 35 of the Report of the Comptroller and Auditor General of India for the year 1969-70 of the non-commissioning of a 300-ton cold storage plant and a 100-ton ice plant at Willingdon Island. The Public Accounts Committee (1971-72) had, in paragraph 3.18 of its Ninth report, expressed serious concern over the delay in commissioning the plant. Further developments are mentioned below:—

The 300-ton cold storage plant was commissioned and handed over to the Kerala Fisheries Corporation Limited in May 1972. The 100-ton ice plant is yet to be commissioned although Rs. 13.41 lakhs have been spent on it till December 1977.

The machinery for the ice plant (cost: Rs. 8.24 lakhs; amount paid: Rs. 7.03 lakhs) received during January-August 1966 and electrical cables and installations (cost: Rs. 0.55 lakh) purchased in March 1975, have been stored, pending erection, in a temporary shed constructed on a site taken on lease from the Cochin Port Authorities. Rent of Rs. 0.70 lakh was paid

for the site till July 1977 and an expenditure of Rs. 0.18 lakh was incurred on watch and ward arrangements from June 1967 to July 1977. According to a report (May 1976) of the supplier firm, some of the materials which were more than 10 years old were rusted and spoiled. The building for the ice plant was completed in January 1970 at a cost of Rs. 4.57 lakhs. Civil works for foundation for the machinery and other finishing works (estimated cost: Rs. 0.73 lakh) commenced in August 1972, have not been completed; expenditure incurred on these works till January 1978 amounted to Rs. 0.38 lakh.

A proposal received from the supplier firm for the conversion, without any additional expenditure, of the plant into a 800-ton frozen storage plant was submitted to Government by the Director of Fisheries in October 1976. Final decision of Government on the proposal was awaited (October 1977).

FOOD DEPARTMENT

3.7. Procurement of paddy

A scheme for procurement of paddy in two districts (Cannanore and Palghat) through co-operative societies by providing them with financial assistance in the form of loans for the purpose was sanctioned by Government in September 1967. The loans were to be advanced by the District Collectors to the co-operative central banks in the districts who, in turn, were to disburse them within a period of three months after the receipt of advance, to the various co-operative societies on the basis of the sanctions issued by the District Collectors. The loans were to be utilised by the societies for procurement of levy paddy from the farmers and were to be repaid to the co-operative central banks with interest at $5\frac{1}{2}$ per cent per annum within a period of five months from the date of receipt. The central banks were to retain 1 per cent out of the interest of $5\frac{1}{2}$ per cent remitted by the societies towards their administrative charges and remit the balance amounts of principal and interest to Government on the same day of their receipt or on the next working day.

Rupees 2,146.58 lakhs were disbursed as loans under the scheme during the period 1968-69 to 1976-77.

A test check by Audit in August 1977, of the accounts maintained in the District Collectorate of Palghat relating to the disbursement of loans

(Rs. 617 lakhs) under the scheme in Palghat District for the period 1974-75 to 1976-77, disclosed the following:—

(i) *Drawal of funds in excess of requirements*

Funds for advancing loans to the District Co-operative Central Bank were to be drawn by the District Collector on the basis of sanctions issued by Government for each crop season, which laid down that the District Collector should draw the amounts from the treasuries according to necessity for making immediate payments. It was, however, noticed that the entire funds sanctioned by Government for each crop season were disbursed to the District Co-operative Central Bank by the District Collector in instalments without verifying the necessity for the amounts. As a result, disbursements to the bank were far in excess of requirements; this led to the retention by the bank of unutilised amount for periods ranging from two to six months. Details of drawal of funds in excess of requirements and retention of unutilised amounts by the bank are indicated below:—

<i>Crop season</i>	<i>Total amount disbursed to the bank</i>	<i>Amount utilised by the bank</i>	<i>Amount unutilised</i>	<i>Period of retention of unutilised amounts</i>
	<i>(in lakhs of rupees)</i>			
Mundakan 1974	95.00	73.40	21.60	2 to 6 months
Virippu 1974	98.00	82.70	15.30	2 to 3 months
Mundakan 1975	100.00	75.20	24.80	4 to 5 months
Mundakan 1976	104.00	93.65	10.35	5 months
Virippu 1976	100.00	86.83	13.17	3 to 4 months

Of the above drawals, Rs. 20 lakhs drawn for disbursement during the 1974 Mundakan crop season, Rs. 13 lakhs drawn during the 1974 Virippu season, Rs. 20 lakhs drawn during the 1975 Mundakan season and Rs. 10 lakhs drawn during the 1976 Virippu season were wholly unnecessary as they were unutilised and refunded in full by the bank.

Government stated (December 1977) that though the actual loan amounts required for a crop season could not be precisely assessed in advance, the District Collectors, Palghat and Cannanore would be instructed to see that loans were disbursed to the Central Co-operative Banks according to actual requirements for financing the primary societies and that on no account excess drawals were made.

(ii) *Belated remittance of loans repaid*

Amounts received by the District Co-operative Central Bank from the societies by way of repayment of loans with interest were not remitted by the

bank to Government on the same day or the next working day as required under the scheme; the amounts were retained by the bank for periods extending up to four months. Government stated (December 1977) that the question of realising penal interest for such belated remittances was under consideration.

(iii) *Short levy of penal interest*

Under the Financial rules, with effect from 7th March 1970, a penal interest at $2\frac{1}{2}$ per cent per annum over and above the normal rate of interest is leviable on all overdue instalments of interest or principal and interest. It was noticed that in respect of the loans sanctioned under the scheme, penal interest for belated remittance of loan dues to Government was continued to be levied at the old rate of 2 per cent per annum. The short realisation on this account worked out to Rs. 0.16 lakh in regard to loans advanced during the six crop seasons commencing from Mundakan 1974.

Government stated (January 1978) that instructions had been issued by the Board of Revenue (Civil Supplies) on 15th October 1977 to the disbursing authorities to revise the rate of penal interest to $2\frac{1}{2}$ per cent while entering into agreements in future.

(iv) *Utilisation certificates*

Consolidated utilisation certificates in respect of loans sanctioned under the scheme required to be furnished to Audit under the Financial rules have not been received (January 1978) from the Director of Civil Supplies from the commencement of the scheme. Certificate of acceptance of balances of the loans were also due in Audit (January 1978) for the period from 1974-75 onwards.

HIGHER EDUCATION DEPARTMENT

3.8. Purchase of gum arabic and sealing wax

The Controller of Stationery placed an order on 21st April 1971 on firm 'A' (on the basis of their tender dated 1st April 1971) for supply by 26th June 1971 of 5,000 kilograms of gum arabic at Rs. 7.45 per kilogram and 1,000 kilograms of sealing wax at Rs. 3.35 per kilogram.

The firm failed to execute the necessary agreement and commence supply before the stipulated date. The supply order was, therefore, cancelled on 1st July 1971 at the firm's risk and cost and fresh tenders were invited. The lowest offers received (August 1971) were from firm 'B' which had quoted the rate of Rs. 10.45 per kilogram for gum arabic and from firm 'C' which had offered to supply sealing wax at the rate of Rs. 3.15 per kilogram. Thus, while the revised quotation was substantially higher than that of firm 'A' in respect of gum arabic, it was lower for sealing wax, the total cost being higher by Rs. 15,244 (including sales tax).

Meanwhile, on 14th July 1971, firm 'A' informed the department that as the import of gum arabic had come to a standstill during the past two or three months, following the nationalisation of the gum arabic trade by the Government of Sudan and the new import policy of Government of India effective from 1st April 1971, they could supply 2,000 kilograms immediately and the balance 3,000 kilograms within three months thereafter, the entire supply being completed by October 1971.

This offer was not accepted by the Government on the ground that there was no justification for entering into any dealings with the firm which had failed to execute the agreement and that there was no guarantee that the firm would adhere to its commitment to effect supplies by October 1971. Government, therefore, directed the Controller of Stationery in November 1971 to place orders on the basis of the offers received in response to the second tender invitation and to take steps to recover the additional cost from firm 'A'. Firms 'B' and 'C' supplied the materials in February and March 1972 respectively.

Revenue recovery proceedings for the recovery of Rs. 15,537 (inclusive of advertisement charges for retender) from firm 'A' were initiated in June 1972 by the department. However, on receiving a further representation from the firm in April 1973, Government decided in August 1973 to withdraw revenue recovery proceedings on the ground that it was not fair to penalise the firm for something which was beyond their control. In December 1977, Government issued orders waiving the recovery of the amount of Rs. 15,537 due from firm 'A'.

INDUSTRIES DEPARTMENT

3.9. Development areas

A scheme for the establishment of development areas for locating large and medium industries in the State was started during the Third Five Year Plan. It envisaged acquisition of land and development thereof by providing the necessary infrastructure facilities such as power, water supply, approach roads, etc., and its allotment to private entrepreneurs on hire purchase, cash purchase or lease for starting industries.

No detailed project report was prepared for the scheme and establishment of development areas at specified localities was sanctioned by Government on the basis of proposals (indicating also tentative estimates) made by the Director of Industries and Commerce and examined by a committee constituted by Government for the purpose. The development works such as

construction of roads, provision of water supply, etc., were undertaken on the basis of individual estimates prepared in accordance with the layout-plans prepared by the Chief Town Planner.

Mention was made in paragraph 35 of Audit Report 1970 and paragraph 32 of the Report of the Comptroller and Auditor General of India for the year 1969-70 of some aspects of the scheme such as delay in development and allotment of land, non-inclusion of certain items of capital expenditure in the cost of land, etc. A further review of the scheme conducted by Audit during April-May 1977 disclosed the following:—

(a) *Acquisition and allotment of land*

1,078.45 acres of land were acquired under the scheme (1,064 acres were acquired during 1963-68) for development and allotment to industrialists in six places (Akulam, Ankamaly, Aroor, Edayar, Kadakampally and Pudusseri). The expenditure on the scheme till the end of December 1977 was Rs. 215.52 lakhs.

The following table shows the extent of land proposed to be acquired under the scheme, actually acquired, allotted and remaining to be allotted as in October 1977:—

Name of area	Area proposed for acquisition	Area actually acquired		Area allotted		Area remaining unallotted
		Government land	Private land (in acres)	For non-industrial purposes	To Industrialists	
1. Akulam	74.14	..	74.14	..	74.14	..
2. Ankamaly	250.00	7.52	242.59	31.91	185.35	32.85
3. Aroor	66.54	..	44.44	5.23	31.30	7.91
4. Edayar	300.00	21.14	414.08	21.04	193.13	221.05
5. Kadakampally	138.15	46.89	93.50	11.18	86.60	42.61
6. Pudusseri	179.77	..	134.15	5.54	64.89	63.72
Total	1,008.60	75.55	1,002.90	74.90	635.41	368.14
		1,078.45		710.31		

The main reason for non-allotment in Ankamaly and Edayar development areas (total: 254 acres) adduced (December 1977) by Government was lack of response from applicants chiefly on account of non-completion of a bridge, air and water pollution of the area, saline nature of water in the river, etc. Non-receipt of applications for allotment/want of suitable entrepreneurs were stated by the department to be the reasons for non-allotment in the Kadakampally and Pudusseri development areas. Reasons for non-allotment of land in the Aroor development area are awaited (March 1978).

(b) *Development of land and provision of facilities*

Under the scheme, the land acquired was to be developed by the department by providing electric power, water supply and roads besides levelling of low lying areas. Arrangements for obtaining power connections were made by the industrial units themselves. The construction of roads had been completed in all the areas by March 1972.

In Ankamaly, the industrial units had made their own arrangements for water supply by August 1972. In Akulam and Kadakampally areas in Trivandrum District, a pipe line through the area was provided by the Public Health Engineering Department during 1976-77 only and the industrialists arranged water supply facilities at their own expense. In Pudussery, though laying of the pipe line was completed in August 1973, construction of the overhead tank (due to be completed by the contractor in September 1975) was completed only in June 1977. In Aroor, though action for providing water supply was initiated in May 1970, the work has not been completed so far (December 1977). Government stated (December 1977) that the delay in arranging water supply was due to non-completion of the construction of overhead tank and laying distribution pipe lines and that the work which was in progress would be completed by next year. Proposals for laying suitable pipes for bringing water to this area from the source at Alwaye were also stated to be under consideration of the Public Health Engineering Department (February 1978). According to a report (January 1974) of the District Officer in charge of this area, sent to the Regional Joint Director of Industries and Commerce, non-availability of potable water was a major handicap for commencing production in most of the units (11 out of 34 units to which land was allotted up to end of March 1977 had not started functioning till November 1977).

In the case of Edayar, where the maximum area (221 acres) remained unallotted and where, according to a report (July 1975) of the Regional Joint Director of Industries and Commerce, provision of water supply might

attract more industries, a rough cost estimate for Rs. 87 lakhs forwarded by the Superintending Engineer to the Chief Engineer, Public Health Engineering Department in February 1977 and subsequently (July 1977) revised to Rs. 33 lakhs (limiting the supply to selected industries in the area) was pending sanction of the Chief Engineer (January 1978).

Dredging and filling of the low lying portions of about eleven acres of land in Aroor development area, sanctioned by Government in July 1973 at an estimated cost of Rs. 1.38 lakhs, was completed during 1973-74 only in about 4.43 acres allotted to two industrial units. Government stated (December 1977) that 4.60 acres of land were filled up by the industrial units themselves and that an area of about two acres only remained to be filled up.

(c) *Computation of cost*

In terms of the rules framed by Government for purposes of fixation of sale price and lease rent, the cost of land and its development was to be recovered from the allottees; this was to be computed taking into account the cost of acquisition of land, including the cost of land acquisition staff, survey and demarcation charges and development charges, together with interest thereon at 6 per cent per annum upto the date of assignment, hire purchase or lease. The amounts recoverable from the allottees were also to be refixed, where necessary, after taking into account the additional expenditure, if any, incurred subsequently on the acquisition in terms of Court decrees, awards, etc., and on further improvements of the land. In the following cases, the cost of land had either been incorrectly computed or had been computed without taking into account the enhanced compensation paid subsequently:—

(i) Expenditure incurred by the department on payment of additional compensation in respect of lands acquired for the scheme was not intimated by the Directorate of Industries and Commerce to the District level Officers in several cases to enable them to fix/refix the sale price/lease rent recoverable from the allottees, resulting in short recovery of amounts due from the allottees. Though the Directorate had placed funds at the disposal of the Revenue authorities, the actual amounts of additional compensation paid by the Revenue authorities in respect of lands acquired for the scheme were not available either with the Directorate or the District Officers. The extent of short recovery from the allottees could not therefore be assessed. Government stated (December 1977) that there was no practice of the Revenue authorities sending to the concerned District Industries Officers the details

of enhanced compensation paid by them and that this resulted in non-computation of the amount in the calculation of the cost of land. Government stated further that the District Industries Officers had been directed to collect the details, revise the cost of land and realise the balance amount due to Government.

Two instances of omission to take into account expenditure on payment of enhanced compensation noticed in audit are mentioned below:—

(a) According to details collected (May 1977) by Audit from the records of the Revenue Divisional Officer, Alleppey, Rs. 2.28 lakhs were paid from April 1971 onwards as enhanced compensation in respect of lands acquired for the Aroor development area. The amount accounted for by the department under this item was, however, only Rs. 0.60 lakh. The District Industries Officer, Alleppey stated (February 1978) that reconciliation of the figures of enhanced compensation paid with those of the Revenue authorities was in progress.

(b) While the records of the Ernakulam Collectorate indicated that Rs. 60.08 lakhs were paid as additional compensation from 1968-69 onwards for lands acquired for the development areas at Ankamaly and Edayar, only an amount of Rs. 5.12 lakhs had been accounted for in the records of the Directorate. Even this amount had not been intimated to the District Industries Officer, Ernakulam. The District Industries Officer, Ernakulam, stated (November 1977) that the District Collector, Ernakulam, who was contacted by him had indicated that the details of additional compensation paid were not available with him. He also stated (February 1978) that details of enhanced compensation of Rs. 5.12 lakhs (accounted for in the records of the Directorate) had been collected and action was under way to revise the amounts due for recovery. Further developments are awaited (February 1978).

(ii) The cost of land acquired for the Kadakampally development area was reckoned by the District Industries Officer at Rs. 9.03 lakhs as against Rs. 9.55 lakhs shown in the records of the Directorate of Industries and Commerce.

(iii) Expenditure incurred up to January 1968 on development works (road works) in the Edayar development area (435 acres), was Rs. 11.21 lakhs, the average cost per acre for purposes of fixation of sale price/lease rent being Rs. 2,577. As against this, a flat rate of Rs. 1,000 per acre only (fixed in July 1964 on the basis of the estimated cost of development) was adopted by the department. On this being pointed out by Audit, the District Industries Officer stated (April 1977) that action was being taken to revise the rate. Further developments are awaited (January 1978).

(iv) An expenditure of Rs. 3.21 lakhs incurred as establishment charges on land acquisition staff was not taken into account in fixing the cost of land in the case of the development areas at Ankamaly and Edayar.

(4) *Allotment of land for non-industrial purposes*

The rules for assignment/lease/hire-purchase of land in development areas provide for the allotment of land for industrial purposes only. In Edayar development area, 6.94 acres of land were handed over to the Revenue Department in 1964 for rehabilitation of displaced persons. In Aroor development area also, 4.80 acres of land were set apart for the same purpose. An extent of 2.07 acres of land in two areas (Edayar and Pudusseri) were allotted to a co-operative society, free of cost, as a special case and to a panchayat on outright sale during June 1973 and February 1974 respectively for starting a hospital and a dispensary. In another area (Kadakampally), 4.90 acres were ordered (September 1975) by Government to be allotted to the Geological Survey of India for construction of office building and laboratory; the land had not been allotted till February 1978 pending remittance of the full cost. Government stated (December 1977) that these lands were allotted for non-industrial purposes considering the special circumstances of the requirement.

(*) *Recovery of hire-purchase dues/sale price*

(i) Recovery of a sum of Rs. 4.99 lakhs (principal: Rs. 3.24 lakhs; interest: Rs. 1.75 lakhs) representing hire-purchase dues from the allottees was in arrears (December 1977) as shown below:—

Name of area	Number of hire-purchase cases	Number of defaulters	Amount overdue	
			Principal	Interest
(in lakhs of rupees)				
1. Ankamaly	3	1	1.06	0.44
2. Aroor	39	17	0.55	0.22
3. Edayar	8	7	0.41	0.32
4. Kadakampally	36	11	1.20	0.75
5. Pudusseri	5	1	0.02	0.02

In the remaining one development area (Akulam), where the entire land was allotted to a single company, the annual lease rent (Rs. 47,487) fixed in July 1966 was revised (February 1975) to Rs. 1,19,418 by the District

Collector, Trivandrum, taking into account the additional compensation for land awarded by the Courts. The company had surrendered an area of more than twentythree acres between August 1972 and September 1974. This was, however, not taken into account while revising the lease rent in February 1975. The company paid the lease rent at the old rate till the end of October 1973 only. Government stated (December 1977) that the company had not cared to remit the balance amount due to Government as per the revised rate and that a request from the company for reducing the lease amount consequent on surrender of a portion of the land was under consideration.

(ii) An extent of 30.5 acres of land in Pudusseri development area was assigned to the Indian Telephone Industries Limited in May 1974. The cost thereof (Rs. 3.10 lakhs) could not be recovered so far (December 1977) pending completion of survey and peg marking by the Revenue authorities who were requested as far back as in May 1974 to measure and peg mark the area.

(iii) Cost (Rs.0.80 lakh) of four acres of land acquired in the Kadakampally development area, given on hire-purchase basis to the Kerala State Electricity Board in July 1970 for the setting up of a 66 KV sub-station, was pending recovery since allotment as a dispute in regard to the actual area of the land allotted (according to the approved sketches received in 1972 from the Superintendent of Survey and Land Records, the area covered by the plot was only 2.98 acres) had not been resolved. Government stated (December 1977) that the matter was receiving the attention of the department and would be settled early and the amount realised.

(f) Establishment of industries

According to the rules approved by Government for allotment of land in development areas, the allottee industrialists were to utilise the land for the purpose for which it was allotted and to start the industry (i) within six months in the case of hire-purchase (which could be extended upto one year by the Director of Industries and Commerce and by Government beyond that period), (ii) within three years in the case of allotment on lease and (iii) within the period specified (usually one year from the date of issue of patta) in the order of assignment. The rules also provided for resumption of the land from the industrialists for failure to start the industries within the stipulated time, subject to payment of compensation.

Year-wise details of the number of units allotted and number of units commissioned in the six development areas are indicated below:—

<i>Year</i>	<i>Number of units allotted</i>	<i>Number of units commissioned</i>
	<i>(position in November 1977)</i>	
1964-65		
to		
1971-72	29	22
1972-73	16	13
1973-74	18	12
1974-75	12	9
1975-76	18	10
1976-77	18	4
Total	111	70

Disputes about the extent of land allotted, non-receipt of loan from financing institutions and delay in provision of power connections were some of the reasons adduced (May 1977) by the department for the non-commissioning of the units. Action to resume the land had been taken only in five cases (November 1977).

Government stated (December 1977) that instructions had already been issued to the District Industries Officers to resume the land from the allottees who had failed to utilise the land within the time stipulated.

LOCAL ADMINISTRATION AND SOCIAL WELFARE DEPARTMENT

3.10. Special nutrition programme

(i) Introduction

As a special measure for tackling the problems of malnutrition and under-nutrition among children belonging to the lower socio-economic strata, Government of India formulated in July 1970 a crash programme for providing supplementary nutrition to children up to the age of 3 years in the tribal areas and in the slum areas of capital and other cities with a large concentration of slums. The programme was later (July 1971) extended to cover children in the age-group of 3 to 6 years and expectant and nursing mothers in the tribal areas and in the slum areas of cities/towns with a population of one lakh or more.

The programme envisaged the setting up of feeding centres with the help, wherever possible, of municipal bodies, womens' organisations and other non-official voluntary agencies. There were to be 100 beneficiaries per centre in the Tribal areas and 200 beneficiaries per centre in the urban areas. These centres were to distribute nutritious food to the beneficiaries for 300 days (250 days in 1970-71) in a year so as to provide—

- (i) 200 calories and 8 to 10 grams of protein per day to children in the age-group of 0—1 year,
- (ii) 300 calories and 12 grams of protein per day to children in the age-group of 1—6 years, and
- (iii) 500 calories and 20 to 25 grams of protein per day to expectant and nursing mothers.

Any type of food could be used, provided it met the prescribed nutritional standards and the cost per beneficiary per day did not exceed 18 paise in the case of children and 25 paise in the case of mothers. The overall monetary ceiling, including the cost of transportation of food and administrative overheads, was fixed at 23.5 paise per day per child and 30.5 paise per day per woman. The food supplied was also to be periodically analysed to ensure that it satisfied the prescribed nutritional standards.

Under the instructions issued by Government of India (July 1971), the feeding was to be arranged under proper supervision and the feeding centres were to be inspected at least twice a month to ensure that they were run effectively. Identity cards were to be issued to the beneficiaries and nutrition assessment reports indicating the height, weight and health status of each beneficiary were to be maintained at each centre. The health of beneficiaries was to be checked by medical officers twice a month and results recorded in the assessment reports with a view to ascertaining the impact of the programme. Every feeding centre was also to be provided with utensils, storing drums and weights and balances subject to a monetary limit of Rs. 250.

In addition to providing nutritious diet, the programme also contemplated the provision of supplementary nutritional fortification and health care. While Vitamin A and D capsules/multivitamin tablets were to be supplied to all beneficiaries daily or on alternate days, folic acid and iron tablets were to be provided to expectant mothers daily. The beneficiaries were also to be immunised against small pox, diphtheria, polio, cholera, tetanus, etc., and children were to be treated for worms periodically.

The programme was taken up for implementation by the State Government initially (August 1970) under the overall supervision of the Director of Harijan Welfare. Subsequently, with the formation of a separate Social Welfare Department from September 1975, the responsibility for the implementation of the programme was transferred to the Director of Social Welfare. The programme was implemented in the State as a Centrally sponsored scheme upto March 1974 and thereafter as a State scheme with the active assistance of the Corporations of Trivandrum, Cochin and Calicut, municipalities, panchayats and other voluntary agencies.

A test check of the records connected with the implementation of the programme maintained in the Directorate of Social Welfare and in selected feeding centres in five cities and towns (Alleppey, Calicut, Ernakulam, Quilon and Trivandrum) was conducted by Audit from February to July 1977. The results of the test check are indicated in the succeeding paragraphs.

(2) *Targets and performance*

An expenditure of Rs. 415.41 lakhs was incurred on the programme till the end of March 1977. Year-wise details of actual provision, expenditure and quantum of Central assistance received are indicated below:—

<i>Year</i>	<i>Provision made in the State budget</i>	<i>Expenditure incurred</i>	<i>Central assistance</i>
	<i>(in lakhs of rupees)</i>		
1970-71	2.58	2.52	8.29
1971-72	33.68	31.99	39.05
1972-73	58.53	58.27	80.99
1973-74	71.64	85.69	67.90
1974-75	96.00	81.09	18.86
1975-76	83.67	82.83	..
1976-77	125.83	73.02	..
Total	471.93	415.41	215.09

Out of the Central assistance of Rs. 196.23 lakhs released during the period 1970-71 to 1973-74, an amount of Rs. 17.76 lakhs remained unutilised as on 31st March 1974, which was permitted (December 1974) by the Government of India to be utilised during later years. Against the expenditure of Rs. 85.69 lakhs in 1973-74, Central assistance was limited to Rs. 74.96 lakhs (actual amount released was Rs. 67.90 lakhs after adjustment of excess grant of Rs. 7.06 lakhs paid for 1971-72).

The physical targets and achievements of the scheme were as under :—

Year	Targets(C)	Number of beneficiaries				Total	Number of centres opened		
		Achievements					Tribal	Urban	Total
		Tribal		Urban					
Children	Mothers	Children	Mothers						
1970-71	14,300(A)	*	..	*	..	*	58**	172	230
1971-72	1,00,000(B)	17,358	..	94,114	..	1,11,472	98**	473	571
1972-73	1,15,000	20,078	..	1,27,542	68	1,47,688	110	617	727
1973-74	1,47,000	20,763	1	1,29,114	122	1,50,000	106	631	737
1974-75	1,50,000	19,538	..	1,26,682	132	1,46,352	101	630	731
1975-76	1,50,000	18,839	11	1,23,605	129	1,42,584	106	627	733
1976-77	1,75,000	23,312	336	1,45,974	2,589	1,72,211	127	735	862

The number of expectant/nursing mothers covered under the programme was negligible. The shortfall in achievement during 1974-75, 1975-76 and 1976-77 was attributed by the department (August 1977) to the suspension of the feeding at some centres in tribal areas owing to difficulty in getting food items and in their transportation.

(3) Selection of areas

As stated earlier, feeding centres under the programme were to be opened from 1971-72 in slum areas of cities/towns with a population of one lakh or more. No modification was made in this respect even when the programme was taken over (April 1974) as a State scheme. It was, however, noticed that the programme was implemented in 26 towns, having a population of less than 1 lakh (1971 census). Of these, 20 towns had a population of less than 50,000. Proportionate share of expenditure incurred on the feeding centres located in the 26 towns during the period 1971-72 to 1976-77 amounted to Rs. 114.49 lakhs.

The scheme was intended to benefit only the weaker sections of society and consequently, the feeding centres in the cities and towns were required

*Figures not available

**Includes 10 centres opened in Tribal Development Blocks.

(A) Urban: 11,550; Tribal: 2,750

(B) Urban: 82,000; Tribal: 18,000

(C) While area-wise targets fixed by Government of India for the years 1972-73 and 1973-74 were not readily available, the State Government had not fixed such targets separately for subsequent years.

to be opened in slum areas only. "Slum area" was, however, not defined under the scheme. The department also did not take steps to identify the slum areas for starting the feeding centres. It was noticed that centres had been opened and were functioning in some non-slum areas also on the ground that the areas were poverty-stricken with low level of nutrition. No records were available to show how the department categorised the beneficiaries in these centres as belonging to slum areas and to economically weaker sections of the society. Proportionate share of expenditure during 1971-72 to 1976-77 on such feeding centres opened in non-slum areas outside the pattern prescribed by the Government of India and as adopted by the State Government worked out to Rs. 93.53 lakhs.

The scheme was to be implemented in tribal areas through the Tribal Development Blocks. The selection of the centres in tribal areas was to be done by a Committee comprising the Sub-divisional Officer (Civil), District Organiser (Tribal Welfare), the Block Development Officer and the Assistant Surgeon of the Tribal Development Block. These two conditions were not adhered to in the selection of centres in Tribal areas. The Director of Social Welfare stated (March 1977) that the selection of the tribal centres was made on the advice of the Harijan Welfare Department.

It was noticed from the details of tribal centres opened in various districts that centres had been opened without reference to the strength of the tribal population in those districts. District-wise details are tabulated below:—

<i>District</i>	<i>Population of tribals (1971 census)</i>	<i>Number of centres (position as in March 1977)</i>	<i>Number of beneficiaries (position as in March 1977)</i>
Cannanore	90,464	39	7,738
Ernakulam	34,820	10*	200
Idukki			
Kottayam			
Kozhikode	84,982	33	6,700
Malappuram	8,882	19	3,800
Palghat	25,594	2	400
Quilon	3,737	10	2,000
Trichur	9,383	1	200
Trivandrum	11,059	13	2,610

No centres were opened in Alleppey district with a tribal population of 435.

* Feeding programme in these centres remained suspended during the period January 1976 to March 1977.

(4) *Selection of beneficiaries*

No records were available to show that surveys of the localities where the centres were located had been conducted to identify the really needy children. In a majority of cases, the economic condition of the parents of the beneficiaries was not assessed and records kept. The Director of Social Welfare stated (March 1977) that with the knowledge of the family background of the beneficiaries, it was possible for the organisers to eliminate persons with higher income. It was, however, noticed on a test check of the records of 229 centres located in five cities/towns, that in three centres located in three cities/towns, in respect of which income particulars of the parents of beneficiaries were available, 166 out of 600 children whose parents enjoyed a monthly income of above Rs. 200 were being fed.

Government stated (November 1977) that parents with a monthly income of Rs. 200 and having a large number of dependant children would certainly fall below the poverty line.

(5) *Strength of feeding centres*

According to details gathered (July 1977) from the files of the Directorate, the strength of beneficiaries in twentyone urban centres located in three districts (Alleppey, Calicut and Trivandrum) exceeded by 50 per cent or more the ceiling limit of 200 beneficiaries per centre fixed by Government of India. The actual strength in respect of five of these centres ranged between 400 and 602. In four centres in two districts (Kottayam and Trivandrum), the strength was half or less than half of the prescribed strength. A test check of the records of twentyfour tribal centres (in Calicut and Trivandrum districts) disclosed that in twentyone centres the actual strength of beneficiaries exceeded the prescribed strength of 100 by hundred per cent or more while in three other centres, the excess over the prescribed strength was fifty per cent or more.

Government stated (November 1977) that the excess over the prescribed strength in the urban centres was mainly in centres in the coastal areas of some pockets of the State having the largest density of population and that the excess strength was allowed to be continued on practical considerations. Government also stated that action would be taken to increase the beneficiary strength to 200 in the four centres where the strength was far below the prescribed limit.

Government of India issued instructions in May 1973 for conducting a re-survey of the slum areas and feeding centres served by the programme in order to:

- (i) remove from the rolls, children of parents whose monthly income was Rs. 200 or more and
- (ii) to find out if any centre situated in places other than slum areas could be shifted to slum areas.

This survey was not done with the result that the centres already opened in non-slum areas and centres with children of parents with a monthly family income of Rs. 200 or more, continued to function without any change. Government stated (November 1977) that with the then existing staff of the Social Welfare Department, it would not have been possible to conduct such a survey.

(6) *Feeding programme*

(i) Out of 862 centres opened under the programme till March 1977, milk, the supply of which was arranged through milk supply co-operative societies, was served in 31 centres from the inception of the scheme till the end of August 1976. Supply of milk was discontinued from September 1976 and was resumed only from May 1977. In all the remaining centres, bread alone was supplied.

Supply of bread was arranged through three bakeries. The agreement executed with the bakeries provided for the supply of special milk-bread and protein-enriched bread. The protein content of the bread was not indicated in any of the agreements. Instead, a provision was included that the supplies should conform to the standards prescribed by the Public Health Department of Government. There was no arrangement to ensure or to verify that the bread actually supplied conformed to the standards prescribed by the Public Health Department.

Periodical laboratory analysis of the recipes served to ensure that they satisfied the nutritional standards was also not done. Since the inception of the scheme (August 1970) bread was got analysed only on five occasions. The random check done indicated that the nutritional value of the bread supplied was inadequate as the protein content varied from 4.66 grams to 8.50 grams only except on one occasion (June 1974) when it was 12.64 grams.

Government stated (December 1977) that protein content/caloric value was not included in the agreement as the quality of ingredients might vary

with the type of wheat available in the market from time to time and that the question of inclusion of a condition to this effect would be examined.

(ii) The actual cost of food items supplied per beneficiary per day worked out to 10.30 paise, 11.70 paise and 17.01 paise respectively, during the three years 1971-72, 1972-73 and 1973-74 against the prescribed rate of 18 paise per child beneficiary and 25 paise per mother per day.

Government stated (November 1977) that the shortfall in per capita expenditure on food was due to occasional retrospective reduction in the price of bread allowed by the bakeries and shortfall in the number of feeding days owing to non-supply of bread on account of labour trouble in the bakery, power cut, etc.

(iii) The guidelines for the programme envisaged distribution of sufficient quantities of nutritious food for six days in a week without any break. The arrangements for the supply of bread envisaged that the contractors entrusted with the responsibility for the transportation of bread would take delivery from the supply points of the bakeries and distribute the bread to various feeding centres after obtaining acknowledgements from their organisers. Distribution at the centres was to be arranged by the organisers and helpers attached to each centre.

Interruptions in the feeding programme ranging from one month in respect of seventyfive centres (fortyone urban and thirtyfour tribal) to thirtyone months in respect of five tribal centres were noticed during the years 1973-74 to 1976-77. The department attributed (July 1977) these interruptions to difficulty in finalising transportation arrangements, want of agency for supplying bread, suspension of feeding programme owing to irregularities noticed in running the centres, etc.

(7) *Supplementary nutritional fortification and health care*

From the inception of the scheme (August 1970) multivitamin tablets were not supplied to the beneficiaries in any centre. In January 1973, Government introduced Adamin capsules as a fortifying element to be supplied, one capsule per week, to the beneficiaries. Adequate quantities of Adamin capsules were, however, not available for supply, the percentage of short supply ranging between 38 and 75 during the years 1973-74 to 1976-77. Refusal of children to consume Adamin capsules was also reported in fiftyone centres located in five districts, while in one centre, consumption of the capsule by the children was prohibited by their parents on the ground that the capsules were intended for family planning purposes.

Supply of folic acid tablets first commenced in January 1975. Out of 15.50 lakh tablets supplied by the Director of Health Services, 0.24 lakh tablets were found unfit for human consumption (August 1975 and October 1976). No further supply was arranged thereafter.

Immunisation against various infectious diseases and de-worming of the beneficiaries required to be carried out periodically covered only a small percentage of the beneficiaries during 1974-75 (12 per cent), 1975-76 (5.8 per cent) and 1976-77 (9.7 per cent). Information in regard to these operations prior to 1974-75 was not available. Government stated that these operations were confined to centres where the Corporations/Municipalities could afford such health services to the beneficiaries.

(8) *Nutrition assessment records*

Beneficiaries under the programme were to be checked medically immediately on their admission and once in two months thereafter. The observations based on the check-up were to be recorded in a register. No such assessment records were maintained in any centre. Health assessment of the beneficiaries under the programme sanctioned by the Government in March 1976 on payment of remuneration to Medical officers was not implemented (June 1977).

(9) *Supervision*

Information about the number of local committees formed for exercising necessary surveillance over the programme and the number of committees actually functioning was not available with the Directorate. Government stated (November 1977) that several committees might have become defunct and directions would be issued to reconstitute such committees. The services of block personnel and the field staff of the various departments and organisations were not utilised for the day-to-day supervision of the feeding centres situated in tribal areas as envisaged in the guidelines. Against fifty feeding centres required to be inspected by an Inspector every month, the department reported (June 1977) that on an average fifteen centres were inspected monthly during 1975-76 and seven centres during 1976-77. The following reasons were attributed (March 1977) by the department for the shortfall in the number of inspections conducted:—

- (a) Monthly ceilings on travelling allowance expenditure;
- (b) non-provision of conveyance to the Inspectors; and

- (c) entrustment of several additional responsibilities such as implementation of World Food Programme and other general social welfare schemes.

(10) *Nutrition education*

Funds required to meet the expenditure on nutrition education were to be met out of the administrative and other overheads provided for the scheme. No expenditure was, however, incurred on nutrition education till 1975-76. During 1976-77, an expenditure of Rs. 5,250 was incurred in conducting twentyone camps.

(11) *Other points*

Other points noticed from a test check of the records of 229 feeding centres located in five districts were:—

(a) non-maintenance of admission register (four centres in Quilon and two centres in Trivandrum).

(b) non-maintenance of attendance register (three centres in Kozhikode).

(c) feeding of children of over six years of age (thirteen centres in Alleppey, five centres in Ernakulam, seven centres in Quilon and two centres in Trivandrum).

(d) non-insistence of consumption of food on the spot (all centres in Alleppey and Calicut, thirtythree centres in Ernakulam, thirtytwo centres in Quilon, and eleven centres in Trivandrum).

(e) over-writing, cancellations, corrections, etc., in the stock register of bread (nine centres in Alleppey, thirtyone centres in Calicut, seventeen centres in Ernakulam, fourteen centres in Quilon and twentytwo centres in Trivandrum).

Government stated (November 1977) that action would be taken to see that the registers were maintained properly in all centres, that no child of above six years was allowed to continue in any of the feeding centres and that strict instructions had been issued to all implementing officers to ensure spot feeding.

(12) *Conclusion*

As may be seen from the preceding paragraphs, the implementation of the scheme was not strictly in accordance with the guidelines prescribed by Government of India and was mainly confined to the urban areas. A few centres were established in non-qualifying areas, benefits under the scheme were, in some cases, extended to ineligible beneficiaries, food supplied was sometimes not in conformity with the prescribed nutritional standards, health care of beneficiaries was almost nominal, continuous feeding could not be ensured for all the 300 days and medical check-up of the beneficiaries was not done to assess the impact of the programme on the beneficiaries.

Government stated (November 1977) that most of the defects occurred in the initial stages of the implementation of the programme and that when the additional staff sought for by the department was sanctioned, the scheme could be implemented observing all conditions strictly.

TAXES DEPARTMENT

3.11. Non-utilisation of copying sheets

An indent was placed by the Inspector General of Registration on the Government Press, Trivandrum in June 1975 for printing and supplying 30 lakh copying sheets on 23.6 kg. Azure-laid paper (cost: Rs. 79.50 per ream) for distribution to various subordinate offices in the State during 1975-76. After printing eight lakh sheets, the Superintendent of the Government Presses informed (December 1975) the department that further printing could not be proceeded with for want of paper of requisite quality. At the instance of the Registration Department, the Government Press printed and supplied during January - July 1976, 13.38 lakh copying sheets printed on 28.9 kg. Azure-laid paper (cost: Rs. 97.15 per ream) which alone was available in stock with the Stationery Department and which according to the Inspector General of Registration was suitable for the printing of copying sheets. On receipt of complaints from some of the District Registrars and the public that the paper used was of inferior quality and would crumble in a couple of years, the Inspector General of Registration issued instructions in October 1976 that the balance stock of these copying sheets need be used only in the event of an acute shortage of good quality copying sheets, supply of which had been arranged by him in the meantime (supply was resumed in July 1976). The department had used up 8.10 lakh copying sheets by then and the balance quantity of 5.28 lakh sheets (cost: Rs. 0.37 lakh) have been kept in stock unused (September 1977).

The department stated (July 1977) that the 28.9 kg. paper had to be used as 23.6 kg. paper was out of stock and to avoid a stalemate arising from non-availability of copying sheets. The department further stated (August 1977) that 28.9 kg. Azure-laid paper was of superior quality and that the damage to the copying sheets might have been due to the old stock of the paper supplied by the Controller of Stationery.

Government stated (February 1978) that a report had been called for from the Controller of Stationery; their final reply is awaited (February 1978).

GENERAL

3.12. Misappropriations, losses, etc.

Cases of misappropriations, losses, etc., of Government money reported to Audit up to the end of March 1977 and pending finalisation at the end of September 1977 were as follows:—

	<i>Number</i>	<i>Amount (in lakhs of rupees)</i>
Cases reported up to end of March 1976 and outstanding at the end of September 1976	228	64.56
Cases reported during April 1976 to March 1977	19	1.68
Cases disposed of till September 1977	45	13.83
Cases outstanding at the end of September 1977	202	52.41

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

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

<i>Year</i>	<i>Number of cases</i>	<i>Amount (in lakhs of rupees)</i>
1966-67 and prior years	44	26.12
1967-68	11	1.22
1968-69	9	1.45
1969-70	13	2.89
1970-71	11	0.74
1971-72	18	4.48
1972-73	17	4.56
1973-74	22	5.20
1974-75	13	0.93
1975-76	25	3.14
1976-77	19	1.68
Total	202	52.41

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

	<i>Number</i>	<i>Amount (in lakhs of rupees)</i>
(i) Awaiting departmental and criminal investigation	142	25.77
(ii) Departmental action started but not finalised	18	11.53
(iii) Departmental proceedings finalised and recovery in progress	6	1.13
(iv) Criminal proceedings finalised but execution/certificate cases for recovery of the amount pending	1	0.20
(v) Awaiting orders for recovery or write off	28	12.57
(vi) Pending in courts of law	7	1.21
Total	202	52.41

3.13. Writes off, waivers and ex-gratia payments

According to information received in audit, during 1976-77 losses due to theft, fire, etc., irrecoverable revenue, duties, advances, etc., totalling Rs. 17.73 lakhs were written off or waived in 1,128 cases and ex-gratia payments amounting to Rs. 3.35 lakhs were made in 186 cases. Department-wise details of these cases are indicated in Appendix V.

CHAPTER IV

WORKS EXPENDITURE

AGRICULTURE DEPARTMENT

(MINOR IRRIGATION)

4.1. Lift irrigation facilities to Aryampadam

A scheme for the provision of lift irrigation facilities to Aryampadam in Thodiyoor was investigated during 1964. Detailed estimates for the work (estimated cost: Rs. 4.68 lakhs) were prepared in 1966. The work, sanctioned by Government in December 1968, comprised construction of an earthen bund to protect the fields from floods, two sluices and a culvert with pin shutter arrangements for diversion of water, a pumphouse with a 35 H.P. centrifugal pump for providing irrigation to the higher reaches of the fields and a supply canal with spouts for the distribution of irrigation water.

The work, valued at Rs. 2.48 lakhs, was entrusted to a contractor in March 1970 for Rs. 2.31 lakhs. The work commenced in May 1970 and was due for completion in September 1971. After executing a small quantity (1,101 cubic metres) of earth work excavation, the contractor stopped work in May 1970 on the ground that the land intended to serve as borrow pits for taking earth had not been made available to him. The department could not offer alternate site for borrow pits at rates acceptable to the contractor nor was it agreeable to accept the rate of Rs. 30 per ten cubic metres quoted by the contractor for supply of earth from his own sources as it was considered exorbitant. The department, therefore, terminated the contract in August 1971 at the risk and cost of the contractor, but later, in March 1974, under orders of Government, absolved him of the liability for losses arising out of the rearrangement of work.

The balance work was put to tender in August 1971 and entrusted to another contractor in December 1971 for Rs. 3.68 lakhs. After the contractor had executed works costing Rs. 2.54 lakhs, his contract was also terminated in October 1975, without liability for any risk and loss, owing to non-availability of land. The estimate was revised in October 1976 to Rs. 14.98 lakhs. The work remaining to be executed was again awarded in February 1977 to a third contractor for Rs. 10.92 lakhs based on fresh tenders and was scheduled to be completed by February 1979. The Chief Engineer stated (November 1977)

that the work was held up due to rain and floods. The following points were noticed in this connection:—

(i) Departmental instructions preclude invitation of tenders before land required for a work is ready for being handed over to the contractor to start work in time. The department was not in possession of the land required for this work when the work was first awarded in March 1970. Though proposals for acquisition of land (6.9 hectares) for the scheme were sent to the Revenue Department in February 1969 itself, land had not been acquired even by October 1975 and eventually advance possession of the land was taken in February 1977. Government attributed (June 1977) the delay to inadequate staff for land acquisition and non-availability of funds for additional staff.

(ii) The scheme was intended to convert 67 hectares of single crop fields into double crop ones besides stabilising cultivation in the entire area of 172 hectares. The scheme also envisaged an additional food production of 254 tons per annum. According to the department, unless the entire work was completed, work executed till November 1977 would not benefit any ayacut.

(iii) When Government sanctioned the scheme in December 1968 at an estimated cost of Rs. 2,721 per hectare, the economic limit prescribed for sanction of similar schemes was only Rs. 2,470 per hectare. According to the revised estimate sanctioned by Government in October 1976, the cost of the scheme works out to Rs. 8,709 per hectare against the prevailing economic rate of Rs. 3,705 per hectare. Government stated (June 1977) that the revised estimate had been sanctioned as a special case in relaxation of the economic limit with a view to avoiding delay in execution of the work as the whole land required for the supply channel and pump set had been acquired.

These observations were brought to the notice of Government in August 1977; their reply is awaited (March 1978).

HEALTH DEPARTMENT

4.2. Building for District Medical Stores, Alleppey

Construction of a new building to house the District Medical Stores, Alleppey, located in a hired building, was sanctioned by Government in December 1972 at an estimated cost of Rs. 3.20 lakhs. The work was awarded to a contractor (lowest tenderer) in October 1973 for Rs. 4.21 lakhs with the stipulation that it should be completed by the end of July 1974. The contractor started work only in November 1974 despite the issue of several notices. The delay was attributed (October 1976) by the Public Works Department to the contractor's slackness for which he was fined Rs. 200. In March 1975, after executing part of the work valued at Rs. 0.64 lakh, the contractor stopped work

In August 1975, he demanded enhanced rates on the ground that the cost of materials and labour charges had gone up considerably. As the contractor did not resume the work, despite repeated instructions, the Superintending Engineer terminated (June 1976) the contract and intimated the contractor that the balance work would be arranged at his risk and cost. The contractor, in the meantime (April 1976), referred the matter to arbitration alleging departmental delays in handing over the site, finalisation of the design for the building, etc. The Chief Engineer (Arbitration) gave his award in August 1976 according to which the balance work was not to be got done at the risk and cost of the contractor. As the arbitrator had, however, rejected certain other claims of the contractor towards additional expenditure and losses alleged to have been incurred by him, the contractor was reported to have filed an objection against the award which was pending disposal (January 1978).

The estimate for the work was revised to Rs. 5.80 lakhs in February 1977 based on the 1976 schedule of rates. Alternate arrangement for the execution of the balance work has not been made so far (January 1978).

The construction of the building sanctioned more than four years back had not been completed even till November 1977, although Rs. 0.88 lakh have been spent on it, and the District Stores continue to function in a hired building on a monthly rental of Rs. 400 from August 1966 and Rs. 785 from March 1975.

The facts mentioned in the paragraph were accepted (November 1977) by Government.

HIGHER EDUCATION DEPARTMENT

4.3. Construction of ladies' hostel building, Pattambi

According to the pattern of assistance fixed by the University Grants Commission for giving financial aid to colleges for construction of ladies' hostels, 75 per cent of the expenditure on construction of buildings and 75 per cent of the expenditure on providing living room furniture, subject to a limit of Rs.250 per student, were reimbursible by the Commission.

In February 1970, Government sanctioned the construction of a ladies' hostel and play ground for the Government Sanskrit College, Pattambi, at an estimated cost of Rs. 7.50 lakhs. The Principal of the college sent proposals to the University Grants Commission in February 1970 for construction of the hostel with their assistance; these were returned (April 1970) by the Commission for revision of the plans and estimates in accordance

with the norms laid down by them. The revised plans and estimates were called for by the Principal from the Public Works Department in January 1971. In the meantime (July-August 1970), at the instance of the Principal of the college, the Public Works Department awarded the work to a contractor in November 1970 for Rs. 4.28 lakhs. The revised plans and estimates were received by the Principal from the Public Works Department in June 1971 and these were forwarded to the Commission in the same month. In July 1971, the Commission returned the plans and estimates expressing inability to sanction the grant as construction of the hostel had been started without their prior concurrence. The request made by the Principal in April 1971 for assistance for providing living room furniture for the hostel was also turned down (July 1971) by the Commission for the same reason.

The construction of the hostel was completed in March 1972 at a cost of Rs. 5.48 lakhs and the hostel was furnished in November 1972 at a cost of Rs. 0.28 lakh. As the construction of the hostel was commenced without obtaining the prior concurrence of the University Grants Commission, the State Government could not avail of a grant of Rs. 4.31 lakhs (Rs. 4.11 lakhs towards construction of the hostel and Rs. 0.20 lakh towards providing living room furniture) from the Commission.

The facts mentioned in the paragraph were accepted (November 1977) by Government.

4.4. Museum at Padmanabhapuram Palace

In May 1963, Government sanctioned reconstruction of the Padmanabhapuram Palace Museum building (owned by the Government of Kerala but located in Kanyakumari District of Tamil Nadu) at an estimated cost of Rs. 1.99 lakhs. The work consisted of dismantling the old building upto the basement level and reconstructing it on the same plinth area using the old doors, windows and roof to the extent possible so that the reconstructed building would, in elevation, be more or less of the same appearance as it was before demolition and reconstruction. The work was entrusted to the Public Works Department; it was commenced in September 1963 and the old building demolished in July 1964. In January 1964 it was, however, decided in a conference of the officers of the Education, Archaeology and Public Works Departments that there was no necessity to adhere to the design of the old structure and that a modern structure of suitable dimensions and shape should be constructed instead. Accordingly, the estimate for the work was revised

to Rs. 4.17 lakhs in August 1964 taking into account the revised design which was forwarded in August 1964 by the Director of Archaeology to the Government for revised administrative sanction. The Government accorded sanction in September 1970 for construction of the Museum building at an estimated cost of Rs. 3.26 lakhs. The Tamil Nadu Government agreed (February 1970) to bear 50 per cent of cost of construction of the building.

The work was awarded for Rs. 3.29 lakhs to the lowest tenderer in January 1972 and an agreement was executed with him in March 1972. The work started in April 1972 was scheduled for completion by January 1973 which was subsequently extended to March 1974. When the work was nearing completion, the Director of Archaeology reported (December 1973) to Government that there was considerable criticism that the character and shape of the building were out of tune in a set-up and surrounding belonging to the 18th century. In January 1974, Government informed the Chief Engineer that as the design of the new building was not in conformity with that of the existing buildings in the compound and was likely to affect adversely Government's objective of retaining old buildings in their true character, the construction programme might be held up so that the required modifications could be effected before its completion. Further work on the building was stopped in April 1974 and the contract terminated in October 1974.

A revised design for the building incorporating changes mainly in respect of the roof and the front elevation was prepared in April 1974 and got approved (January 1976) by the Director of Archaeology and the Senior Archaeologist, Government of India. A revised estimate for Rs. 8.44 lakhs based on the revised design forwarded to Government in July 1977 was awaiting approval (March 1978). Government stated (March 1978) that the concurrence of the Government of Tamil Nadu for meeting 50 per cent of the expenditure based on the revised estimate was awaited. Pending completion of the proposed museum building, the exhibits have been stored in the Palace campus.

The construction of the building sanctioned in 1963 and on which Rs. 1.97 lakhs had been spent remains incomplete (March 1978).

LOCAL ADMINISTRATION AND SOCIAL WELFARE
DEPARTMENT

4.5. Trivandrum water supply augmentation scheme

(1) *Introduction*

Mention was made in paragraph 40 of the Audit Report 1966 and paragraph 49 of the Report of the Comptroller and Auditor General of India for the year 1969-70 of certain aspects of implementation of the Trivandrum water supply augmentation scheme. Results of a further review in Audit of the scheme are mentioned in the succeeding paragraphs.

(2) *Financial outlay and physical progress*

The Trivandrum water supply system, designed in 1928 for a maximum population of 1.35 lakhs (expected to be attained by 1961), consisted of a weir across the river Karamana with a storage capacity of 618.26 million litres. This capacity was increased to 1,091 million litres in 1964 by raising the height of the weir by 2.44 metres. The augmentation scheme envisaged a further increase in the capacity of the reservoir up to 3,014 million litres so as to meet the ultimate demand of a population of 6.44 lakhs expected to be attained by 1991.

The scheme, to be implemented in two phases and estimated to cost Rs. 516 lakhs (first phase: Rs. 454 lakhs; second phase: Rs. 62 lakhs), was sanctioned by Government in August 1967. In August 1970, the scope of the scheme was enlarged to include extension of water supply to the University Centre at Kariavattom at an estimated cost of Rs. 75 lakhs, raising the total estimated cost of the first phase of the scheme to Rs. 529 lakhs. In August 1974, the estimate in respect of the first phase was revised to Rs. 793 lakhs, mainly due to increase in the cost of materials and labour (Rs. 214 lakhs), supervision and centage charges (Rs. 52 lakhs) and cost of land (Rs. 14 lakhs), offset to a certain extent by savings due to revised design and deletion of certain items (Rs. 26 lakhs).

The following items of work were provided, *inter alia*, in the Project Report of the augmentation scheme:—

- (a) provision of additional intake arrangements at Aruvikkara;
- (b) construction of an elevated reservoir of 1.6 million litre capacity at Aruvikkara;

- (c) deepening of the existing reservoir by dredging and desilting; and
- (d) construction of a masonry weir to build another storage reservoir.

The first two items of work were expected to result in a net increase in the reservoir capacity to 1,773 million litres which was considered sufficient for providing a daily outflow of 51.60 million litres to serve a population of 4.54 lakhs by 1977 at the average daily consumption rate of 113.65 litres per person; the last two items were expected to increase the capacity further by 1,241 million litres. Provision for the first three items was made in the first phase of the scheme and for the last in the second phase. While the first two items (estimated cost: Rs. 25.00 lakhs) were completed by February 1973 at a cost of Rs. 29.06 lakhs, the desilting operations were not undertaken on the ground that (a) it would be very expensive and that (b) removal and disposal of the silt and treatment of water during silting would be difficult. The building of an additional storage reservoir by the construction of a masonry weir to augment the storage capacity at the headworks was not taken up which was attributed (September 1977) by the Chief Engineer, Public Health Engineering Department, to paucity of funds.

Though the Project Report for the scheme envisaged the commissioning of the first phase by 1970-71 and completion of the second phase before 1976, even the first phase of the scheme has not yet been completed in all respects (March 1978), while the second phase is yet to be taken up for execution. The first phase of the scheme was partially commissioned in February 1973 pending completion of the transmission and distribution lines which had been delayed for want of pipes and specials and due to delay in the execution of works.

An expenditure of Rs. 803.70 lakhs had been incurred on the scheme to end of February 1978.

As against the estimated average daily consumption of 51.60 million litres by 1977 envisaged in the Project Report, the actual consumption of water in Trivandrum was 57.94 million litres in 1973, 66.10 million litres in 1974 and 71.41 million litres in 1975. As a result of this increase in the consumption levels combined with the inadequate rainfall (January-March 1976) in the catchment area of the river during this period, the storage in the reservoir got depleted and by March 1976, acute water shortage was experienced in the city. In order to avert a crisis, emergency measures (estimated cost: Rs. 17.36 lakhs) were taken by the department in March 1976 for bringing water to the reservoir from the Neyyar Dam, by laying new pipelines. Though

this work was completed in March 1976, the accounts of the work have not yet been closed (December 1977). Expenditure on this account amounted to Rs. 20.11 lakhs till February 1978. Government, while confirming that there was increase in the average daily consumption of water, stated (December 1977) that inspite of the increased consumption, the demands upto 1975 could be fully met without making any special arrangements and that the acute shortage felt during March 1976 was mainly due to unprecedented shortage in rainfall during January -February 1976 which could not have been anticipated.

(3) *Other points of interest*

(a) *Construction of a bridge*

The work of constructing a bridge across Killi river (estimated cost: Rs. 3.44 lakhs) for the purpose of taking a 75 cm. C.I. pipeline across the river was sanctioned by the Superintending Engineer, Public Health South Circle in November 1973.

According to the estimate, the bridge was to have two spans of 7 metres each and one span of 12 metres resting on R.C.C. pile foundations. The department requested (November 1973) the Principal, College of Engineering, Trivandrum, to test the sub-soil and to forward the test report so that the foundation could be designed after taking into account the soil conditions and its load bearing capacity. In the meantime, before the soil tests were completed and the foundation design finalised, the work was entrusted (December 1973) to the lowest tenderer for Rs. 3.42 lakhs (6½% below estimate rates). The work which commenced in February 1974, was due for completion in June 1974 which was extended to June 1975.

After completing sub-soil investigations, the Principal suggested (June 1974) the provision of well foundation for the bridge. It was, however, decided to proceed with the foundation work using piles on the ground that piles had been driven in similar conditions in other works and that well foundation might give rise to problems during construction. The pile driving operations were completed by the contractor in April 1975.

In August 1974, the Superintending Engineer revised the design of the bridge to provide for a single span of 20 metres. Though the design of the pile caps was given to the contractor in April 1975, he did not proceed with the work inspite of repeated instructions on the plea that apart from suitably extending the time limit for the completion of the work, he should also be paid extra

rates to compensate him for the increase in wages and cost of materials. The contract was, therefore, terminated (September 1975) by the Superintending Engineer at his risk and cost. However, on an arbitration petition filed by the contractor in September 1975 contending that the termination of the contract was illegal, an award was passed (June 1976) by the Government Arbitrator for Engineering Contracts and confirmed by the Court in October 1976, according to which while the termination of the contract was not to be at the risk and cost of the contractor, the security (Rs. 13,000) deposited by him was to be forfeited to Government. The department decided not to appeal against the award on the advice of the Additional Government Pleader.

Alternate arrangements for execution of the balance work have not so far been made (March 1978). Sanction to a revised estimate for Rs. 9.70 lakhs based on the schedule of rates effective from 1st July 1976 was also awaited (March 1978).

Rupees 0.34 lakh have been spent on the work till February 1978. Out of 56 piles cast for the bridge foundation, 20 piles (approximate cost: Rs.0.07 lakh) remain unutilised (February 1978). Pending completion of the bridge, the service reservoir at Tirumala constructed in August 1976 (cost: Rs. 8.27 lakhs) as well as the transmission system and distribution system laid in Tirumala zone on which an expenditure of Rs. 38.50 lakhs had been incurred upto February 1978 remain unutilised.

(b) Purchase of Alumina-Ferric

Tenders for the supply of Alumina-Ferric were invited (May 1973) by the Executive Engineer, Water Supply Division I, Trivandrum. Of the three tenders received, the lowest offer (Rs. 397 per tonne) of a Madras firm was accepted and orders placed with them in July 1973 for the supply of 250 tonnes of the chemical within a month. An agreement was also executed by the division in August 1973. The firm supplied 23.84 tonnes in December 1973 and stopped further supplies on the ground that their principals had had to restrict production of the chemical owing to non-receipt of their quota of sulphur from the Minerals and Metals Trading Corporation. The department informed the firm in March 1974 that if the supplies were not resumed within a month, alternate arrangements for procuring the material would be made at their risk and cost. As the chemical was urgently required for water treatment, the department purchased between March 1974 and June 1974, 226.16 tonnes from five different firms at rates varying from Rs. 690 to Rs. 888.50 per tonne. The resultant extra expenditure, assessed by the department, amounted to Rs. 0.75 lakh.

The failure of the Madras firm to supply the chemical was reported (December 1974) by the Chief Engineer to Government and based on instructions (July 1975) from Government, the firm was addressed in September 1975 to make good the loss within thirty days. As there was no response from the firm, the department addressed (October 1975) the District Collector, Trivandrum, to initiate revenue recovery proceedings against the firm. In February 1977, necessary requisition was sent by the District Collector, Trivandrum to the Collector, Madras for effecting recovery of the amount from the firm. It was reported (March 1978) by the department that the firm had filed a writ petition in the High Court of Madras against the recovery.

(c) *Loss of stores*

Out of 72 cast iron pipes (value: Rs. 1.27 lakhs) despatched in August 1975 by a Calcutta firm under D.G.S. & D. rate contract to the Executive Engineer, Water Supply Project Division No. II, Trivandrum, only 60 pipes were received by the department between September 1975 and January 1976 in three consignments. Non-receipt of the balance 12 pipes (cost: Rs. 0.24 lakh) was reported (March 1976) to the firm and the Chief Commercial Superintendent, Southern Railway by the Assistant Engineer authorised to take delivery of the pipes. The Executive Engineer also addressed (August 1976) the Chief Commercial Superintendent, Southern Railway, to trace out the remaining pipes and endorsed a copy of this letter to the Chief Engineer. The Chief Engineer, while pointing out (August 1976) that if no claim had been lodged within six months from the date of the Railway Receipt (15th August 1975), the Railways were likely to turn down the claim as time barred, directed the Executive Engineer to clarify whether he had lodged a claim with the Railways in time. The Executive Engineer reported (October 1976) to the Chief Engineer that the claim was first preferred in March 1976 (six months after the date of Railway Receipt) by the Assistant Engineer. The matter was not pursued by the department thereafter with the Railways. The Executive Engineer stated (October 1977) that in the absence of the shortage certificate for the 12 pipes to be obtained from the railway station authorities which had been called for from the conveyance contractor, the claim was not pursued with the Southern Railway. It was noticed that the shortage certificate was called for from the conveyance contractor by the Assistant Engineer only in May 1977.

The loss on account of the shortage of the pipes amounted to Rs. 0.24 lakh.

(d) Tools and plant remaining idle

One Aeneas mobile crane (cost: Rs. 2.52 lakhs) purchased by the department in September 1967 for transporting and laying big pipes and other heavy materials was not in use from January 1973 as it required major repairs. Sanction for repairing the crane was accorded by the Chief Engineer in August 1973. The Superintending Engineer, Trivandrum intimated (April 1974) that the crane was not required in his circle. The Chief Engineer decided (July 1974) that it might be disposed of as it was not required in any of the other divisions of the department. Enquiries were made (December 1974) by the Chief Engineer with other Government departments/Corporations to find out whether any of them required the crane. The Kerala State Small Industries Corporation Limited, Trivandrum, intimated (January 1975) that they were interested in purchasing the crane. The Chief Engineer sought (August 1975) the sanction of Government for selling the crane to the Corporation at a cost of Rs. 3.39 lakhs (the then prevailing market price of a similar crane reduced by depreciation for eight years). The Corporation, however, reported (August 1975) to Government that the crane might be transferred to them on its depreciated value based on the purchase price which, according to the Chief Engineer, worked out to Rs. 1.63 lakhs. No decision was taken by Government on this question till July 1976 when the Corporation informed Government that they were not interested in buying the crane in view of the decline in the volume of iron and steel transactions at their Cochin Depot. In the meantime, the Superintending Engineer prepared an estimate for Rs. 0.26 lakh for repairing the crane and sought (November 1975) the Chief Engineer's sanction for the estimate which was accorded by the latter in October 1977. The repair work of the crane was reported (March 1978) by the department to be in progress.

The crane operator was retained in the division till the end of July 1975 and was transferred as a road roller driver to the Public Health Division, Kozhikode. Expenditure on his pay and allowances for the period from January 1973 to July 1975 amounted to Rs. 0.09 lakh.

4.6. Urban water supply schemes

Some aspects of execution by the State Government of urban water supply schemes, fully financed by loans from the Government of India, on behalf of the Kottayam and Trichur municipalities were dealt with respectively in paragraph 23 of the Audit Report 1967 and paragraph 50 of the Report of the Comptroller and Auditor General of India for the year 1969-70. Mention was made therein, *inter alia*, of the delay in execution of the final agreement in the case of Kottayam Municipality and of the non-closure of the

accounts of the scheme and consequential delay in the determination/recovery of loan instalments in the case of Trichur Municipality. Further developments in this regard in respect of these two schemes, as well as the position relating to a similar scheme executed on behalf of the Palghat Municipality and handed over to it in February 1965, are mentioned in the following paragraphs:—

(a) *Non-closure of accounts*

Despite the fact that the completed distribution systems of the water supply schemes at Trichur and Palghat were handed over to the concerned municipalities respectively in January 1962 and February 1965, the accounts of these schemes have not been finally closed and final liabilities of the municipalities determined so far (December 1977). Dealing with this aspect in their Tenth Report with reference to the Trichur water supply scheme, the Public Accounts Committee (1972-73) had recommended, *inter alia*, in paragraph 1.45 of the Report, that drastic action should be taken by Government against the persons who were responsible for the delay in the finalisation of the accounts. Government held (April 1977) that it was not correct to fix responsibility for the delay as it was due to certain inherent difficulties like evolving a comprehensive accounting procedure. Government also stated (December 1977) that there were certain practical difficulties in preparing the completion reports at this distance of time due to difficulty in tracing out the old records, but the concerned officers had been directed to trace out the missing records and to prepare the completion reports with the existing staff.

(b) *Execution of agreements and remittance of loan instalments*

Fifty per cent of the total capital cost of the schemes was to be treated as loan from the State Government to the concerned municipalities to be repaid over a period of twenty years (thirty years in the case of Trichur Municipality) with interest, the first instalment commencing one year after commissioning of the schemes. Agreements incorporating the terms and conditions of repayment of the loan are yet (December 1977) to be executed with the three municipalities. In pursuance of the recommendation of the Public Accounts Committee (1967-68) relating to the Kottayam water supply scheme, contained in paragraph 6.20 of their Third Report that pending execution of the final agreement the loan instalments should be recovered on a provisional basis, the Chief Engineer fixed the cost of the individual schemes and the loan instalments to be remitted by the municipalities provisionally in October 1971 (Trichur) and May 1972 (Kottayam and Palghat).

The Chief Engineer reported (October 1977) to Government that the Trichur and Kottayam Municipalities were remitting the annual instalments provisionally fixed. The Palghat Municipality had not started (February 1978) remitting the annual dues (Rs. 1,13,555).

(c) Payment of maintenance charges

The preliminary agreement concluded with the municipalities provided for the maintenance by Government of the water supply schemes after completion from the source up to and including storage tank. The maintenance charges including overheads at 16 per cent were to be remitted by the municipalities in advance not later than 1st July of each year. According to a report (August 1977) sent by the Chief Engineer to Government, Rs. 42.62 lakhs (Kottayam: Rs. 20.23 lakhs; Palghat: Rs. 15.42 lakhs and Trichur Rs. 6.97 lakhs) were due to Government from the three municipalities as on 31st March 1977 on this account. Government stated (December 1977) that Trichur Municipality had remitted a sum of Rs. 2.26 lakhs in October 1977 towards maintenance charges and that orders had been issued (June 1977 and September 1977) for effecting recoveries of Rs. 3.48 lakhs (Kottayam: Rs. 0.89 lakh; Palghat: Rs. 1.35 lakhs and Trichur: Rs. 1.24 lakhs) on this account from the grants payable to the three municipalities.

4.7. Rural water supply scheme

A scheme for provision of water supply to Kundara Panchayat (an industrially developed area of Quilon District) estimated to cost Rs. 7.60 lakhs was sanctioned by Government in September 1971. The scheme envisaged the construction of two well-cum-pump-houses with infiltration galleries located near two natural springs about 650 metres apart, adopted as sources of water for the scheme, a common overhead tank, pumping mains, distribution system, etc. The scheme was designed to meet the ultimate demand for water (6.50 lakh litres per day) of an expected population of 26,000 by 2001 A.D.

After two abortive tender calls in January and December 1972, the works relating to construction of well-cum-pump-houses, overhead tank, infiltration galleries, pumping mains and the distribution system (total estimated cost: Rs. 3.29 lakhs) were retendered in February 1973 and the work awarded to the lowest of six tenderers for Rs. 2.91 lakhs in March 1973. According to the agreement executed with the contractor in June 1973, the works were due for completion in December 1973. The contractor commenced the work in November 1973 after a revised design for the wells was made

available to him. By August 1974, when the two wells had been dug to a depth of 6.6 metres and 6.4 metres respectively, it was found that sufficient water was not available as hard stiff clay was encountered at those depths. Further work on the wells was abandoned by the department and an expenditure of Rs. 0.16 lakh incurred on the wells became unfruitful. A proposal for obtaining water from Sasthamcottah lake, located at a distance of 30 kilometres from Kundara, was reported to be under study (August 1977). The Executive Engineer of the division stated (December 1977) that it was not known how the investigation wing of the department arrived at the conclusion that the natural springs would cater to the needs of water supply.

The overhead tank was proposed to be constructed on land measuring four cents which was made available by the panchayat free of cost in December 1973. As the land was not of the requisite shape, another two cents of land found necessary in March 1974 were made available by the panchayat in August 1975. Owing to delay in handing over the site for the overhead tank, the contractor informed (September 1975) the department that he was not in a position to construct the overhead tank and demanded enhanced rates for all works done after 1st July 1974, based on the revised schedule of rates effective from that date. The claim was rejected by the department (November 1975). However, on an arbitration petition filed by the contractor alleging delays in deciding the design of the wells, in supplying departmental materials and in handing over the site for overhead tank, the Chief Engineer (Arbitration) directed (July 1976) the department to pay the contractor Rs. 35,000 towards extra cost involved in the execution of work beyond the contractual period originally contemplated and also relieved him from the responsibility for execution of balance works left over. The award was confirmed by the Court in January 1977 and the decretal amount paid in June 1977.

The expenditure incurred on various components of the scheme till the contractor was relieved of further obligation in regard to the execution of works remaining incomplete amounted to Rs. 5.34 lakhs; water is, however, not available for commissioning the scheme. Consequently, further work on the scheme has been suspended pending the location of an alternate source of water. The Executive Engineer of the division stated (August 1977) that a fresh investigation was necessary to ascertain if the scheme could be commissioned at a reasonable cost.

The matter was reported to Government in September 1977; their reply is awaited (March 1978).

PUBLIC WORKS AND ELECTRICITY DEPARTMENT

4.8. Civil Station at Ernakulam

The establishment of a Civil Station at Thrikkakara in Ernakulam District to house the Collectorate and all other State Government offices (other than the office of the Commissioner of Police) functioning in Ernakulam city was sanctioned by Government in April 1969.

The Civil Station was designed to have eleven multi-storeyed blocks. Administrative sanction for the construction of the first two blocks, each consisting of six floors (estimated cost: Rs. 50.43 lakhs) was accorded by Government in July 1970. Technical sanction was accorded by the Chief Engineer in July 1971 for the first block for Rs. 19.97 lakhs and in March 1973 for the second block for Rs.18.10 lakhs. The work of construction of the first block (excluding supply and installation of lift) was awarded to contractor 'A' for Rs. 14.98 lakhs in December 1971. The work was started in January 1972 and was due for completion in July 1973, which was subsequently extended up to October 1974.

Contractor 'A' had completed all works other than provision of flush doors by September 1974. As he did not supply the flush doors and as the progress of execution was not satisfactory, the department terminated the contract at his risk and cost in September 1974 and got the work completed in December 1974 through another contractor 'B'.

Supply and installation of a passenger lift stated to be very essential for the building, entrusted in March 1974 to a firm for Rs. 0.65 lakh, were scheduled to be completed by August 1975. The installation of the lift was completed by the firm in March 1977.

Pending installation of the lift, the first block was inaugurated in January 1975 and was allotted to ten offices of different departments which were then housed in various rented buildings in Ernakulam. Four of these offices shifted to the new building in February 1975 and the fifth in January 1976. The remaining five offices which were allotted accommodation in the third, fourth and fifth floors of the first block had not been shifted to the Civil Station (February 1978). It was reported (October 1977) by the District Collector that some of the departments had expressed inability to shift to the new building on administrative grounds and that proposals for re-allotment of the accommodation were being considered. As a result, about one half of the floor area of the first block constructed at a cost of Rs. 15.31 lakhs was lying vacant.

Expenditure on rent of private buildings occupied by these five offices amounted to Rs. 1.44 lakhs for the period from February 1975 to January 1978.

Construction of the second block was awarded to contractor 'C' in November 1973 for Rs. 15.79 lakhs on the basis of tenders. The work, started in January 1974 and due for completion in July 1975, has not yet been completed (January 1978). Extension of time was granted by the department to the contractor till 30th November 1977 after levying a fine of Rs. 5,400. Rupees 11.59 lakhs have been spent on this block so far (January 1978). The delay in construction of the block was attributed (October 1977) by the department to the slackness of the contractor.

The matter was reported to Government in November 1977; their reply is awaited (March 1978).

4.9. Construction of a new bridge at Feroke

Construction of a new bridge (estimated cost: about Rs. 40 lakhs) on the West Coast Road at Feroke (Kozhikode District) was administratively sanctioned by Government in July 1971. Technical sanction was accorded by the Chief Engineer for Rs. 39.80 lakhs in December 1972. Based on tenders invited in February 1973, the work was awarded to the lowest tenderer for Rs. 27.50 lakhs (37.75 per cent below the probable amount of contract of Rs. 32.82 lakhs). The work started in August 1973 was due for completion in August 1975.

The contractor was given the design of the substructure at the commencement of the work and the structural design of the bridge in August 1974.

The sanctioned estimate provided for well foundation for the 5th and 6th piers. In July 1974, this was proposed to be changed into pile foundation with a view to reducing the cost. Finally, it was decided (January 1975) not to change the design of the foundation as the proposed pile foundation was found to be unsuitable on account of the shallow depth of the rock strata. This decision was intimated to the contractor in January 1975.

In June 1975, after executing work valued at Rs. 6.39 lakhs, the contractor stopped further work on the bridge. He demanded (August 1975) enhanced rates for works remaining to be done beyond the stipulated date of completion on account of "various delays, hindrances and breach of contract caused and committed by the department". The demand was not accepted by the department. As the contractor did not resume the work inspite of issue of several

notices, the Superintending Engineer cancelled the contract in August 1975 after forfeiting the security and retention amount (Rs. 1.14 lakhs) and ordered that the balance works be arranged to be executed at the risk and cost of the contractor.

The estimate for the bridge work was revised (October 1975) to Rs. 47.50 lakhs adopting the revised schedule of rates effective from April 1974. Based on tenders invited in August 1975, the balance works, estimated to cost Rs. 35.62 lakhs, were entrusted to the only tenderer for Rs. 38.80 lakhs. The work, started in November 1975, was completed in September 1977. The extra cost on account of termination of the original contract and completion of the balance works through another contractor was assessed by the department as Rs. 16.45 lakhs. The amount could not be recovered from the first contractor as the Chief Engineer (Arbitration) to whom the contractor had submitted a petition in November 1975 ordered (May 1976) that the completion of the balance works through another contractor cannot be at the risk and cost of the first contractor.

Award of work before finalising the design of the bridge and delay in arriving at a decision in regard to the nature of the foundation to be provided in respect of two piers mainly contributed to the termination of the contract resulting in extra cost of Rs. 16.45 lakhs on the balance work executed under a fresh contract.

While confirming the facts stated in the paragraph, Government stated (November 1977) that the real reason for the termination of the original contract was that the contractor could not carry out the work at his quoted rate of 37.75 per cent below estimate rate owing to exorbitant increase in the cost of labour and materials.

4.10. Construction of road from Kuttikanam to Karimthiri

The work of semigrouting nineteen kilometres of the Peermade-Devicolam road from Kuttikanam to Karimthiri causeway (estimated cost: Rs. 7.44 lakhs) was sanctioned by Government in February 1967. It was awarded to a contractor in February 1969 with a stipulation that the work was to be completed by February 1970. After executing part of the work costing Rs. 1.96 lakhs, the contractor backed out in May 1970 on the plea that the land had not been made available to him. In May 1971, the contract was terminated by the Executive Engineer at the contractor's risk and cost on the ground that the contractor's plea of non-availability of land was not fully correct as he had not done the work even at places where land had been made available.

The balance work was split into three portions each costing less than Rs. 2 lakhs being the limit upto which the Executive Engineer was competent to accept tenders. One of the portions (excluding metalling and semigrouting) was entrusted to a new contractor for Rs. 1.57 lakhs in December 1973. This work due to be completed by September 1974 was completed only in March 1977.

The works of metalling and semigrouting were awarded to another contractor under two separate contracts for Rs. 1.62 lakhs and Rs. 1.96 lakhs in January 1977 and April 1977 respectively. The extra cost involved in getting the balance work executed through other agencies would work out to about Rs. 3.71 lakhs. The Superintending Engineer, however, fixed (October 1976) the liability of the original contractor at Rs. 2.34 lakhs to be recovered from the contractor's legal heirs, the contractor having expired in the meantime. The Executive Engineer stated (June 1977) that revenue recovery proceedings initiated (October 1976) by the department were declared (June 1977) illegal by the Court.

The work sanctioned in February 1967, remains incomplete even after ten years.

The facts mentioned in the paragraph were accepted by Government in October 1977. The department was also reported (February 1978) to have moved the Arbitrator for fresh arbitration.

4.11. Improvements to Manantoddy-Pakkramthalam road

The work "Improvements to Manantoddy-Pakkramthalam road (Km. 26/0 to 32/400)" (estimated cost : Rs. 4.77 lakhs) was entrusted (February 1971) to the second lowest tenderer (the lowest tenderer having failed to execute the agreement) for Rs. 3.47 lakhs and was commenced in March 1971. During the course of execution, the department found (July 1971) it necessary to change the alignment of a portion of the road in order to secure the ruling gradient and to avoid very steep and dangerous hairpin bends. The department attributed (May 1977) this change to the "inadequate investigation" of the road conducted in 1968. According to a report submitted (October 1971) by the Executive Engineer in charge of the work to the Superintending Engineer, while funds had not been provided for investigation work and no investigation estimate had been prepared, the estimate was also drawn up in haste with "whatever data could be collected" owing to "urgency and pressure from higher officers".

Because of the realignment, the estimated quantity of earth work to be done by the contractor was increased by nearly 47 per cent and the estimated quantity of rock blasting by over 143 per cent. Pending approval of the Chief Engineer for the execution of the excess quantities, the contractor stopped work in July 1971 under oral instructions from the Junior Engineer. Though the work was resumed by him in July 1972 on receipt of the requisite approval (April 1972), he demanded enhanced rates according to the then current departmental schedule of rates for work to be done and followed it up with a fresh demand (May 1974) for compensation for losses on various counts consequent on the suspension of work from July 1971 to July 1972. On his demands being rejected by the department in June 1974, he took (December 1974) the dispute to the Government Arbitrator for Engineering Contracts, who awarded (May 1975) an increase of 25 per cent over his agreed rate for all items of work done and to be done beyond 9th April 1974 (the date of payment of the second running bill of the contractor) besides payment of compensation of Rs. 0.18 lakh towards losses. The award was confirmed by the Court in January 1977 and the compensation with interest (Rs. 0.20 lakh) paid in August 1977. Rupees 0.66 lakh were also paid (November 1977) to the contractor by way of 25 per cent increase over the agreed rates as awarded by the Arbitrator. The work was reported (September 1977) by the department to have been completed at a cost of Rs. 6.30 lakhs.

The facts mentioned in the paragraph were accepted by Government in December 1977.

WATER AND TRANSPORT DEPARTMENT

4.12. Kuttiadi irrigation project

The project aims at irrigating 14,570 hectares (36,000 acres) of land by utilising the tailrace water of Kuttiadi hydroelectric project. It envisages (i) construction of a dam 172 metres long and 35 metres high at Peruvannamuzhy across Kuttiadi river, (ii) 13 earth flanking dams and (iii) a main canal 1.81 kilometres long and left and right bank canals each 37.41 kilometres long. Some aspects of execution of its major components, extent of area irrigated, etc., were dealt with in paragraph 27 of the Report of the Comptroller and Auditor General of India for the year 1971-72. A further review of the Project in Audit during June-August 1977 disclosed the following:—

(i) *Outlay*

The estimated cost of the Project which was Rs. 496.05 lakhs in 1961 was revised to Rs. 1,520 lakhs in May 1975. According to an assessment made by

the department in September 1975, the cost of the Project was expected to go up further to Rs. 2,567 lakhs. The increase in cost was attributed by the department to (i) revision of the schedule of rates in 1972 and 1974, (ii) increase in the cost of land and improvements and (iii) provision for the construction of an additional spillway. The expenditure on the Project was Rs. 2,006 lakhs upto 31st March 1977.

(ii) *Progress of works*

The earth flanking dams and masonry dam were completed in August 1975 and June 1976 respectively. The staff quarters had been completed in January 1974. The physical progress achieved in respect of the other major components of the Project is indicated below:

Spillway shutters	80 per cent
Right Bank Main Canal	29 per cent
Left Bank Main Canal	92 per cent
Branch Canals	36 per cent
Distributaries	38.10 kilometres completed
Field bothies	46.38 kilometres completed

The Public Accounts Committee (1974-75) had been informed (May 1974) by Government that the Project could be fully commissioned by 1975, subject to availability of adequate funds. The Project is yet to be fully commissioned. The Chief Engineer stated (November 1977) that paucity of funds was the main reason for the delay and that the Project was now expected to be fully commissioned by the end of March 1979.

(iii) *Irrigation targets and achievements*

The net area planned to be irrigated according to the Project Report and the net area actually irrigated by water released from the Project for the period 1972-73 to 1976-77 are given below:

Year	<i>Net area planned to be irrigated</i>	<i>Net area irrigated</i>
	<i>(in hectares)</i>	
1972-73	1,500	400
1973-74	4,250	1,214
1974-75	8,000	1,601
1975-76	11,250	2,948
1976-77	12,500	4,880

The department stated (October 1977) that while water was released for irrigation for third crop in all the five years, water was released for second crop cultivation in an area of 1,520 hectares only during 1974-75 and that no necessity arose for releasing water for the remaining crops during these years.

(iv) *Ayacut development*

According to the recommendations contained in Paragraph 19.24 of the Report of the Irrigation Commission, 1972, a comprehensive plan of ayacut development was to be prepared for every major and medium irrigation project, simultaneously with the preparation of a plan for the project. It was noticed that the problem of development of the ayacut of the Project was first taken up for consideration only in October 1975, at a conference convened by the State Agricultural Production Commissioner. It was decided, *inter alia*, in the conference that a joint survey of the ayacut area of the Project should be conducted by a team consisting of the representatives of the Agriculture and Public Works (Irrigation) Departments and Revenue officers. The survey revealed that 5,561 hectares out of 14,569 hectares of the ayacut area envisaged in the Project Report were low-lying and were affected by floods and water stagnation, of which 3,759 hectares alone were capable of being reclaimed by implementing suitable schemes; the balance area of 1,802 hectares was not irrigable. The team also opined that in a large area of the ayacut, tall, long duration and tough crop varieties of paddy alone could be grown, and in 3,759 hectares of low-lying areas cultivation of a late second crop and an early third crop was possible; in the balance area of 1,802 hectares, no crop could be raised. The survey team came to the conclusion that about 39 per cent of the command area of the Project would not be in a position to make any substantial use of the irrigation water. The adoption of remedial measures such as reclamation of low-lying and water-logged areas and implementation of a suitable cropping pattern were suggested by the survey team. The Superintending Engineer, North Circle, Calicut stated (November 1976) that investigation to examine the possibilities of reclamation of the water-logged area had been undertaken by the department. Further developments are awaited (January 1978).

(v) *Discrepancies in the area irrigated*

In Paragraph 18.15 of their Report the Irrigation Commission had recommended that the figures of irrigation potential utilised should be actuals based on facts and not on certain assumptions. It was noticed from a report (July 1977) of the Executive Engineer, Project Division No. I, to the Superintending Engineer that the area shown to have been irrigated in the records of the Irrigation Department was the area envisaged in the Project Report for canal

reaches which had been completed and supplied with water and that no systematic localisation of the ayacut and preparation of the ayacut lists for completed portions of the canal had been carried out. As a result, against a total area of 4,880 hectares shown as having been commissioned upto the end of 1976-77 as per the records of the Irrigation Department, the area assessed for collection of water cess by the Revenue Department was only 1,624 hectares. The reconciliation of the discrepancy was reported (February 1978) by the District Collector, Kozhikode to be in progress.

(vi) *Water cess*

Water cess is levied and collected under Section 20 of the Malabar Irrigation Works (Construction and Levy of Cess) Act, 1947, read with Rule 7 (2) of the Malabar Irrigation Works (Construction and Levy of Cess) Rules, 1950, as a percentage of the gross value of produce per hectare. As at the end of May 1977, collection of Rs. 1.67 lakhs was in arrears. The District Collector stated (August 1977) that effective action had been initiated to realise the arrears before March 1978.

(vii) *Other points of interest*

(a) Following the collapse in July 1973 of the left bank training wall adjacent to the spillway and in pursuance of the suggestion of the Chief Technical Examiner who had examined the failure of the wall, Government appointed (May 1974) an Expert Committee to study the structural safety of the Kuttiadi Dam and to suggest remedial measures. In their report, the Expert Committee had, *inter alia*, made the following observations:—

- (i) the masonry work was not as water-tight as it should have been;
- (ii) existence of voids and connected leakage patches indicated either insufficiency of mortar to fill up the voids between the stones or defective work or both; and
- (iii) there was heavy seepage through the gallery and wetting and spouting of water on the downstream face of the dam.

The Committee also observed that in view of the above factors, the dam might develop tension in the upstream masonry portion if the full reservoir level was maintained at the proposed level of + 44.41 metres. In order to reduce the tension and to protect the dam, the Committee suggested that the full reservoir level might be reduced by 0.9 metre. As this would reduce the maximum flood discharge from 1,444 cumecs to 1,179 cumecs, the Committee also suggested the construction of an additional spillway to discharge the

balance quantity of 265 cumecs. Other recommendations of the Committee included foundation treatment for the dam, provision of additional foundation drains and painting of the upstream face of the dam with water-proof paint. The additional works suggested by the Committee except the construction of the additional spillway and the painting of the upstream face of the dam were completed by July 1977 at a cost of Rs. 12.21 lakhs. The construction of the additional spillway has not yet commenced (January 1978).

(b) Issue of materials in excess of requirements

For the work of construction of an aqueduct at L.S. 22,852.8 metres to 23,332.8 metres of the Kakkody branch canal, entrusted to a contractor in May 1972 for Rs. 7.41 lakhs, 198.44 tonnes of M. S. rods were issued against the total requirement of 189 tonnes. Of this, 60.54 tonnes were issued even before the site for the work was handed over to the contractor. The contractor abandoned the work in May 1975 by which period only 64.18 tonnes had been used on the work. Of the balance quantity, 79.14 tonnes of rods of different sizes valued at Rs. 1.03 lakhs were not available at the work site nor were they returned by the contractor. The department terminated the contract in August 1975 at the contractor's risk and cost and an amount of Rs. 1.57 lakhs representing cost of unaccounted materials, hire charges of departmental machinery, etc., was assessed as recoverable from him. On an arbitration petition filed by the contractor in July 1975, his liability was reduced (February 1976) to Rs. 1.55 lakhs by the Government Arbitrator. After adjusting the payments due to the contractor in respect of other works entrusted to him, the department fixed his net liability at Rs. 0.62 lakh and initiated recovery proceedings (October 1976) under the Revenue Recovery Act. Government, however, stayed (November 1976) the proceedings and allowed the contractor to pay the dues in quarterly instalments of Rs. 5,000 commencing from 1st January 1977; Rs. 0.25 lakh have been recovered from the contractor so far (January 1978).

In June 1977, the Chief Engineer called for from the Superintending Engineer, the names of the officers responsible for the issue of materials to the contractor in advance of and surplus to the requirements as also the explanation of the Executive Engineer for his failure to inspect the accounts and give proper directions. Further developments are awaited (December 1977).

(c) Defective preparation of estimate

The work of forming a field bothy at L.S. 210 M. of Kakkody branch canal (cost: Rs. 1.30 lakhs) entrusted to a contractor in November 1972 for

Rs. 0.46 lakh, commenced in December 1972 and was due for completion in April 1973. As per the sanctioned estimate, the field bothy was in cutting almost for the entire length of 2,350 metres. However, at the time of taking pre-levels in December 1972 it was noticed that cutting was required for a length of 390 metres only and that the remaining length of the field bothy had to be formed by complete filling. This led to a dispute with the contractor who stopped the work in January 1973 and stated that he had formed the canal in the cutting reaches. The contractor refused to resume the work despite directions from the department. The department, therefore, terminated the contract in March 1975 at his risk and cost. On an arbitration petition filed by the contractor (June 1975), the Arbitrator observed in his award that there was a vast difference between the L. S. of the field bothy prepared by the department at the time of inviting tenders and that prepared for execution based on pre-levels and ordered (November 1975) that the termination of the contract was not to be at the risk and cost of the contractor. The department made alternate arrangements for the execution of the balance work in April 1975, which was in progress (November 1977). The additional expenditure on this account has been assessed by the department at Rs. 0.66 lakh.

The Chief Engineer in his report (November 1977) to Government stated that the original levels taken at the time of investigation were defective and that a change in the alignment of the canal was considered in January 1974 when the variation in levels was noticed but was dropped as land had already been acquired as per the original alignment. He also stated that any change in alignment at that stage would have resulted in extra financial outlay and embarrassment to the department and also created problems in disposing of the land already acquired and taken possession of.

These observations were brought to the notice of Government in November 1977 and December 1977; their reply is awaited (March 1978).

KALLADA IRRIGATION PROJECT

4.13. Extra expenditure on a canal work

The work "Formation of right bank main canal 39th kilometre from ch. 38,000 M—39,000 M" forming part of the Kallada Irrigation Project (estimated cost: Rs. 8.70 lakhs) was entrusted to a contractor in November 1973 for Rs. 7.35 lakhs, to be completed by 31st May 1975. The work commenced in December 1973. In May 1975, the contractor claimed enhanced rates based on the revised schedule of rates effective from July 1974 for 'blasting

and removing hard rock' and payment for extra leads and lifts owing to abnormal increase in quantity under this item, besides extra payments under other items. On the claim being rejected by the department, he stopped work in August 1975 after executing work valued at Rs. 4.35 lakhs and referred (September 1975) the dispute to the Government Arbitrator for Engineering Contracts. Before the arbitration proceedings were completed, the Superintending Engineer ordered (November 1975) termination of the contract and arrangement of the balance works at the risk and cost of the contractor.

The award passed by the Arbitrator in February 1976 provided that Rs. 0.12 lakh be paid to the contractor towards extra lead and lift for rock blasted in excess of the agreed quantity and that the balance work was not to be got executed at the risk and cost of the contractor. The award was confirmed by the Court in January 1977. The decretal amount and the final bill of the contractor have not been paid so far (December 1977).

As against the estimate quantity of 1,600 cubic metres under the item 'blasting and removing hard rock', the contractor executed 8,665 cubic metres by August 1975. The total quantity under this item was assessed by the department at 15,665 cubic metres which represented an increase of 879 per cent over the quantity originally estimated. Explaining the reasons for the excess, the Executive Engineer reported to the Superintending Engineer (October 1975) that trial pits were taken at intervals of 100 metres for the preparation of the estimate and that no rock had been encountered at these portions as per the trial pit records, while during actual execution, rock and boulders were found in the canal reach. On the basis of the revised estimate (Rs. 14.39 lakhs) for the balance works pending sanction with the Superintending Engineer since July 1976, the extra expenditure due to the termination of the contract was estimated at Rs. 8.82 lakhs.

Government stated (November 1977) that the correct amount of extra expenditure due to termination of contract could be assessed only after re-arrangement of the balance work for which action was in progress.

PAMBA IRRIGATION PROJECT

4.14. Tunnel across Puthusserimala

Mention was made in paragraph 30 of the Report of the Comptroller and Auditor General of India for the year 1972-73 (Civil) of the estimated extra expenditure of Rs. 22 lakhs on the work of driving a tunnel across

Puthusserimala, forming part of the Pamba Irrigation Project, consequent on the backing out of a tenderer before execution of agreement with him. On a review in audit of further developments, the following points were noticed:—

The work which was entrusted to a contractor in March 1972 after two of the earlier contractors had backed out and scheduled to be completed by September 1974, was completed only in May 1976. The expenditure on the work upto July 1977 amounted to Rs. 83.75 lakhs against the revised estimate (December 1971) of Rs. 55.76 lakhs. Final payment is yet to be made (February 1978).

According to the special conditions of contract entered into in April 1972, while the department was to supply power at the inlet and exit faces of the tunnel and issue blasting material, if available, no claim for extra payment on account of delay in the supply of these materials was to be entertained. The agreement also laid down that the department would not be liable on any account, for slackness in the progress of work because of non-availability of blasting materials or mechanical defects of tools and plant or any other causes.

The work, commenced in May 1972, did not progress according to schedule. On 22nd September 1974, when the contract was due to expire, the contractor represented that the delay was attributable to reasons beyond his control and demanded enhanced rates for further works to be executed based on the revised schedule of rates effective from 1st July 1974 increased by 19.5 per cent representing the increase in rates as per his tender over the estimate rates. The Chief Engineer thereupon reported (January 1975) to Government that there were departmental delays of twentyfive days in supplying power, of seven months in supplying explosives and of about three months in deciding on a deviation of the tunnel to avoid a weak zone; he recommended, after negotiation with the contractor, that notwithstanding the special conditions of the agreement, an increase of 20 per cent above the contractor's agreed rates might be allowed in respect of the work executed beyond the stipulated date of completion of the contract. Government accepted the suggestion and issued orders accordingly in July 1975. The extra expenditure on this account amounted to Rs. 4.22 lakhs. While sanctioning the payment at enhanced rates, Government stated that they would examine the question of fixing responsibility for the alleged departmental failure and take further action. The Chief Engineer reported (October 1977) to Government that none of the departmental officers was responsible for the alleged departmental failure and that the departmental officers concerned had done their best at the appropriate time. Information on the final action taken is awaited (December 1977).

After securing higher rates for the balance works, the contractor submitted before the Chief Engineer (Arbitration) in March 1976 further claims amounting to Rs. 14.83 lakhs for the stoppage of work due to the failure of the department to supply explosives in time. The Chief Engineer (Arbitration) ordered (July 1976) payment of Rs. 1.93 lakhs to the contractor towards losses sustained by him due to non-availability of explosives. The award was confirmed by the Court and the amount was paid to the contractor in January 1977.

According to the Government orders of July 1975, the 20 per cent enhancement was to be allowed only in respect of works not completed as on 22nd September 1974. The department, however, allowed the enhancement on all items including extra items, the rates for which were already based on the revised schedule of rates effective from 1st July 1974. Recovery of the resultant excess payment (Rs. 1.26 lakhs) ordered by Government in October 1976 was yet to be effected.

Government stated (January 1978) that the contractor on being notified of the excess payment, held that as payment was made to him as per the agreements executed, the department was solely responsible for the payment or recovery and that further action to be taken in the matter was under consideration.

PAZHASSI IRRIGATION PROJECT

4.15. Execution of a canal work

The work of forming the main canal of the Pazhassi Irrigation Project from L.S. 9,209.70 metres to 10,727.70 metres, technically sanctioned for Rs. 4 lakhs was awarded to a contractor in June 1968 for Rs. 3.89 lakhs. The work commenced in October 1968 and was scheduled for completion by March 1969. The date of completion was subsequently extended to December 1972 by the Superintending Engineer owing to delay in land acquisition and increase in the quantities of earth work and rock blasting to be executed by the contractor. Taking into account these increases as well as increase in the quantities of other items, a revised estimate for Rs. 10.75 lakhs was sanctioned (May 1971) by Government.

After executing work valued at Rs. 9.42 lakhs, the contractor stopped work in May 1972 demanding enhanced rates for several items mainly owing to wide variation in quantities, changes in the classification of the soil and compensation for losses on account of delay in handing over the site. The dispute

came up (May 1973) before the Government Arbitrator for Engineering Contracts who awarded (December 1973) additional payments to the contractor totalling Rs. 1.11 lakhs besides directing the department to make payments for all future works at the then current schedule of rates.

The District Government Pleader informed the department (January 1974) that the award was reasonable and that there were no grounds for appeal. The department considered the award to be contrary to the terms of the agreement and its proposal to appeal against the award was approved by Government (February 1974) stressing at the same time the need for timely action in the matter. The department accordingly requested (February 1974) the District Government Pleader to take legal steps in the matter. Though the Government Pleader agreed (March 1974) to file detailed objections requesting the Court to set aside the award or to remit it to the Government Arbitrator for passing a fresh award, the objection statement was filed by him only on 6th August 1974 (the date of hearing). The Court rejected (August 1974) the objection on the ground that it was not filed in time and the requisite court fee was not remitted and also passed a decree confirming the award. Another petition was filed (September 1974) by the Government Pleader seeking restoration of the petition originally filed by the State and to condone the delay in filing the petition which was also rejected by the Court for the reason that the delay in filing the petition was not properly explained and that the court fee was remitted only after the proceedings of the Court were closed. The opportunity to take advantage of the provisions of the Arbitration Act for setting aside the award or getting it remitted to the Government Arbitrator for passing a fresh award was thus lost to the department. Payment of Rs. 1.11 lakhs in terms of the award was made to the contractor in March 1975. The Law Officer of the department reported (December 1974) to Government that the Court's rejection of the petition was attributable to the default of the persons in charge of the conduct of the case.

Government stated (November 1977) that the extra expenditure of Rs. 1.11 lakhs was due to lack of adequate co-operation and non-receipt of timely intimation from the District Government Pleader, and that he had been instructed to be more careful in future in the conduct of Government cases.

4.16. Extra commitment in terms of arbitration awards

In the notice issued in November 1967 inviting tenders for two component works of the Pazhassi Irrigation Project, "Forming canal in L. S. 3407.46 M to 4179.11 M" (work 'A') and "Forming canal in L.S. 4179.11 M to 5017.86M"

(work 'B'), the probable amount of the contract was shown as Rs. 2.21 lakhs) for work 'A' and Rs.0.86 lakh for work 'B' based on the estimate (Rs.3.70 lakhs) sanctioned in March 1966 for the two works with reference to the schedule of rates then in force. The estimates were recast by the Superintending Engineer in December 1967 with reference to the revised schedule of rates effective from February 1967 and the probable amount of the contract worked out to Rs. 5.41 lakhs for work 'A' and Rs. 2.02 lakhs for work 'B'. The recast estimates were sanctioned by the Chief Engineer in March 1968.

The tenders received for both the works 'A' and 'B' (December 1967 and January 1968) were compared with the recast estimates before acceptance. The contract for work 'B' was awarded to a contractor in January 1968 for Rs. 0.93 lakh which was 54.05 per cent below the revised estimated cost but 8.45 per cent above the original cost. Work 'A' was awarded to a contractor in February 1968 for Rs. 3.67 lakhs as his tender was 32.17 per cent below the revised estimated cost, though it was 69.55 per cent above the original estimate.

In terms of a special condition provided in the agreements with the contractors for works 'A' and 'B', the contractors were to be paid for extra items at departmental data rates without contractor's profit according to the schedule of rates prevailing at the time of execution of such items and in case the value of the accepted tender was less than the estimated cost, the data rates were to be reduced by the percentage of such tender reduction. While the department insisted that the contractor for work 'A' was bound to execute the extra items at departmental data rates reduced by the tender percentage of 32.17, the contractor maintained that his tender was for an amount higher than the notified amount of contract and stopped work in June 1971. The dispute dragged on till August 1973 when it came up before the Government Arbitrator for Engineering Contracts. The award passed (December 1973) by the Arbitrator provided for payment for extra items at the then current schedule of rates without any tender deduction besides payment of compensation to the contractor towards losses and damages suffered by him, extra expenditure on overheads and other minor claims. The cost of the extra items in terms of the award was computed at Rs. 0.44 lakh by the department. A decree in terms of the award was passed by the Court in January 1977 dismissing the objection filed by Government. The total extra commitment in terms of the award as worked out by the department in July 1977 amounted to Rs. 1.01 lakhs exclusive of interest at 6 per cent per annum on the award amount. Government issued (September 1977) orders for implementing the award as decreed by the Court. Payment in terms of the award has not been made (January 1978).

In respect of work 'B', however, the Superintending Engineer allowed (November 1969) the contractor to execute two extra items at full departmental rates without deduction of the tender percentage, and a supplemental agreement to this effect was executed (May 1970) with the contractor. The Chief Engineer to whom the rate for extra items was referred (November 1969) for approval, held (July 1970) that as the tender was awarded based on the recast estimate, the rates for extra items should also be based on the recast estimate under the special condition of the Agreement. The Superintending Engineer's request for reconsideration of his orders for the reason that the contractor had already been paid for the extra items with reference to the supplemental agreement executed was rejected (September 1971) by the Chief Engineer who ordered that if the excess payment could not be recovered from the contractor, the officers responsible for it might have to pay it. When the department proposed (October 1971) to recover the extra payment made on this account (Rs. 0.99 lakh), the contractor took the dispute to the Government Arbitrator for Engineering Contracts, who held (December 1973) that the supplemental agreement executed with the contractor was valid and binding. As per the final bill of the contractor, Rs. 1.73 lakhs were paid (October 1976) as cost of extra items of which the extra commitment in terms of the arbitration award was Rs. 0.93 lakh.

The facts mentioned in the paragraph were verified (January 1978) by Government.

GENERAL

4.17. Extra expenditure on account of delay in acceptance of tenders

Under the instructions laid down in the Kerala Public Works Department Manual, consideration of tenders and decision thereon are to be completed well before the date of expiry of the validity period of the tender. The instructions further enjoin that where special orders of Government are necessary before acceptance of tenders, proposals should be sent up to Government sufficiently in advance so that at least a month is available for consideration and issue of orders by Government within the period of validity of the tender.

In May 1973, Government issued general orders that all premium and single tenders exceeding estimate rates received during the first tender call should invariably be rejected. In two cases, where orders for acceptance of tenders in relaxation of these orders were sought for by the Public Works

Department from Government, decision on the tenders was not taken by Government within the validity period of the tender owing to administrative delay resulting in extra expenditure. Similar delay by the departmental authorities in taking decision on the tenders within the validity period was noticed in another case also. The three cases are dealt with in the succeeding paragraphs:—

(i) The construction of fourteen police quarters at Venjaramood (Trivandrum District) at an estimated cost of Rs. 4.42 lakhs was sanctioned by Government in July 1973. The work (excluding electrification, provision of water supply, smokeless ovens, etc.) estimated to cost Rs. 2.68 lakhs was put to tender by the Superintending Engineer in August 1973. Three tenders were received, the lowest being 9 per cent above the estimated cost. The Chief Engineer recommended (November 1973) to Government acceptance of the lowest tender in relaxation of the general orders of Government (May 1973) referred to earlier. On 5th February 1974, Government pointed out to the Chief Engineer that his proposal was not accompanied by the *pro forma* prescribed by Government. In the meantime, the validity period of the tender had expired on 3rd February 1974 and as the tenderer was stated to be not willing to extend the validity period, no further action was taken on the proposal.

The Superintending Engineer invited fresh tenders in March 1974. Six tenders were received, the lowest being 26.5 per cent above the estimated cost. The tender was accepted under Government orders in August 1974. The work started in November 1974 was completed in December 1976 at a cost of Rs. 3.01 lakhs. The non-acceptance of the lowest tender in the first tender call before expiry of its validity resulted in an extra expenditure of about Rs. 0.29 lakh to Government.

(ii) Construction of barracks for the accommodation of Armed Reserve personnel at Chengannur (Chennithala) (estimated cost: Rs. 7.95 lakhs) was sanctioned by Government in March 1973. Tenders for the work were invited in June 1973 and the lowest offer received in response was 3 per cent above the estimated cost (amount of contract: Rs. 5.36 lakhs). The Chief Engineer recommended to Government on 15th October 1973 acceptance of the lowest tender in relaxation of the May 1973 orders of Government. No decision was taken by Government till the validity period of the tender expired on 22nd December 1973. As the tenderer was not willing to extend the validity period of his offer, fresh tenders were invited in February 1974. Of the three tenders received, the lowest was 49 per cent above the estimate and

this was accepted by Government in July 1974 (amount of contract: Rs. 7.73 lakhs). The extra cost to Government due to administrative delay would work out to Rs. 2.37 lakhs based on estimated items and quantities.

The work, started in October 1974, and scheduled for completion in January 1976 is yet to be completed (January 1978).

(iii) Tenders were invited by the Buildings Division, Trivandrum in August 1973, for providing water supply and sanitary installations to the Police Forensic Science Laboratory building, Trivandrum (estimated cost: Rs. 0.40 lakh). As the only tender received in response was 15 per cent above the estimate, it was rejected (September 1973) in accordance with the general instructions issued by Government in May 1973. On fresh invitation of tenders in September 1973 also, only one tender was received (October 1973) which was 22 per cent above the estimate. The Executive Engineer forwarded the tender to the Superintending Engineer on 15th November 1973 recommending its acceptance on the ground that the contractor's quoted rate was reasonable. The tender was returned by the latter on 27th November 1973 for retransmission along with the *pro forma* prescribed by Government. This was complied with by the Executive Engineer on 31st December 1973 and the Superintending Engineer forwarded the tender to the Chief Engineer on 15th January 1974 for acceptance. On 5th February 1974, the Chief Engineer returned the tender to the Executive Engineer for attesting several over-writings in the rates and amounts specified in the tender schedule as required in the departmental code. The Chief Engineer also commented on the delay in submission of the tender for acceptance and observed that tenders which required sanction of Government or higher authority should be sent sufficiently early so that a decision could be taken before the expiry of the validity period of the offer. In the meantime, the validity period of the tender had expired on 22nd January 1974; the tenderer did not agree to extend the validity period.

Fresh tenders were invited in February 1974 but as there was no response, the Executive Engineer obtained (April 1974) quotations from two firms. The lower of the two offers, received from the same firm which had quoted 22 per cent above the estimate in the tender submitted in October 1973 was 60 per cent above estimate. The Executive Engineer submitted the quotation to the Superintending Engineer on 25th April 1974 who forwarded it to the Chief Engineer for approval on 3rd May 1974. The Chief Engineer returned the quotation to the Executive Engineer on 18th May 1974 on the ground that it was not clear whether the percentage quoted was inclusive or exclusive

of the cost of departmental materials. Though the firm extended the validity period at the request of the department from 3rd May to 31st May 1974, no final decision on the quotation was taken.

The estimate for the work was revised to Rs. 0.70 lakh (September 1974) based on the revised schedule of rates which came into force in July 1974 and tenders were invited on the basis of this estimate in October 1974. The only tender received which was 4 per cent above estimate was accepted by the Executive Engineer in November 1974. The work, started in November 1974, was completed in May 1975 at a cost of Rs. 0.62 lakh.

The extra cost to Government as compared to the rates in the tender received in October 1973 amounted to Rs. 0.19 lakh.

With reference to the cases mentioned in sub-paragraphs(i) and(ii) above, Government stated (August 1977) that as they involved relaxation of Government orders, consideration of all their aspects required time. As regards the case mentioned in sub-paragraph (iii), while confirming the facts, Government stated (January 1978) that the actual extra expenditure would work out to Rs. 0.07 lakh only based on the estimated cost of the work as a whole. However, based on quantities of work actually executed, the extra expenditure works out to Rs. 0.19 lakh.

4.18. Delay in the recovery of dues from contractors

According to the general instructions issued by Government in December 1972, when a contract (full or part) awarded to a contractor is cancelled by the department at his risk and cost, the liability of the defaulting contractor should be determined and recovered within a period of not more than one year from the date of arranging execution of the balance work through fresh contract. In such cases, the difference between the amount of the accepted tender for the balance work retendered and the amount which would have been payable for this work to the original contractor on the basis of the rates and quantities as per the agreement executed by him should be fixed as his liability.

It was noticed in audit that in four cases, alternate arrangements had not been made for the execution of the works left incomplete by the original contractors even after the lapse of over one year. In four other cases, the liability of the original contractors had not been determined (November 1977) even after expiry of one year or more from the date of entrusting the balance work to alternate agencies. Delays ranging from one to five years were also noticed in

another eight cases in determining the liability of the original contractors. Amounts assessed as due (Rs. 2.98 lakhs) from the original contractors had not been recovered in any of these cases (January 1978).

Details of the above cases are indicated in Appendix VI.

The matter was referred to Government in November 1977. Government stated (January 1978) that in respect of one work [serial number 3 in category (b)], the liability would be fixed shortly and in respect of another [serial number 4 in category (b)], the matter was under arbitration. Reply in respect of remaining items is awaited (March 1978).

CHAPTER V

STORES AND STOCK

5.1. (a) A synopsis of the stores and stock accounts of the principal departments (other than those of Government commercial and quasi-commercial departments/undertakings, etc.) for 1976-77 to the extent received is given in Appendix VII.

(b) Details of the stores and stock accounts for 1976-77 and earlier years which had not been furnished to Audit till December 1977 and of those which, though furnished, could not be certified as they were found defective in certain respects are indicated in Appendix VIII.

Some points noticed in the audit of the stores and stock accounts of Public Works Divisions are mentioned in the following paragraphs:—

(a) In twentyfive of the sixtytwo divisions which held stock in 1976-77, the value of stores as on 31st March 1977 exceeded the reserve limit of stock fixed by Government. Relevant details are given below:—

Sl. No.	Department	Total number of divisions in which stock was held	Divisions in which the value of stock held exceeded the reserve limit		Divisions in which the value of stock held exceeded the reserve limit by more than 100 per cent	
			Number of divisions	Value of excess stock (in lakhs of rupees)	Number of divisions	Value of excess stock (in lakhs of rupees)
1.	Irrigation and Projects	24	9	47.19	6	33.34
2.	Buildings and Roads	23	6	85.31	3	80.50
3.	Public Health Engineering	15	10	83.80	5	63.87

The Buildings and Roads Division, Quilon held stock valued at Rs. 55.25 lakhs as against the reserve limit of Rs. 4.00 lakhs.

The main reasons adduced by the divisions for the retention of stock over the reserve limit were, (i) increase in the cost of materials, (ii) non-adjustment of value of stores issued to works in March 1977 for want of funds, (iii) bulk

purchase of bitumen to avail of the rates in the rate contract before its expiry, (iv) non-commencement of works owing to poor response from contractors, etc.

The retention of excess stock in one Irrigation Project Division (Kuttiadi Irrigation Project Division No. I, Perambra) upto the period ended June 1977 was regularised by Government in January 1978.

(b) The preparation of half-yearly registers of stock was in arrears in thirteen Irrigation and Projects divisions, eleven Buildings and Roads divisions and eleven Public Health Engineering divisions as indicated below:—

<i>Sl. No.</i>	<i>Department</i>	<i>Number of divisions in which arrears existed</i>	<i>Period from which the work is in arrears</i>	<i>Number of division(s)</i>
1.	Irrigation and Projects	13	October 1972	1
			April 1973	1
			July 1975	1
			October 1975	2
			April 1976	4
			October 1976	4
2.	Buildings and Roads	11	April 1972	1
			April 1975	2
			April 1976	4
			October 1976	4
3.	Public Health Engineering	11	October 1970	1
			April 1974	1
			April 1975	1
			October 1975	1
			April 1976	2
			October 1976	5

(c) Annual physical verification of stock was not conducted in five out of the twentyfour Irrigation and Projects divisions, in two out of the twentythree Buildings and Roads divisions and in eight out of the fifteen Public Health Engineering divisions in the State for the year 1976-77. Of these, physical verification was last conducted in July 1971 in one Irrigation division, in March 1974 in one Public Health Engineering division and in January 1975 in one Buildings and Roads division. In one Public Health Engineering division, physical verification had not been conducted since its formation in July 1974.

(d) Minus balances were noticed in eight Irrigation and Projects divisions (Rs. 30.93 lakhs), twelve Buildings and Roads divisions (Rs. 83.46 lakhs) and four Public Health Engineering divisions (Rs. 28.50 lakhs).

The minus balances were attributed by the divisions to:—

- (i) non-receipt/late receipt of debit advices and non-adjustment of debit advices for want of funds;
- (ii) non-adjustment of differences between cost of materials in stock and issue rate; and
- (iii) misclassification of debit advices and double credit to stock.

(e) Stores valued at Rs. 10.86 lakhs (mainly consisting of steel items, spare parts of vehicles, pipes, etc.) were surplus or lying idle in four Irrigation and Projects divisions (Rs. 0.53 lakh), six Buildings and Roads divisions (Rs. 6.69 lakhs) and five Public Health Engineering divisions (Rs. 3.64 lakhs).

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

(g) Thirtyfive divisions (Irrigation and Projects: 14; Buildings and Roads: 9 and Public Health Engineering: 12) had not switched over to the revised system of accounts laid down in the Kerala Public Works Account Code in 1972 reportedly for want of prescribed forms and/or orders from higher authorities.

PUBLIC WORKS AND ELECTRICITY DEPARTMENT

5.2. Purchase of asphalt mixing plants

(i) In February 1970, the Chief Engineer (Irrigation) invited tenders for the supply of six asphalt hot mixing plants of 5 to 10 tons capacity per hour. Five firms responded to the tender call and the lowest offer of Rs. 53,500 for each plant was from firm 'A'. When the tenders were considered by the department in August 1970, the plant offered by this firm was also considered to be the most suitable. The department could not, however, place orders on the firm as the period of validity of its offer had expired on 16th June 1970 and the firm had also subsequently increased the rate to Rs. 63,000 per plant. The Chief Engineer stated (December 1977) that the decision could not be taken within the period of validity of the offer because the mechanical aspects of the plant with reference to its suitability, performance in the field, etc., had to be examined in detail.

The second lowest offer of Rs. 53,800 per plant was not considered by the department on the ground that the performance of the plant purchased

on an earlier occasion had been unsatisfactory. Though the performance of the mixing plants supplied on earlier occasions to Government of India and the State Government by the third (firm 'B') and the fourth (firm 'C') lowest tenderers, was also not satisfactory, the department purchased, on a trial basis, during January-February 1971 two plants, one from each of these firms at Rs. 0.55 lakh and Rs. 0.56 lakh respectively.

The plant supplied by firm 'B' was found, during trial runs in March 1971, to be defective in many respects. The firm was informed of these defects by the department in October 1971. Although, according to the terms of the contract, the firm was bound to replace the plant, the firm agreed (August 1974), after protracted correspondence, only to repair the plant at its cost. Repairs were taken up by the firm in December 1976 and completed by April 1977. Certain modifications to the plant suggested on further inspection by the department were yet to be carried out by the firm. The Chief Engineer stated (December 1977) that the firm had been addressed in this regard. Since its purchase, the plant had worked only for seventyone days.

The plant supplied by firm 'C' in February 1971 was reported (April 1971) to be working satisfactorily. The department therefore purchased six more plants from firm 'C' between December 1971 and April 1972 at a total cost of Rs. 3.47 lakhs, of which Rs. 3.41 lakhs were paid to the firm upto June 1973. Of the seven plants purchased from the firm, three were under repairs (one from April 1972 and the other two from May 1974 and January 1975 respectively). Information whether the plants have since been repaired is awaited from the department (March 1978).

(ii) In order to put to use an asphalt paver/finisher (cost: Rs. 2.11 lakhs) purchased in November 1973, the department required two hot mixing plants of 20 to 30 tonnes capacity per hour. While inviting tenders (December 1972) for the plants, the capacity of the plants was specified in the tender schedule as "not less than 30 tonnes per hour capable of carrying out bitumen maccadam 50 mm. thickness using the aggregate of 9 mm. to 36 mm. graded metal". The rates quoted in the four tenders received in January 1973 related to plants of above 30 tonnes capacity, though in two of the tenders rates in respect of 20 to 30 tonnes capacity plants were also quoted. On the recommendation (April 1973) of the Chief Engineer, National Highways, the department placed orders on firm 'X' in June 1973 for the supply of a plant of 20 to 30 tonnes capacity (cost: Rs. 3.47 lakhs) and on another firm 'Y' in November 1973 for a plant of 30 to 45 tonnes capacity (cost: Rs. 4.91 lakhs).

Firm 'X' supplied certain parts of the lower capacity plant in April 1974 and completed the supply by March 1975. Rupees 3.21 lakhs representing 90 per cent of the cost were paid to the firm in September 1975. The Chief Engineer stated (November 1976) that during initial trial runs of the plant conducted in August 1975 some minor defects were noticed and that the firm had agreed to rectify the defects at the time of final commissioning of the plant. These had not been rectified by the firm till January 1978. In the meantime, the firm was reported to have filed a suit in November 1976 against the department claiming payment of the balance 10 per cent of the cost of the plant. The suit was pending disposal (January 1978).

The plant of 30 to 45 tonnes capacity was supplied by firm 'Y' in March 1974 and Rs. 4.42 lakhs, representing 90 per cent of the cost, were paid to the firm by May 1977. During the initial trial runs conducted by the department in April 1975, it was found that the capacity of the plant was below 30 tonnes and that the plant was also not capable of using 36 mm. metal as specified in the tender. These defects were stated by the firm to have been rectified in May 1975; the firm expressed its readiness to conduct further trial runs. According to the Chief Engineer, only after final trial runs and commissioning, it would be clear whether or not the plant was capable of using 36 mm. metal. Final commissioning of the plant could not be undertaken as the asphalt paver/finisher with which the plant was to be used and which had been purchased in November 1973 from a different firm had been rejected, being defective, and an alternative paver/finisher was purchased only in January 1977. The Divisional Officer concerned informed (September 1977) Audit that the final commissioning of the plant would be taken up after the rainy season. Further developments are awaited (March 1978).

The matter was reported to Government in November 1977; their reply is awaited (March 1978).

5.3. Disposal of empty tar drums

With a view to safeguarding the interests of Government in settling contracts for the sale of empty tar drums, Government issued general orders in October 1969 which provided that (a) tenders should be called for by the Public Works Department for the disposal of a complete lot of empty tar drums at a time and (b) a condition should be specified in the notice inviting tenders that the full value of the contract should be deposited by the successful tenderers at the time of entering into an agreement and before commencing removal

of the drums. It was also laid down by Government that no discretion would be available to the departmental officers for relaxing these conditions.

It was noticed during a review of the records relating to the sale of empty drums in fifteen Public Works divisions, that the tenders accepted by the departmental officers of eight divisions during the period from January 1971 to December 1975 did not include the condition in regard to the deposit in advance by the successful tenderers of the full value of the contract as required under the orders of Government. As a result, 98,951 drums in these divisions were not lifted by the bidders and these were sold by the department later at rates lower than those accepted in the initial bids resulting in less realisation from the sale to the extent of Rs. 4.74 lakhs. Division-wise details are indicated in Appendix IX.

In Buildings and Roads Division, Alleppey, the Executive Engineer sold in November 1973, on the basis of quotations invited from four firms, 34,847 drums at the highest quoted rate of Rs. 7.17 per drum. In December 1973, a firm informed the department of its readiness to purchase the entire stock of drums at the rate of Rs. 10.50 per drum. The loss on the disposal of the drums after inviting limited quotations, computed with reference to this offer, would work out to Rs. 1.16 lakhs. The Chief Engineer called for (January 1974) the explanation of the Executive Engineer for having disposed of the drums on the basis of quotations without adopting the open tender system. Final decision in the matter was yet to be taken as the records of the division were reported (February 1978) to be with the Government Pleader in connection with a suit filed in the District Court, Alleppey.

The matter was reported to Government in November 1977; their reply is awaited (March 1978).

INDUSTRIES DEPARTMENT

5.4. Machinery lying unused

Two cases of machinery remaining unused for a considerable period in the Common Facility Service Centre, Changanacherry are mentioned below:-

(a) A boiler (cost: Rs. 0.75 lakh) was purchased in November 1968 for the use of the Centre. Construction of the boiler house in which it was to be installed, sanctioned by the Director of Industries and Commerce in July 1970, was completed only in August 1974. The boiler is yet to be commissioned

(March 1978). Government stated (October 1977) that the boiler would be commissioned after the steam pipes were provided in the boiler house and that this work had been entrusted to the Kerala State Small Industries Corporation Limited. Further developments are awaited (March 1978).

(b) A Calender Machine with accessories (total cost: Rs. 0.86 lakh) has not been used since its purchase in 1966 as it was reported to be not in a working condition. Final orders of Government on a proposal (March 1976) of the Industries Development Commissioner for disposal of the machine are awaited (March 1978).

These cases were brought to the notice of Government in November 1977; their reply is awaited (March 1978).

LABOUR DEPARTMENT

5.5. Non-utilisation of equipment

Thirtyone items of various types of medical, surgical and dental equipment and apparatus costing Rs. 4.51 lakhs purchased in 1968 and 1969 were lying unused (October 1977) at the Employees' State Insurance Hospitals, Paripally and Ezhukone. These included equipment costing Rs. 1.80 lakhs which were lying idle at the Employees' State Insurance Hospital, Arpookara till the end of June 1975 and were transferred to the hospital at Ezhukone subsequently. Some of the costly items lying unused are mentioned below:

X-ray units with accessories	(4 numbers)
X-ray developing units with refrigeration attachment	(3 numbers)
Sterilisers and sterilising equipment	(13 numbers)
Anaesthetic apparatus	(2 numbers)
Lamps shadowless	(6 numbers)
Operation tables	(3 numbers)
Cameras	(2 numbers)
Water-stills	(3 numbers)

Government stated (September 1977) that the X-ray equipment at the Employees' State Insurance Hospital, Paripally could not be put to use pending provision of internal wiring in the X-ray room and an inter-connection between the different components of the X-ray plant and that the equipment in the hospital at Ezhukone would be installed without further delay as the electrification for two blocks of the hospital had almost been completed. Further developments are awaited (March 1978).

CHAPTER VI

COMMERCIAL ACTIVITIES

6.1. General

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

On 31st March 1977, there were three departmental commercial undertakings in the State as indicated below:—

- (i) Text Books Office, Trivandrum.
- (ii) Public Works Department Engineering Workshops, Chackai, Trivandrum.
- (iii) State Water Transport Department, Alleppey.

Pro forma accounts for the year 1976-77 have not been received (January 1978) from any of these undertakings. *Pro forma* accounts for the year 1975-76 are also due from the Text Books Office, Trivandrum. The delay in finalising the *pro forma* accounts was attributed by the departments to non-implementation of commercial system of accounting (Text Books Office), difficulties caused by the abolition of the posts of Chief Accountant and Cost Accountant (PWD Engineering Workshops) and want of sufficient staff (State Water Transport Department). A synoptic statement showing the summarised financial results of the Text Books Office for the year 1974-75 and of the remaining two undertakings for the year 1975-76 is given in the Annexure (pages 142 and 143).

The *pro forma* accounts of the undermentioned schemes have also not been received (February 1978) from the departmental officers for the years shown against each:—

Name of scheme|department	Period for which due	Remarks
AGRICULTURE DEPARTMENT		
Scheme for processing paddy seeds (implemented till 1973-74)	1965-66 to 1973-74	The Director of Agriculture stated (March 1978) that the delay in the preparation of <i>pro forma</i> accounts was due to the implementation of the schemes without any staff for the maintenance of accounts.
Manure Supply Scheme	1975-76 and 1976-77	
Scheme for purchase and sale of plant protection chemicals	1973-74 to 1976-77	
Scheme for purchase and sale of banana suckers	1973-74 to 1976-77	
Scheme for purchase and sale of pulses	1974-75 to 1976-77	
Scheme for purchase and sale of paddy seeds	1974-75 to 1976-77	

Name of scheme/department	Period for which due	Remarks
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FINANCE DEPARTMENT

State Insurance Scheme	1967-68 to 1976-77	Although Government ordered in February 1968 that the accounts of the scheme should be maintained on commercial basis, <i>pro forma</i> accounts of the scheme have not been prepared so far (January 1978). The State Insurance Officer had reported (June 1976) that lack of trained hands and difficulty experienced in finalisation of accounts through treasury transactions were the hurdles in the way of implementing commercial system of accounts.
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PUBLIC WORKS AND ELECTRICITY DEPARTMENT

6.2. Public Works Department Engineering Workshops, Chackai

The Workshop, established more than seventy years ago, was declared a commercial undertaking in March 1969. It is engaged in the manufacture of wooden and steel furniture and engineering goods, building bodies for

buses and vans and in fabrication, repairing and testing of departmental automobiles, machines, etc. Mention about the working of the Workshop up to 1972-73 was made in paragraph 57 in Chapter VI of the Report of the Comptroller and Auditor General of India for the year 1973-74 (Civil). The working results for the period from 1973-74 to 1975-76 are mentioned below:—

	1973-74	1974-75	1975-76
	<i>(in lakhs of rupees)</i>		
(a) Sales	16.67	21.36	26.92
(b) Closing stock of finished goods	3.89	4.28	3.72
(c) Opening stock of finished goods	2.44	3.89	4.28
(d) Value of production (a+b—c)	18.12	21.75	26.36
(e) Cost of sales	23.58	26.75	32.01
(f) Profit (+)/loss (—)	(—)6.91	(—)5.39	(—)5.09
(g) Percentage of cost of sales to sales	141.4	125.2	118.9

The accumulated loss up to the year 1975-76 was Rs. 79.53 lakhs. The accounts for the year 1976-77 have not been received (February 1978). The Management stated (October 1977) that in the absence of cost accounts the reasons for the steady increase in the cost of sales could not be analysed and identified. The main reason for the loss was, however, stated (October 1977) to be the low productivity of machines and labour. Government stated (January 1978) that the Kerala State Productivity Council, which had conducted a work study of the Workshop between August 1970 and October 1971, assessed the overall performance of the Workshop at only 34.3 per cent, that the position could be improved by implementing the suggestions contained in the report of the Council and that action had already been taken for the conversion of the Workshop into a limited company.

During 1975-76, the time taken for production of some items of furniture, test checked in audit, exceeded the standards suggested (October 1971) by the Kerala State Productivity Council by 127.78 per cent to 330.77 per cent. The Management stated (November 1977) that the standards suggested by the Council had not been accepted by the workers' unions.

According to the instructions contained in the Manual of Accounting, stocktaking is to be done under perpetual inventory system. But since 1961, the Workshop has not carried out any physical verification under this system. Physical verification of stores was, however, carried out at irregular intervals on four occasions by the Public Works Department Central Stores, Trivandrum. Reconciliation of quantity accounts with priced accounts is

in arrears since 1963-64. According to the Management, a post of Inventory Officer, created in 1953, was abolished in 1961 and this accounted for the non-observance of the instructions regarding perpetual inventory. As regards arrears in reconciliation, Government stated (January 1978) that the delay in completing the reconciliation was due to the difficulty in tracing out the records which were kept in loose leaf system and that instructions have been issued to the Workshop to trace out the missing records and to clear the arrears in this regard.

In November 1975, the Workshop prepared a list of 1,020 items of stores found to be surplus (value: Rs. 1.17 lakhs), which was forwarded to the Chief Engineer (Irrigation) for obtaining orders of Government for their disposal. Though Government sanction for their disposal was accorded in April 1977, those have not been disposed of (January 1978) pending preparation of a fresh list of surplus stores by the Store Keeper.

The number of workers required for the eight shops/sections in the Workshop was assessed (October 1971) at 132 by the Kerala State Productivity Council. As against this, the number of workers engaged were 281 in 1973-74, 276 in 1974-75, 270 in 1975-76 and 257 in 1976-77. A test check (October 1977) of the job cards for 1975-76 in respect of fabrication, body building, foundry and machine shop showed that workmen had been kept idle for 50,493 hours, resulting in payment of idle wages of about Rs. 1 lakh (at the estimated rate of Rs. 2 per hour).

The table below indicates the position of book debts and realisations as revealed from the *pro forma* accounts for the three years up to 31st March 1976:—

Year	Opening balance	Credit sales	Total	Realisation	Closing balance	Percentage of realisation to total debts
	(in lakhs of rupees)					
1973-74	13.76	16.47	30.23	17.39	12.84	57.5
1974-75	12.84	20.75	33.59	12.77	20.82	38.0
1975-76	20.82	26.94	47.76	34.61	13.15	72.5

Ledger accounts for debtors have not been maintained from 1974-75 onwards. Year-wise and party-wise analysis of the outstanding amount has not been made. Dearth of qualified staff was attributed (October 1977) by the Management as the main reason for non-maintenance of ledgers. The Chief Engineer (Irrigation) stated (March 1978) that special arrangements had been made to clear the arrears.

Summarised financial results of

(Figures in columns 3

<i>Name of concern</i>	<i>Year of commencement</i>	<i>Government capital</i>		<i>Mean capital</i>
		<i>1st April</i>	<i>31st March</i>	
(1)	(2)	(3)	(4)	(5)
1. Text Books Office, Trivandrum (1974-75)	1950	125.92	291.55	208.73
2. Public Works Department Engineering Workshops, Chackai, Trivandrum (1975-76)	1969	28.74	31.86	30.30
3. State Water Transport Department, Alleppey (1975-76)	1968	51.72	54.29	53.01

XURE

Government commercial undertakings

to 10 are in lakhs of rupees)

<i>Block assets</i>	<i>Depreciation</i>	<i>Net loss (-) / profit (+)</i>	<i>Interest charged added back</i>	<i>Total return (columns 8+9)</i>	<i>Percentage of return on mean capital</i>
(6)	(7)	(8)	(9)	(10)	(11)
7.81	5.56	(+)24.28	12.38	36.66	17.56
31.86	18.31	(-)5.09	3.30	(-)1.79	..
39.72	3.27	(-)7.81	4.78	(-)3.03	..

CHAPTER VII

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

7.1. Introductory

According to the provisions of Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the accounts of bodies and authorities which receive grants or loans of not less than Rs. 5 lakhs in a financial year from the Consolidated Fund, the amount of such grants or loans being not less than seventyfive per cent of the total expenditure of that body or authority, are to be audited by the Comptroller and Auditor General of India. Government were requested in April 1977 to furnish information about grants and loans given to various bodies and authorities and the expenditure incurred by them during the year 1976-77. General Education, Health and Food Departments have not furnished any information and Development and Higher Education Departments have not furnished complete information so far (March 1978).

From the details furnished by the departments and from the records available from the office of the Accountant General it was seen that 125 bodies/authorities had received from Government grants/loans of not less than Rs. 5 lakhs during the year 1976-77. Of these 125 bodies/authorities who were requested (July—December 1977) to furnish the accounts for the year 1976-77, accounts of 29 institutions are still awaited (March 1978).

Mention was made in paragraph 7.1 of the Report of the Comptroller and Auditor General of India for the year 1975-76 of the non-receipt till March 1977 of the accounts of 3 bodies/authorities for the year 1974-75 and of 26 bodies/authorities for the year 1975-76. Of these, the accounts of all the 3 bodies/authorities for the year 1974-75 and of 14 bodies/authorities for the year 1975-76 are yet to be received (March 1978).

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

Important points noticed during audit under Section 14 and scrutiny conducted in accordance with the provisions of Section 15 together with related matters under Section 13 are mentioned in the succeeding paragraphs.

HIGHER EDUCATION DEPARTMENT

7.2. University of Cochin*(1) Introduction*

The University of Cochin was established in July 1971 by the Cochin University Ordinance, 1971 (replaced in August 1971 by the Cochin University Act) as a federal type University for the development of higher education with particular emphasis on post-graduate studies and research in Applied Science, Technology, Industry and Commerce.

Details of grants received by the University from 1971-72 to 1975-76 and the expenditure incurred are given below:—

<i>Year</i>	<i>State Government</i>	<i>Grants received from</i>			<i>Expenditure</i>
		<i>University Grants Commission</i>	<i>Government of India</i>	<i>Other sources</i>	
<i>(in lakhs of rupees)</i>					
1971-72	15.00	0.56	0.58	0.02	11.90
1972-73	25.00	3.58	0.45	0.30	21.78
1973-74	25.00	0.36	0.11	0.13	36.66
1974-75	29.00	9.64	0.32	0.15	40.20
1975-76	47.50	12.30	0.23	0.33	61.90
Total	141.50	26.44	1.69	0.93	172.44

Some of the points noticed in audit of the accounts of the University for 1975-76 under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 are mentioned in the following paragraphs:—

(2) Development schemes

The University Grants Commission allocated Rs. 75.35 lakhs as assistance to the University for implementation of development schemes during the Fourth Plan period. The amount actually released by the Commission during the Fourth Plan period in reimbursement of the expenditure incurred by the University was Rs. 5.01 lakhs.

(3) Construction of a hostel

In May 1973 the University Grants Commission approved the proposal of the University for the construction of a women's hostel (estimated cost: Rs. 6 lakhs) with their assistance to the extent of 75 per cent of the cost of construction. The plans and estimates for the hostel were forwarded by the University to the University Grants Commission in March 1975. However before the plans and estimates were approved by the Commission, the University invited (April 1975) tenders for the work and entrusted the work to the lowest tenderer in June 1975. The Commission by a telegram dated 6th October 1975 advised the University not to proceed with the work without its prior approval of the plans, estimates, etc. Subsequently, in January 1976, the Commission advised the University to modify the plans and estimates submitted by them earlier. The University expressed (May 1976) its inability to revise the plan on the ground that work as per the original plan had already commenced. The Commission thereafter (August 1976) informed the University that its share of assistance would be limited only to Rs. 1.50 lakhs or 50 per cent of the cost whichever was less, as the hostel constructed would be treated as a men's hostel. The work was completed in November 1976 at a cost of Rs. 7.66 lakhs. Non-adherence to the plans and estimates of the University Grants Commission resulted in the University forgoing an assistance of Rs. 4.24 lakhs from the Commission.

(4) Construction of quarters

Construction of two E type quarters (each comprising four flats) was entrusted to a contractor in May 1972 for Rs. 1.56 lakhs and was scheduled to be completed by February 1973. After completing work up to casting of roof in the case of one building and up to roof level in the case of the other, the contractor discontinued the work in April 1973 on the ground that cement was not available in the market. The work has not been resumed. Rupees 0.87 lakh spent on the buildings has thus remained unfruitful. The University stated (January 1978) that action was in progress for settling the disputes with the contractor and to complete the work as early as possible.

(5) Health centre

In order to take care of the health needs of the students, the University sanctioned (August 1974) the establishment of a health centre at the University main campus at an estimated cost of Rs. 1.80 lakhs. A building (cost: Rs. 1.75 lakhs) completed in January 1976 for the purpose had not been put to

use pending final decision on the staffing pattern of the centre which was under correspondence with the Director of Health Services (January 1978).

(6) *Establishment charges on Engineering Wing*

Expenditure on establishment of the Engineering Wing of the University during the period 1971-72 to 1975-76 worked out to Rs. 9.98 lakhs as against the works expenditure of Rs. 27.04 lakhs (excluding land acquisition charges of Rs. 3.32 lakhs) for the same period; the establishment expenditure worked out to 36 per cent of the works expenditure. The University stated (January 1978) that even though the works undertaken during the initial period of formation of the University were small, necessary staff had to be appointed for taking up plan and development works, resulting in increased establishment charges in the years 1971-72 and 1972-73.

(7) *Assets register*

The Registrar was to maintain an assets register for entering the values and plans of all buildings and other immovable assets owned by the University. This register has not been maintained. The University stated (January 1978) that the University Engineer had been directed to prepare the register.

(8) *Outstanding advances*

Rupees 6.58 lakhs paid as advance to various Departments of the University between 1971-72 and 1975-76 for making advance payments to suppliers and other similar purposes were pending adjustment at the end of July 1977. The University stated (January 1978) that action was in progress to adjust all pending advances.

7.3. Direct payment of salaries to teaching and non-teaching staff of private Arts, Science and Training Colleges

In paragraph 7.3 of the Report of the Comptroller and Auditor General for the year 1975-76 (Civil), mention was made of some of the points noticed during audit under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, of the system of direct payment of salaries to the teaching and non-teaching staff of private Arts and Science Colleges. In September 1973, the system was extended to cover the teaching and non-teaching staff of private training colleges from June 1973. Later, in March 1974, three Oriental Title Colleges were also brought under

the system with effect from May 1974 making the total number of colleges brought under the system to 122. Of these, 51 to 56 colleges received a total grant of Rs. 523.25 lakhs during the period from 1974-75 to 1976-77. Relevant details in this regard are indicated below:—

<i>Year</i>	<i>No. of colleges which received the grant</i>	<i>Salary grant</i>	<i>Contingent and maintenance grant</i>	<i>Laboratory and Library grant</i>	<i>Total</i>
<i>(in lakhs of rupees)</i>					
1974-75	56	144.36	1.32	Nil	145.68
1975-76	51	179.75	1.89	0.11	181.75
1976-77	52	193.67	2.10	0.05	195.82
Total		517.78	5.31	0.16	523.25

Scrutiny of the records in the offices of the Director of Collegiate Education, Trivandrum and the Zonal Deputy Directors of Collegiate Education, Quilon, Trippunithura and Calicut and two colleges selected in each of the three zones was conducted in August-October 1977, under section 15 of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The scrutiny disclosed the following:—

(i) According to the rules issued by Government in October 1972, for the implementation of the scheme, payment of salaries, contingent and maintenance grants and laboratory and library grants was to be made to the colleges by the three Zonal Deputy Directors of Collegiate Education after prior scrutiny. The Director of Collegiate Education had, however, not issued any instructions to the zonal offices prescribing the various registers to be maintained, the nature and extent of checks to be exercised on the claims received from the colleges, etc. No basic records were maintained by the Zonal Deputy Directors to verify the correctness of various claims. In the absence of such records, the nature and extent of checks exercised by the Deputy Directors on the claims received from the colleges could not be verified in audit.

(ii) According to Government orders issued in September 1973, all teaching staff (excluding staff employed in leave vacancies) who were in the employment of private colleges on 1st September 1972 were to be brought under the direct payment system and such of those who were later found to be in excess of the approved staff strength fixed by the Universities concerned were to be retained as supernumeraries till they were absorbed against regular

vacancies or till they retired or resigned from service. Government had also directed that recruitment against future vacancies was not to be made until all the supernumeraries were absorbed. In November 1973, Government had further directed that the Director of Collegiate Education or the officer authorised in this behalf should ensure that the number of teaching posts in the colleges did not exceed that fixed by the Universities concerned. The Zonal officers had not, however, ascertained how many teachers had been declared as supernumeraries in pursuance of the Government orders of September 1973; nor had they maintained any list of the number of teachers absorbed subsequently against regular vacancies to ensure that fresh appointments were not made in any college when supernumeraries were already awaiting absorption in the college. Government stated (January 1978) that the zonal officers were not in a position to know the details of supernumerary posts in view of the delay in receipt of the approved staff strength from the Universities.

(iii) Under the rules issued in October 1972 and Government orders issued in November 1973, the strength of the teaching staff of the affiliated colleges was to be fixed by the Universities concerned and intimated to the Director of Collegiate Education and only teachers who came within the strength so fixed and whose appointments had been approved by the Universities were eligible for direct payment of salaries. No date had, however, been fixed either by Government or the Universities for communicating to the Directorate or the zonal offices the approved staff strength in respect of each college with the result that there was considerable delay in the receipt of this information by the zonal officers. Government stated (January 1978) that the strength of teaching staff in the private colleges was to be fixed by the Universities concerned and that the approved staff strength was not being intimated by the Universities regularly and systematically. Government further stated that as on 15th December 1977, the approved staff strength pertaining to the years 1972-73 to 1976-77 was awaited in respect of 107 colleges.

It was also noticed that details of the staff pattern fixed by the Universities concerned in respect of all the fifteen training colleges were yet to be received by the zonal offices though direct payment of salaries to the staff of those colleges commenced from 1st June 1973. Government stated (January 1978) that the Universities were being requested to intimate the approved staff strength to the department.

(iv) Delay in conducting local audit of the accounts of the colleges covered by the system by the Zonal Deputy Directors was commented upon

in paragraph 7.3 (5) of the Report of the Comptroller and Auditor General for the year 1975-76 (Civil). The position in October 1977 was that the accounts of 24 colleges had not been locally audited since the introduction of the system of direct payment of salaries (1st September 1972) while the arrears in the local audit of the accounts of 72 other colleges ranged from 2 to 4 years. The reasons for the delay in this regard were attributed (September and October 1977) by the department to inadequacy of staff and insufficiency of allotment under travelling allowance. Government stated (January 1978) that efforts were being made by the Deputy Directors of Collegiate Education to clear the arrears in local audit.

LOCAL ADMINISTRATION AND SOCIAL WELFARE DEPARTMENT

7.4. Grant to Tirur Municipality

In March 1975, Government paid a grant of Rs. 5 lakhs to Tirur Municipality for the construction of a town hall (estimated cost based on a private contractor's assessment being Rs. 10.73 lakhs) in memory of the martyrs of the 'wagon tragedy' of 1921, on condition that the balance amount of Rs.5.73 lakhs would be raised by the Municipality.

According to the instructions contained in the Budget Manual (based on the recommendations by the State Public Accounts Committee, in its report of June 1959), grant for a new purpose, whatever be the amount, would constitute a 'New Service' requiring specific approval of the Legislature. Though the expenditure on the construction of the town hall constituted a 'New Service', no grant having been paid for the purpose in the past, the payment was made without a specific provision in the grants voted by the Legislature. Finance Department agreed with the views of Audit in August 1976.

The period of utilisation of the grant was not specified in the sanction; according to the general provisions of the State Financial Rules, the grant was to be utilised within a period of one year from March 1975. The amount has not yet been utilised (March 1978). Land acquisition proceedings initiated in May 1975 by the Revenue Department on behalf of the Municipality are also yet to be completed (March 1978). The detailed estimate of work amounting to Rs. 8.60 lakhs prepared by the Municipality was stated (January 1978) to have been sent to the Chief Engineer, Public Works Department for technical approval. Government extended in April 1977 at the Municipality's request, the period of utilisation of the grant upto March 1978.

In the meantime, the Municipality had earned till November 1977 an income of Rs. 0.89 lakh by depositing in June 1975 the grant of Rs. 5 lakhs in a district co-operative bank.

INDUSTRIES DEPARTMENT

7.5. Assistance to industries and industrial co-operative societies

(1) General

Financial assistance is extended by Government through the Industries Department to village and small scale industries, industrial co-operative societies, Government companies, etc., for the promotion, development and maintenance of various types of industries. During the three years 1974-75 to 1976-77, a total assistance of Rs. 1,347.51 lakhs (loans: Rs. 988.95 lakhs and grants: Rs. 358.56 lakhs) was given by the Industries Department for various purposes such as handloom development, coir development, handicrafts, small scale industries, etc. Year-wise details are indicated below:

Year	Loan	Grant	Total
	(in lakhs of rupees)		
1974-75	291.90	49.90	341.80
1975-76	249.80	144.45	394.25
1976-77	447.25	164.21	611.46

A scrutiny of the sanctions relating to the payment of loans and grants in the Directorate of Industries and Commerce and the records maintained in the District Offices for watching utilisation of the assistance revealed the following:—

(i) Sanctions issued in four cases in 1976-77 (Rs. 27.60 lakhs) for the payment of loans to Government Companies/Undertakings did not specify the period within which the loan was to be utilised and also the period within which utilisation certificates were to be furnished and the authority which should furnish such certificates.

(ii) The registers maintained by the officer who was responsible for watching the utilisation of loans/grants were not in the prescribed form and did not contain essential details such as conditions attached to the grant, period allowed for utilisation of grant/loan, etc., with the result that the number of utilisation certificates due was not ascertainable.

(iii) Utilisation certificates furnished by the District Industries Officers were based on verification reports of subordinate officers without supporting data in regard to the details of amount spent on particular items.

(iv) According to the records in the Audit Office (October 1977) utilisation certificates in respect of grants paid were due in 240 cases involving Rs. 138.40 lakhs as indicated below:—

Year	Number of cases	Amount (in lakhs of rupees)
1971-72	24	1.93
1972-73	63	21.49
1973-74	60	28.03
1974-75	6	18.12
1975-76	87	68.83
Total	240	138.40

Consolidated utilisation certificates of loans, the detailed accounts of which were maintained by the District Industries Officers, were also due from the Director of Industries and Commerce for loans paid from 1968-69.

(v) Certificates of acceptance of balances of loans paid to industrial and other co-operatives and loans paid for various types of industries were due from the department in 92 cases (amount:Rs. 19.69 crores). Of these, 15 certificates related to the periods prior to 1967-68 and 77 related to the years 1967-68 to 1976-77.

(vi) As per the demand, collection and balance statement of loans as on 31st March 1977 prepared by the department, Rs. 302.33 lakhs towards principal and Rs. 350.52 lakhs towards interest relating to the period from 1965 onwards were overdue from 18 Government companies/undertakings/co-operative sugar mills. Similarly, Rs. 216.39 lakhs (principal: Rs. 157.74 lakhs; interest: Rs. 58.65 lakhs) were also outstanding recovery as on 31st March 1977 in respect of loans paid for handlooms, powerlooms, handicrafts, coir development and to small scale industries.

Results of audit conducted (February-July 1977) of the records relating to five schemes for which assistance was given in six districts are indicated in the succeeding paragraphs:—

(2) *Assistance to languishing weavers' co-operative societies*

The scheme was sanctioned by Government in March 1971 for the revival of "potentially viable but languishing" weavers' co-operative societies. It

provided for the grant of working capital loan at the rate of Rs. 500 per loom reduced by the amount of working capital already available with the society and limited to a maximum of Rs. 10,000 in respect of primary societies and Rs. 20,000 in respect of factory-type societies, subject to the condition that the losses of the societies exceeded their paid-up share capital and the societies were not eligible for grants to wipe off accumulated losses (dealt with later in sub-paragraph 3). The loans, bearing interest at 5 per cent per annum were to be repaid in 10 equal annual instalments and were to be utilised only for the payment of wages and purchase of materials. During the period from 1971-72 to 1975-76, Rs. 5 lakhs were paid as working capital loan to 53 societies. No loan was paid during 1976-77. In this connection, the following points were noticed:—

(i) No feasibility study was conducted to ascertain whether the societies proposed to be assisted under the scheme would become viable on receipt of loan from Government. Thirteen societies which received loan assistance of Rs. 1.50 lakhs during 1973-74 to 1975-76 could activate only 375 looms against 679 looms proposed to be activated and all of them, except two, continued to function at a loss. Government stated (July 1977) that the intention of the scheme was only to revive the business activities of the societies and not to make them viable and that payment of nominal working capital could not bring results overnight.

(ii) Five societies were paid loans amounting to Rs. 0.70 lakh during March 1974, March 1975 and March 1976 although they were not eligible for the loans as the working capital already available with them exceeded the maximum amount of the loan admissible.

(iii) One society was paid (March 1976) a working capital loan of Rs. 0.20 lakh although it had also received a grant of Rs. 0.26 lakh in March 1974 to wipe off its accumulated losses. Government stated (July 1977) that there was no bar in the rules that working capital loan and "wipe off loss" grant should not be paid to the same society.

(3) *Grants to co-operative societies to wipe off accumulated losses*

In February 1968, rules were framed by Government for the payment of grants to handloom weavers' co-operative societies whose losses exceeded their paid-up share capital for reasons other than mismanagement or misappropriation of funds so as to enable the societies to become eligible for cash credit accommodation from the Reserve Bank of India or other

financing institutions. The scheme was extended in July 1971 to handicrafts co-operative societies and subsequently in August 1974 to other industrial co-operative societies (except coir). The grant, to be limited to the accumulated loss shown in the last audit certificate issued by the Registrar of Co-operative Societies, was to be utilised for the purchase of raw materials and payment of wages to weavers. A total grant of Rs. 7.90 lakhs was paid to 69 societies during 1971-72 to 1975-76 (no grant was paid thereafter) to wipe off the accumulated losses suffered by them. The following points were noticed in Audit:—

(i) The main objective of the scheme was to make the assisted societies eligible for institutional finance. Out of fourteen societies in the three districts of Ernakulam, Palghat and Trivandrum which received the grant during 1973-74 to 1975-76, only three societies (grant paid:Rs. 0.98 lakh) had availed of institutional finance (June 1977). The remaining societies which received grants totalling Rs. 1.54 lakhs had not taken any steps in this regard.

(ii) The District Industries Officers were to review every quarter the financial position of the societies which received grants to verify whether they functioned profitably and submit a detailed report to the Director of Industries and Commerce together with a tentative balance sheet within fifteen days after the expiry of each quarter. Such reviews were not conducted by the District Industries Officers nor did the Director of Industries and Commerce/ Industries Development Commissioner call for the quarterly reports. Of the fourteen societies (grant paid:Rs. 2.52 lakhs) in Ernakulam, Palghat and Trivandrum districts, seven societies (grant paid: Rs. 1.33 lakhs) continued to function at a loss (actual loss as at the end of June 1976 amounted to Rs. 0.76 lakh). Government stated (July 1977) that the handloom industry was facing a crisis and that the loss might be on account of fluctuations in the price of yarn. Government further stated that instructions had since been issued to the District Industries Officers to furnish the quarterly review reports promptly and regularly in future.

(iii) A grant of Rs. 0.38 lakh paid to a society in March 1975 did not enable it to raise institutional finance because by the time the society received the grant, its accumulated loss to the end of March 1975 had risen to Rs. 0.53 lakh. To enable the society to become eligible for institutional finance, the department made a further payment of Rs. 0.10 lakh (March 1976) in the form of share capital contribution. The Assistant Registrar of Co-operative Societies reported (July 1976) that the Society was still in

difficulties on account of inadequate working capital. The loss sustained by the society as at the end of June 1977 was Rs. 0.10 lakh.

(4) *Establishment of collective weaving centres*

On the recommendation of a sub-committee of the Handloom Advisory Board, the department decided (July 1972) to provide financial assistance to industrial co-operatives for the establishment of collective weaving centres at the rate of Rs. 0.75 lakh per centre (loan:Rs. 0.64 lakh; grant: Rs. 0.11 lakh).

Assistance amounting to Rs. 19.78 lakhs (loans:Rs. 16.79 lakhs; grants: Rs. 2.99 lakhs) was given to 26 co-operatives for the establishment of 26 collective weaving centres in eight districts (Calicut, Cannanore, Ernakulam, Kottayam, Palghat, Quilon, Trichur and Trivandrum) during the period from 1972-73 to 1975-76. No assistance was given in 1976-77.

In this connection the following points were noticed in audit:—

(i) Rules for regulating the payment of loan and grant for the establishment of these centres, a draft in respect of which was submitted by the Director of Industries and Commerce in October 1973 have not been issued by Government so far (January 1978). In the absence of approved rules, sanctions for payment of loan and grant under the scheme were issued in each case by Government subject to the terms and conditions specified therein.

(ii) The Director of Industries and Commerce issued instructions to the District Industries Officers in July 1972 that the maximum assistance in respect of each centre should not exceed Rs. 0.75 lakh as recommended by the sub-committee. Two societies (Kanhirode in Cannanore District and Mepayil in Kozhikode District) were, however, paid assistance of Rs. 1.02 lakhs and Rs. 0.93 lakh respectively in March 1976, August 1976 and March 1977.

(iii) An assistance of Rs. 0.22 lakh (loan: Rs. 0.11 lakh and grant: Rs. 0.11 lakh) was paid in March 1976 for the purchase of looms, accessories, etc., to a society which had applied for an assistance of only Rs. 0.14 lakh for the purpose.

(iv) The looms, accessories, dye-house equipment, etc., purchased by the societies were to be got inspected by technically qualified staff under the District Industries Officers within three months of the expiry of the period

(six months) fixed for the utilisation of the loan. Records made available to Audit did not indicate that such inspection was done.

(v) Out of ten collective weaving centres proposed to be established in three districts (Cannanore, Ernakulam and Kozhikode), for which assistance of Rs. 7.51 lakhs (loan: Rs. 6.39 lakhs; grant: Rs. 1.12 lakhs) was paid between March 1973 and March 1977, only eight weaving centres had been established and production commenced between March 1975 and August 1976. Of the remaining two centres, in one centre (Cannanore District) construction of building (commenced in August 1976) was yet to be completed and in another centre (Cannanore District) the looms and accessories were yet to be installed (December 1977). Thirtyeight looms (out of 75) pertaining to three of the centres which had commenced production were lying idle from the date of their commissioning between March 1975 and July 1976, reasons for which were not investigated by the department.

(vi) The scheme envisaged that each centre would generate a net profit of Rs. 2,800 per annum, after meeting all expenses including depreciation and interest on the loan obtained from Government. In the absence of separate accounts in respect of the weaving centres, the departmental officers were not able to verify whether the centres earned profits as envisaged when sanctioning the financial assistance.

(vii) Assistance of Rs. 0.37 lakh received by seven societies between February 1975 and August 1976 for the purchase of jacquard machines, warping machines, dye-house equipment, etc., was utilised for other purposes.

(viii) In respect of four societies (Chennamangalam, Chombal, Kanayannur and Parur) Rs. 0.23 lakh were due (principal: Rs. 0.09 lakh and interest: Rs. 0.14 lakh) for recovery as at the end of January 1978. No effective action had been taken by the District Industries Officers to recover the amount (February 1978).

(5) *Assistance to handloom weavers' industrial co-operative societies*

Rules were issued by Government in May 1971 and March 1974 for giving financial assistance to newly organised factory-type handloom weavers' industrial co-operative societies by way of loans and grants towards share

capital, working capital, purchase of land/buildings, looms and accessories, dye-house equipment, furniture, construction of buildings, etc.

During the period from 1971-72 to 1976-77, Rs. 18.92 lakhs were paid as assistance (loan: Rs. 17.11 lakhs; grant: Rs. 1.81 lakhs) to nine factory-type handloom weavers' co-operative societies in Quilon and Trivandrum Districts for the purchase of looms and accessories, etc.

Certain points noticed in audit are mentioned below:—

(i) In the case of all the four societies in Trivandrum, the loan for purchase of land and/or purchase and construction of building was not limited to 40 per cent of the borrowing capacity of the society concerned as required under the rules which resulted in excess payment amounting to Rs. 1.64 lakhs (June 1977). The department stated (August 1977) that it was not possible to limit the amount of loan within 40 per cent of the borrowing capacity since it was not possible to limit the expenditure on construction due to abnormal increase in cost of construction, and that Government were being addressed for regularising the payment made in excess of the amount admissible under the rules.

(ii) According to information furnished by seven out of nine societies, the area of the building actually constructed by five of the societies was less than the area for which assistance was given. In terms of the area actually constructed, an amount of Rs. 0.94 lakh had been paid in excess.

(iii) In the case of three societies, the construction of building was not completed (January 1978) though they were to be completed respectively by 31st March 1976, 31st March 1977 and 30th March 1977. Extension of time for completion was not obtained by the societies from the Government.

(iv) The last instalment of loan of Rs. 0.08 lakh and Rs. 0.07 lakh were released to Thrikkannapuram society and Venpakal society in May 1977 and July 1975 without obtaining valuation and completion certificates from the Public Works Department authorities, as required under the rules.

(v) Under the rules, the District Industries Officer was to get the looms and accessories and furniture and fittings inspected by a technically

qualified person within three months of the expiry of the stipulated period (six months) for utilisation of the loan. It was seen from the inspection report (November 1974) of the Textile Assistant that 50 looms fabricated by a society (Chathannoor) were entirely different from those proposed and sanctioned by the Director of Industries and Commerce. As regards furniture and fittings purchased, no information/records were available to indicate whether these were inspected by technically qualified personnel.

(vi) According to rules, assistance released was to be utilised by the recipient society within a period of six months from the date of receipt and any unspent balance was to be refunded within fifteen days from the date of expiry of the prescribed period. In the case of three societies (Chathannoor, Karunagappally and Kottathala) to which grants totalling Rs. 0.21 lakh were paid (Rs. 0.14 lakh in March 1974 and Rs. 0.07 lakh in March 1976) for the purchase of dye-house equipment, the department had not verified (January 1978) whether the assistance was properly utilised. Details of items purchased were also not available with the District Industries Officers.

(vii) The registered mortgage deeds in respect of loan paid (Rs. 1.02 lakhs) between March 1972 and March 1976 to nine societies for purchase of land were not made available to Audit. There was also no indication in the records to show that the District Industries Officer had verified the sale deeds to ensure that the amount paid was fully utilised for purchase of land.

(viii) Of six societies which started production in 1976 and 1977, four societies (Kottathala, Mulluvila, Thrikkannapuram and Venpakal) were working at a loss, the accumulated loss as on 30th June 1977 amounting to Rs. 0.26 lakh; the reasons for the loss had not been investigated by the department.

(ix) The total borrowings from Government by two societies (Payattu-
vila and Thrikkannapuram) as on 30th June 1976, viz., Rs. 1.51 lakhs and Rs. 1.85 lakhs respectively, had exceeded their maximum borrowing capacity (i.e. 25 times the paid up capital plus reserve funds) of Rs. 1.36 lakhs and Rs. 1.75 lakhs respectively.

(6) *Assistance for establishment of raw material depots*

During 1975-76, a grant of Rs. 5 lakhs (Rs. 0.50 lakh in September 1975 and Rs. 4.50 lakhs in March 1976) was paid to the Handicrafts Development Corporation of Kerala Limited for starting a raw material depot for ivory and rosewood with a view to supplying the raw materials at reasonable rates and

in adequate quantities to primary handicrafts co-operative societies, handicrafts apex society, artisans attached to common facility service centres run by the Corporation, etc. One of the conditions attached to the grant was that it should be deposited in a separate account to be treated as a revolving fund and used exclusively for the purchase of raw materials. Receipts accruing under the scheme were also to be credited to the revolving fund.

The following points were noticed in audit on a test check of the accounts relating to the utilisation of the grant by the Handicrafts Development Corporation:—

(i) Though the grant was paid to the Corporation in September 1975 and March 1976, no separate account was opened by it for depositing the amount inspite of repeated instructions from Government till January 1977, when a bank account was opened with a deposit of Rs. 100 only. In the meantime, the grant was merged with the other balances of the Corporation and utilised for other purposes (Rs. 4.50 lakhs to reduce their overdraft account with the Bank and Rs. 0.39 lakh for meeting the salary and travelling allowance of staff). Government had no remarks to offer on the misutilisation of the grant which was brought to their notice by Audit in April 1977. Government were addressed again (August 1977) to indicate whether they proposed to recover the amount from the Corporation as the grant was misutilised. Reply from Government is awaited (March 1978).

(ii) No full fledged raw material depot was opened by the Corporation (December 1977). The Corporation stated (March 1977) that the raw material depot could not be opened due to lack of space and non-availability of facilities and that as a result sufficient quantities of raw materials could not be purchased and stocked for issue to artisans other than those working in the Common Facility Service Centre, Trivandrum. Government stated (August 1977) that acute financial difficulties and inadequacy of funds prevented the Corporation from distributing raw materials to the artisans in the private and co-operative sectors even though applications were called for from them and that the scheme was confined to the common facility service centre during 1976-77. Government also stated that the Corporation proposed to extend the benefit to artisans in the private and co-operative sectors also as soon as their ways and means position improved and that the Corporation was taking action to accelerate the activities of the depot during 1977-78 and to maintain separate accounts.

(iii) No rules were framed by the Corporation to regulate the functioning of the raw material depot. Government stated (August 1977) that the

rules for the issue of raw materials to the common facility service centre in vogue when the centre was under the control of the department were being followed by the Corporation after its transfer to the Corporation in 1969 and that the rules would be re-examined and placed before the Board of Directors of the Corporation for final approval.

AGRICULTURE DEPARTMENT

(CO-OPERATION)

7.6. Assistance to co-operative societies

(1) General

Financial assistance is extended to co-operative societies through the Registrar of Co-operative Societies for the construction of godowns, purchase of trucks and vans, purchase of furniture and fittings, opening of multi-room shops, running rural dispensaries, supply of credit and other purposes. During the three years 1974-75 to 1976-77, a total assistance of Rs. 112.48 lakhs (loans: Rs. 52.89 lakhs and grants: Rs. 59.59 lakhs) was given to co-operative societies as per details indicated below:—

Year	Loan	Grant (in lakhs of rupees)	Total
1974-75	25.25	11.19	36.44
1975-76	12.69	20.79	33.48
1976-77	14.95	27.61	42.56

(i) The register for watching utilisation of the assistance paid, receipt of statements of accounts, refund of unspent balances, if any, etc., was not maintained in the offices of four Deputy Registrars of Co-operative Societies (Ernakulam, Palghat, Trichur and Trivandrum). The registers maintained in four other offices (Kottayam, Kozhikode, Malappuram and Quilon) were not in the form prescribed in the Kerala Financial Code.

(ii) Utilisation certificates furnished by the concerned Deputy Registrars were based mainly on the verification reports furnished by the Assistant Registrars/Inspectors which were not supported by statements of accounts. The procedure adopted by the Deputy Registrars, in the absence of the relevant supporting data, for satisfying themselves about the utilisation of the assistance paid to the various co-operative societies was not ascertainable from the records.

(iii) Under the Financial rules, the Registrar of Co-operative Societies was to furnish consolidated utilisation certificates in respect of loans paid to the co-operative societies, the detailed accounts of which were maintained by the subordinate officers. The register maintained by the Registrar of Co-operative Societies did not, however, indicate the number of certificates due from the Deputy Registrars, the number actually received and the period up to which the consolidated utilisation certificates had been sent to Audit.

(iv) According to the demand, collection and balance statement prepared by the Registrar of Co-operative Societies as on 30th June 1977, the arrears of loan, interest and penal interest pending collection from the societies was Rs. 27.49 lakhs (principal: Rs. 19.92 lakhs; interest: Rs. 7.53 lakhs; penal interest: Rs. 0.04 lakh).

(v) According to the records in the Audit Office, as on 31st October 1977, utilisation certificates for Rs. 5.00 lakhs paid as grants till the end of 1975-76 were due to be received from the department in thirtythree cases.

Results of a review in audit of the accounts and records relating to the payment of assistance under five different schemes in nine districts are mentioned in the succeeding paragraphs:—

(2) *Co-operative dispensaries*

A scheme for the establishment of co-operative dispensaries in the rural areas in the State with the object of extending medical facilities where they did not exist and providing employment to unemployed medical graduates was sanctioned by Government in July 1972. Rules to regulate the payment of assistance under the scheme were issued in March 1973. In terms of these rules, Rs. 9 lakhs were paid as share capital contribution, Rs. 8.90 lakhs as subsidy towards purchase of furniture and equipment and Rs. 4.56 lakhs as managerial subsidy to sixty co-operative dispensaries during the period 1972-73 to 1976-77. A scrutiny of records relating to the assistance (Rs. 8.40 lakhs) paid to nineteen dispensaries in three districts (Kottayam, Kozhikode and Quilon) revealed the following:—

(i) The scheme envisaged recovery of consultation fees from the patients at the rate of Re. 1 per patient. Seven societies, however, did not collect any consultation fees from the patients. The amount forgone by these societies to the end of June 1976 worked out to Rs. 1.52 lakhs. Six other societies realised the consultation fees at rates less than Re. 1 per patient. Short collection on this account by these societies amounted to Rs. 0.47 lakh

to the end of June 1976. The omission to realise the consultation fees was not pointed out to the societies during the inspections conducted by the Co-operative Inspectors or other officers of the department, nor were any instructions issued in this regard by the Registrar of Co-operative Societies.

(ii) Two societies (Kozhikode District) had not enrolled the minimum of 'A' Class members (7) and 'B' Class members (120) while five other societies (Kottayam and Kozhikode Districts) had not enrolled the minimum number of 'A' Class members as required under the rules to render them eligible to receive share capital contribution from Government. They were nevertheless paid the contribution totalling Rs. 1.05 lakhs in 1972-73 and 1973-74. The Deputy Registrar, Kozhikode stated (June 1977) that the share capital contribution appeared to have been released on the expectation that the societies would fulfil the conditions soon. The Deputy Registrar, Kottayam stated (June 1977) that as the society had to start functioning according to schedule, the share capital amount was released without insisting on the admission of 'A' Class members.

(iii) Under the scheme, a managerial subsidy (Rs. 6,000) for the first year and an amount representing the excess of expenditure over income subject to a maximum of Rs. 6,000 for the next four years was available to the societies. While computing the excess of expenditure over income for the purpose of determining the amount of managerial subsidy from the second year onwards, the amount of subsidy received by the societies during the previous year was not taken into account. This resulted in excess payment of managerial subsidy of Rs. 0.31 lakh to seven societies in Kottayam, Kozhikode and Quilon Districts during the period 1974-75 to 1976-77.

(iv) A verification of the lists of furniture purchased by the nineteen societies disclosed that out of Rs. 2.34 lakhs paid to them upto 1975-76 for the purchase of furniture and fittings, Rs. 0.61 lakh was utilised for purchase of items not stipulated in the project report prepared by the Co-operative Department for the establishment of the co-operative dispensaries.

(v) One society (Kottayam District) which received an assistance of Rs. 0.34 lakh during the period March 1974 to March 1976 and which was started in September 1974 went into liquidation from November 1976. Two other societies which received an assistance of Rs. 0.76 lakh were dormant from December 1975 and August 1976 respectively owing to non-availability of doctors.

(vi) According to the project report, the dispensaries were expected to meet their deficit during the first five years with the amount of managerial

subsidy and they were to earn profits from the sixth year onwards. All the nineteen dispensaries which were assisted were, however, running at a loss (accumulated loss as at 30th June 1976: Rs. 3.25 lakhs) which was attributed by the dispensaries mainly to (a) non-availability of doctors and para medical staff, (b) frequent changes of doctors, (c) heavy establishment expenses, (d) competition from private dispensaries and (e) insufficiency of patients. The working results of the dispensaries for the co-operative year 1976-77 are awaited (January 1978).

The Registrar of Co-operative Societies had not analysed the causes of losses sustained by the societies so as to take remedial measures for their satisfactory working. No evaluation was also conducted to see whether the dispensaries were functioning in accordance with the scheme and whether they had started earning sufficient income so as to enable them to operate at a profit after five years as contemplated in the project report. The Registrar of Co-operative Societies stated (May 1977) that he had issued instructions to the Deputy Registrars in March 1977 to watch closely the working of the societies.

(vii) In terms of the orders issued by Government in February 1976 for extending assistance to the dispensaries for construction of dispensary building, Rs. 1.44 lakhs were paid as loan to six societies during March 1977. The societies were required to make a matching contribution. Three societies (one in Kottayam and two in Quilon Districts) which received a loan of Rs. 0.75 lakh had not yet started construction of the building (February 1978), while in respect of two others (one each in Kottayam and Quilon Districts) the construction was in progress. Information in respect of the remaining one society (loan received: Rs. 0.22 lakh) was awaited (February 1978).

(3) *Assistance for opening multi-room shops*

Assistance for the purchase of furniture and fittings for opening multi-room shops was given to wholesale consumer stores/primary stores under three schemes as shown below:—

	<i>Number of societies</i>	<i>Loan</i>	<i>Subsidy</i>	<i>Period</i>
		<i>(in lakhs of rupees)</i>		
State Sector Scheme	85	7.94	1.85	1969-70 to 1976-77
Centrally Sponsored Scheme	21	3.06	1.02	March 1974 to March 1976
Scheme sponsored by the National Co-operative Development Corporation	226	6.78	2.26	August 1976 to March 1977

The following points were noticed in this connection:—

(i) The societies were to send to the Registrar of Co-operative Societies a list of furniture and fittings purchased by them out of the assistance received from Government immediately after the purchase was made. The lists were not received (December 1977) by the Registrar in the following cases:—

Scheme	Number of cases	Amount paid to the end of March 1977	
		Loan (in lakhs of rupees)	Subsidy
State Sector Scheme	11	0.57	0.24
Central Sector Scheme	21	2.52	1.02
National Co-operative Development Corporation Scheme	226	6.78	2.26
Total	258	9.87	3.52

The Registrar of Co-operative Societies stated (December 1977) that the lists of furniture purchased by the societies were being called for from the Deputy Registrars along with copies of the utilisation certificates.

(ii) In cases where the lists of furniture and fittings had been received, no verification had been conducted to see whether only approved items were purchased and whether the purchase was made within the time limit of three months from the date of drawal of the amount of assistance from the treasury. The Registrar of Co-operative Societies stated (August 1977) that the rules did not specify the list of items of furniture and fittings to be purchased by the stores, that steps were being taken to prepare a list of furniture to be purchased and that necessary instructions in this regard would be issued to the Deputy Registrars.

(iii) Under the rules, the amount of assistance (loan and subsidy) was to be determined on the basis of the area of the multi-room shops proposed to be opened. In eight cases (assistance paid: Rs. 1.20 lakhs), the area of the shops proposed to be opened was neither specified by the stores nor ascertained by the Registrar. It was also noticed that the area of three shops opened in Malappuram ranged between 610 square feet and 680 square feet though the assistance was paid on the assumption that the minimum area of each of the shops would be 1,000 square feet. In terms of the area actually covered, the assistance paid was in excess to the extent of Rs. 0.27 lakh. The

Deputy Registrar of Co-operative Societies (General), Malappuram stated (November 1977) that necessary proposals for regularising the excess payment would be sent to the Registrar of Co-operative Societies.

Rupees 0.24 lakh (loan: Rs. 0.18 lakh in March 1974 and subsidy: Rs. 0.06 lakh in March 1976) were paid to the Malappuram District Wholesale Consumer Stores under the Centrally Sponsored Scheme to open a multi-room shop of 1,500 square feet at Manjeri. The area of the shop opened was only 610 square feet for which the assistance eligible under the rules was only Rs. 0.06 lakh resulting in an excess payment of Rs. 0.18 lakh. The Registrar of Co-operative Societies stated (September 1977) that the society had been directed either to expand the shop area to 1,500 square feet or to refund the excess assistance paid. Further developments are awaited (March 1978).

(iv) No record was maintained either by the recipient stores or by the Deputy Registrars of the items of furniture and fittings acquired by the stores out of Government assistance. The Deputy Registrars, Alleppey and Trichur stated (November 1977 and July 1977) that directions had been issued by them to the stores to maintain such registers of assets. Reply in respect of Malappuram is awaited (February 1978).

(v) Out of 226 primary stores which were paid a total assistance of Rs. 9.04 lakhs under the scheme sponsored by the National Co-operative Development Corporation between August 1976 and March 1977, only 144 stores had commenced business (December 1977). The remaining 82 stores had neither purchased the furniture and fittings nor started business though the time limit stipulated in the rules expired between December 1976 and June 1977. The Registrar stated (September 1977) that the societies were experiencing difficulties in implementing the scheme with the meagre financial assistance from the National Co-operative Development Corporation, and that the societies which were reluctant to implement the scheme had been directed to refund the assistance paid to them.

(vi) Out of assistance amounting to Rs. 4.08 lakhs paid to twenty-one multi-room shops between March 1974 and March 1976 (loan: Rs. 3.06 lakhs and subsidy: Rs. 1.02 lakhs) under the Centrally Sponsored Scheme, only fifteen multi-room shops had started functioning (December 1977). Two stores subsequently (January 1977) refunded the assistance paid (Rs. 0.32 lakh) to them. The remaining four shops (assistance paid: Rs. 0.64 lakh) had not yet (December 1977) started functioning owing to non-availability of suitable buildings.

(4) *Assistance for purchase of trucks and vans*

In February 1964, rules were issued by Government to regulate the payment of financial assistance to wholesale co-operative stores for the purchase of trucks and vans under a Centrally Sponsored Scheme. The assistance in the form of loan (75 per cent) and subsidy (25 per cent) was to be limited to the actual cost of the truck or van purchased by the stores, subject to a maximum of Rs. 1.50 lakhs inclusive of Rs. 0.50 lakh for additional truck or van in each case. During the period 1963-64 to 1976-77, Rs. 7.32 lakhs were paid as loan and Rs. 2.23 lakhs as subsidy to eleven wholesale consumer stores and one consumer federation.

The following points were noticed in this connection:—

(i) One store was paid an assistance of Rs. 1.82 lakhs during the period 1963-64 to 1976-77 which was in excess of the overall ceiling limit of Rs. 1.50 lakhs fixed under the rules. The excess payment was neither recovered nor regularised. The Registrar of Co-operative Societies stated (February 1978) that orders of Government regularising the excess payment were awaited.

(ii) Under a scheme sponsored by the National Co-operative Development Corporation in 1975-76, Rs. 1.20 lakhs (loan: Rs. 0.90 lakh; subsidy: Rs. 0.30 lakh) were paid to five wholesale stores (Alleppey, Cannanore, Calicut, Ernakulam and Trichur) between August 1976 and November 1976 for the purchase of vehicles for speedy distribution of consumer articles in rural areas. The Corporation had clarified in their letter dated 30th March 1976 that only these five societies were eligible for the assistance as others were already having vehicles and were, therefore, excluded from the purview of the scheme. It was, however, noticed that two wholesale stores (Calicut and Ernakulam) which were given the assistance also had two and three vehicles respectively and were not eligible for the assistance according to the criterion prescribed by the Corporation. None of the five stores have yet utilised the assistance (December 1977). The Registrar of Co-operative Societies stated (September and December 1977) that the amount sanctioned by the National Co-operative Development Corporation (Rs. 0.24 lakh) was not sufficient to purchase a vehicle and that the Corporation had promised to provide additional assistance upto Rs. 0.36 lakh to each of the societies provided they built up substantial business in a period of three months to consider the question of granting further assistance.

(iii) Two stores hired out vehicles purchased out of the assistance paid under the Centrally Sponsored Scheme and the State Sector Scheme

to private parties without obtaining the prior permission of the Deputy Registrars concerned. The hire charges received by them to end of 1976-77 amounted to Rs. 1.29 lakhs and Rs. 849 respectively.

(5) *Contributions to Special Price Fluctuation Fund*

A scheme to encourage primary, regional and apex marketing societies to undertake purchase of agricultural produce was sanctioned by Government in February 1966. It provided for the creation of a Special Price Fluctuation Fund by each of the societies to compensate them for the losses on account of price fluctuations on out-right purchases. The fund was to be fed every year by contributions from the societies at 10 per cent of their net profits and from Government at 2 per cent of the value of the agricultural produce purchased by the societies in the preceding year. The contributions were to be deposited in a separate bank account to be operated by the societies with the sanction of the Deputy Registrars of Co-operative Societies.

During the period 1965-66 to 1976-77, Rs. 6.41 lakhs were paid to eighteen societies as Government contribution to the fund. A scrutiny of the records relating to the payment of contribution revealed the following:—

(i) Audited accounts of the assisted societies relating to the periods for which Government contribution was paid were not available in the office of the Registrar of Co-operative Societies. It could not, therefore, be verified in audit whether all these societies which earned profit had credited 10 per cent of their net profits to the fund. The Kerala State Co-operative Marketing Federation Limited, Kozhikode which received Government contribution of Rs. 2.08 lakhs during the period 1965-66 to 1968-69 and 1975-76 did not credit 10 per cent of the net profit earned by it during 1965-66 (Rs. 0.82 lakh) and 1974-75 (Rs. 1.57 lakhs) to the fund. Government stated (June 1977) that instructions had been issued to the Federation to credit to the fund a minimum of 10 per cent of the profits earned by it during the previous years. Information as to whether arrears have been credited to the fund by the Federation is awaited (January 1978).

(ii) Under the scheme, the total value of purchases made by a society in a year was not to exceed twice its own funds (paid-up share capital plus reserve fund plus other disposable funds). The value of agricultural produce, purchased by two societies in 1974-75 and one society in 1975-76 was, however, not restricted to twice the funds owned by the societies for the purpose of computing 2 per cent of the value of such purchase as Government contribution to the fund. This resulted in an excess payment of Rs. 0.10 lakh.

Government stated (June 1977) that no ceiling had been fixed limiting the amount of Government contribution to the fund. Reply from Government to a further communication by Audit (July 1977) pointing out the operation of the ceiling limit under the scheme is awaited (March 1978).

(iii) Purchases made by the societies on behalf of Government or Government nominated agencies under any scheme of procurement were to be excluded for determining the value of purchase of agricultural produce made by the societies in a year. One society was, however, paid a contribution of Rs. 0.05 lakh during 1974-75 on the value of outright purchase of cashew-nuts made by it during 1973-74 on behalf of the Kerala State Cashew Development Corporation Limited. It was also seen from a letter (March 1976) from the Deputy Registrar, Palghat, that the society indulged in speculative marketing which disqualified it to receive any contribution under the rules. Government stated (June 1977) that the payment of contribution was made on the certificate of the Deputy Registrar that all the conditions stipulated in the rules had been satisfied.

(iv) The rules issued (February 1966) by Government under the scheme provided that the Deputy Registrars should forward to the Registrar of Co-operative Societies utilisation certificates after the close of each financial year together with an account of the fund showing the opening balance, amounts credited during the year (Societies' and Government contributions) and closing balance at the end of the financial year. No such account was received in the Registrar's office nor did the Registrar call for such accounts from the Deputy Registrars concerned.

(v) Under the scheme, the amounts lying in the fund were to be utilised for meeting the losses arising out of outright purchase and marketing of the agricultural produce immediately after the audit of the accounts of the relevant year was over. Government further clarified in August 1967 that the balances, if any, in the fund after adjusting the losses were to be converted into share capital contribution of Government to the Society concerned. Out of Rs. 6.41 lakhs paid to eighteen societies to the end of 1976-77, Rs. 2.32 lakhs (relating to the period from 1965-66 onwards) remained unutilised (January 1978) by fifteen societies owing to non-submission of proposals by the societies concerned for utilising the funds; information in respect of one society (contribution paid: Rs. 0.53 lakh) was awaited (February 1978). Government stated (June 1977) that strict instructions would be issued by the Registrar of Co-operative Societies to the Deputy Registrars to follow the rules in this regard. The instructions were reported (February 1978) by the Registrar of Co-operative Societies to be under issue.

(6) *Financial assistance for construction of godowns*

Mention was made, *inter alia*, in paragraph 121 of the Audit Report 1969 of non-utilisation by co-operative credit societies and marketing societies of the financial assistance given by Government for construction of godowns, delays in the construction of the godowns and utilisation of completed godowns for purposes other than those for which they were constructed. Dealing with this paragraph, the Public Accounts Committee (1969-70) had recommended, *inter alia*, in paragraph 2.55 of its Third Report, that a survey be conducted to ascertain whether the buildings constructed with financial aid from Government were being used as godowns and, if it was found that they were not being utilised for the purpose for which assistance was given, to consider whether the scheme should be continued. A survey conducted by the department in April-June 1974 revealed that the average utilisation of storage capacity during the twelve months from April 1973 to March 1974 ranged from 20 per cent in Malappuram District to 64 per cent in Kottayam District. Government informed the Public Accounts Committee in October 1975 that though all the godowns constructed had not been utilised fully, the programme of construction of godowns had to be vigorously pursued to build up the necessary infra-structure for the development of agricultural co-operative marketing in order to ensure a better price to the members.

A review of further developments in audit indicated that during the period 1967-68 to 1976-77, 585 co-operative credit societies and 35 marketing societies were paid financial assistance of Rs. 86.30 lakhs (Rs. 60.00 lakhs as loan and Rs. 26.30 lakhs as subsidy) for construction of godowns for storing agricultural produce of members. Of this amount, Rs. 31.66 lakhs (loan: Rs. 19.93 lakhs; subsidy: Rs. 11.73 lakhs) had been sanctioned by Government between 1974-75 and 1976-77 for construction of 216 additional godowns under a scheme sponsored by the National Co-operative Development Corporation, New Delhi. The following points were noticed in this connection:—

(i) No consolidated account showing the number of godowns constructed, the capacity and area of the godowns available, etc., was maintained either in the office of the Registrar of Co-operative Societies or in the Deputy Registrars' offices. In December 1977 the Registrar of Co-operative Societies issued necessary instructions for the maintenance of such a consolidated record by the Deputy Registrars.

(ii) Under the orders issued (August 1975) by the State Government, assistance was to be given for a rural godown constructed by credit/service co-operative societies with a minimum storage capacity of 100 tonnes at a

maximum rate of Rs. 0.15 lakh per godown and for a godown with a minimum capacity of 335 tonnes constructed by a marketing society at a maximum rate of Rs. 0.50 lakh per godown. It was, however, noticed that out of 45 societies in three districts (Ernakulam, Palghat and Trivandrum), which received assistance during 1974-75 and 1975-76, the storage capacity of the godowns constructed by eleven credit/service co-operative societies ranged from 40 tonnes to 90 tonnes only.

(iii) Construction of the godowns was to be completed within one year of the date of receipt of the first instalment of loan and subsidy by the societies. It was noticed that out of 178 societies assisted in 1974-75 and 1975-76, 164 godowns had not been completed till April 1977. The delay in completing construction was attributed (April 1977) by the department to shortage of cement, revision of estimates, change of site, lack of funds, etc.

(iv) According to the information furnished by 831 of the 1,124 societies which received assistance to the end of 1975-76, the godowns constructed by 621 societies were utilised as office-cum-godowns. In six cases (assistance paid: Rs. 0.79 lakh), the godowns were completely utilised for office purposes. One hundred and nineteen societies had rented the godowns to private parties/Government Departments on a monthly rental ranging from Rs. 5 to Rs. 1,087.

(v) The societies were required to insure the godowns constructed with Government assistance against loss or damage by fire for a sum not less than the amount of assistance, within thirty days of the completion of the construction. In 295 cases, the godowns were not insured (March 1977) and in 69 cases, the sum assured was less than the amount of assistance paid by Government. Instructions were issued (August 1977) by the Registrar of Co-operative Societies to the Deputy Registrars to ensure that all godowns were insured as required under the rules. Information whether the godowns had since been insured was awaited (February 1978).

(vi) Eight societies which received assistance totalling Rs. 1.60 lakhs (loan: Rs. 1.20 lakhs and subsidy: Rs. 0.40 lakh) between 1957-58 and 1967-68 were under liquidation and three other societies which received assistance of Rs. 0.57 lakh (loan: Rs. 0.43 lakh and subsidy: Rs. 0.14 lakh) between 1962-63 and 1975-76 were dormant. Rupees 0.53 lakh were due (January 1978) from four of these societies as repayment of loan advanced to them for the construction of the godowns.

(vii) Out of 744 godowns in respect of which information was made available to audit, 140 godowns during 1974-75 and 121 godowns during 1975-76 remained unutilised. Government stated (June 1977) that the non-utilisation of godowns by the agriculturists was mainly due to the ineffectiveness of the system of linkage of credit with marketing.

CHAPTER VIII
**OUTSTANDING AUDIT OBSERVATIONS AND INSPECTION
 REPORTS**

8.1. Outstanding audit observations

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

The following table shows the number of audit observations issued upto the end of March 1977 and outstanding at the end of September 1977, as compared with the corresponding position indicated in two preceding reports:-

	<i>As at the end of September 1975</i>	<i>As at the end of September 1976</i>	<i>As at the end of September 1977</i>
Number of observations	35,397	35,600	29,884
Amount (in crores of rupees)	27.47	29.78	33.85

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

<i>Year</i>	<i>Items</i>
Prior to 1-4-1968	161
1968-69	183
1969-70	255
1970-71	463
1971-72	971
1972-73	990
1973-74	1,882
1974-75	3,570
1975-76	6,493
1976-77	14,916
Total	29,884

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

<i>Sl. No.</i>	<i>Department</i>	<i>Number</i>	<i>Amount (in lakhs of rupees)</i>
1.	Revenue	1,536	639.21
2.	Health	7,258	612.42
3.	Industries	1,329	454.82
4.	Agriculture	4,697	422.35
5.	Local Administration and Social Welfare	3,624	279.59
6.	Water and Power	1,871	271.65
7.	Education	1,645	204.27
8.	Public Works	1,354	154.80
9.	Food	673	115.17

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

<i>Sl. No.</i>	<i>Nature of observations</i>	<i>Number</i>	<i>Amount (in lakhs of rupees)</i>
1.	Payees' receipts not received	14,342	1,582.97
2.	Detailed contingent bills for lumpsum drawals not received	7,788	1,009.90
3.	Agreements with contractors/suppliers not received	218	125.60
4.	Sanctions not received for contingent and miscellaneous expenditure	760	85.18

(d) A sizeable portion of the total outstanding is due to non-submission of payees' receipts. The departments with comparatively heavy outstandings on this account were:-

<i>Sl. No.</i>	<i>Department</i>	<i>Number</i>	<i>Amount (in lakhs of rupees)</i>
1.	Health	2,957	445.20
2.	Industries	857	365.60
3.	Agriculture	2,492	269.12
4.	Local Administration and Social Welfare	1,800	140.63
5.	Revenue	640	101.81
6.	Water and Power	949	64.70
7.	Home	576	48.00
8.	Education	664	38.16
9.	Public Works	690	37.49

(c) The facility of drawing amounts as advances on abstract contingent bills by disbursing officers is intended to expedite payments in certain cases, but they are to be followed by detailed contingent bills (containing full particulars of expenditure with supporting sub-vouchers and payees' receipts) which should be sent to the Audit Officer by the 20th of the month succeeding the month to which the abstract contingent bills relate. Rupees 1,009.90 lakhs are held under observation due to non-receipt of detailed contingent bills in the Audit Office. The departments with comparatively heavy outstandings are mentioned below:-

<i>Sl. No.</i>	<i>Department</i>	<i>Number</i>	<i>Amount (in lakhs of rupees)</i>
1.	Revenue	775	532.68
2.	Health	2,995	132.38
3.	Food	166	93.00
4.	Industries	252	50.62
5.	Education	715	46.88
6.	Development	804	44.56
7.	Agriculture	610	43.68
8.	Local Administration and Social Welfare	737	26.44
9.	Public Works	50	20.11

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

(f) As at the end of September 1977, Rs. 125.60 lakhs were held under observation due to non-receipt of agreements with contractors/suppliers. The departments with comparatively heavy outstandings are indicated below:-

<i>Sl. No.</i>	<i>Department</i>	<i>Number</i>	<i>Amount (in lakhs of rupees)</i>
1.	Local Administration and Social Welfare	60	21.93
2.	Public Works	57	46.30
3.	Water and Power	75	50.11

(g) The financial rules of Government require that a copy of every order sanctioning expenditure should be sent to the Audit Officer by the authority which accords sanction to the expenditure. In the absence of sanctions, it cannot be verified in audit whether the amounts drawn were duly authorised by competent authority. As at the end of September 1977, Rs. 85.18 lakhs were held under observation due to non-receipt of sanctions to contingent and miscellaneous expenditure.

The departments with comparatively heavy outstandings are mentioned below:—

<i>Sl. No.</i>	<i>Department</i>	<i>Number</i>	<i>Amount (in lakhs of rupees)</i>
1.	Agriculture	178	29.10
2.	Health	124	20.05
3.	Education	124	10.32
4.	Development	134	9.28

8.2. Outstanding inspection reports

Audit observations on financial irregularities and defects in initial accounts noticed during local audit and not settled on the spot, are communicated to Heads of offices and to the next higher departmental authorities through audit inspection reports. The more important irregularities are reported to the Heads of Departments and the Government. Government has prescribed that first replies to inspection reports should be sent within four weeks.

At the end of September 1977, 6,141 inspection reports issued up to March 1977 were not settled fully as shown below with corresponding figures for the earlier two years:—

	<i>As at the end of September 1975</i>	<i>As at the end of September 1976</i>	<i>As at the end of September 1977</i>
Number of inspection reports	4,537	5,154	6,141
Number of paragraphs	15,214	17,864	21,814

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

<i>Sl. No.</i>	<i>Departments dealing with inspection reports</i>	<i>Total number outstanding</i>		<i>Number outstanding for over three years</i>	
		<i>Inspection reports</i>	<i>Paragraphs</i>	<i>Inspection reports</i>	<i>Paragraphs</i>
1.	Taxes (Sales Tax, Agricultural Income Tax, Excise, Stamps and Registration and Lotteries)	2,057	10,276	451	1,733
2.	Local Administration and Social Welfare	961*	1,671	63	90
3.	Revenue	459*	1,532	77	130
4.	Health	465	1,398	150	333
5.	Education	429	858	123	222
6.	Development	385*	1,155	124	250
7.	Forest	253*	788	81	167
8.	Water and Power	184*	551	70	126
9.	Agriculture	166	514	65	182
10.	Public Works (Buildings and Roads)	113*	416	52	115
11.	Public Health	110	332	41	74

* Includes inspection reports relating to revenue receipts.

Of the reports outstanding at the end of September 1977, 3,358 reports related to revenue receipts, 2,780 to civil departments and 3 to commercial undertakings/activities. These included 441 inspection reports (280 relating to civil departments, 160 relating to revenue receipts and one relating to a commercial undertaking), first replies in respect of which had not been received till the end of September 1977.

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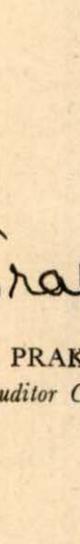
The 30 MAY 1978

R. k. a. 

(R. K. A. SUBRAHMANYA)

Accountant General, Kerala.

Countersigned



New Delhi,

The 3 JUNE 1978

(GIAN PRAKASH)

Comptroller and Auditor General of India.

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APPENDICES

APPENDICES

APPENDIX I

Utilisation certificates

(Reference: paragraph 1.14—pages 28-29)

Department	Due		Received		Outstanding		Oldest period to which the certificates due relate
	Number	Amount (in lakhs of rupees)	Number	Amount (in lakhs of rupees)	Number	Amount (in lakhs of rupees)	
Agriculture Department							
Animal Husbandry	83	0.59	68	0.30	15	0.29	1962-63
Co-operation	761	74.00	74	6.92	687	67.08	1969-70
Forest	8	0.48	4	0.24	4	0.24	1972-73
Development Department							
Fisheries	69	1.63	41	0.41	28	1.22	1973-74
Harijan Welfare	7,656	156.07	1,553	46.59	6,103	109.48	1962-63
Education Department							
Higher Education	40	55.84	6	1.76	34	54.08	1972-73
Art and Culture	195	46.44	18	1.33	177	45.11	1968-69
Health Department							
Medical	24	25.08	14	23.40	10	1.68	1973-74
Public Health	10	1.74	3	0.13	7	1.61	1968-69
Home Department	170	3.83	152	3.25	18	0.58	1963-64
Industries Department							
Industries	41	4.02	16	2.07	25	1.95	1971-72
Small Scale Industries	278	152.49	34	15.61	244	136.88	1972-73
Local Administration and Social Welfare Department							
Urban Development	99	110.59	44	48.40	55	62.19	1974-75
Housing	468	138.17	53	20.23	415	117.94	1974-75
Panchayats	21	185.47	..	132.79	21	52.68	1974-75
Planning and Economic Affairs Department	2	0.20	2	0.20	..	..	..
Public Department	8	0.59	4	0.31	4	0.28	1973-74
Revenue Department	1	0.02	..	..	1	0.02	1975-76
Total	9,934	957.25	2,086	303.94	7,848	653.31	

APPENDIX II

Grants and charged appropriations where the savings (more than Rs. 2 lakhs in each case) were more than 10 per cent of the total provision

(Reference: paragraph 2.4 (iii)—page 39)

Sl. No.	Number and name of grant	Charged/ Voted	Total grant/ appropriation	Saving	Percentage of saving to the total provision
(in lakhs of rupees)					
REVENUE SECTION					
1.	IV Election	Voted	75.64	15.75	20.8
2.	V Agricultural Income Tax and Sales Tax	"	326.87	68.95	21.1
3.	XIV Stationery and Printing and Other Administrative Services	"	353.17	58.90	16.7
4.	XVI Pensions and Miscellaneous	Charged	36.28	7.88	21.7
5.	XVII Education, Art and Culture	Charged	12.01	6.07	50.5
6.	XXI Public Health Engineering	Voted	686.57	194.06	28.2
7.	XXII Housing	"	371.44	85.70	23.1
8.	Do.	Charged	4.00	3.98	99.5
9.	XXIV Information and Publicity	Voted	26.30	5.56	21.1
10.	XXIX Miscellaneous Economic Services	"	1,385.95	199.65	14.4
11.	XXX Agriculture	"	1,547.02	181.25	11.7
12.	XXXI Food	"	125.27	39.80	31.8
13.	XXXII Animal Husbandry	"	616.98	174.86	28.3
14.	XXXIII Dairy	"	268.16	164.02	61.2
15.	XXXIV Fisheries	"	282.24	73.55	26.1
16.	Do.	Charged	34.95	9.95	28.5
17.	XLIII Compensation and Assignments	Voted	52.00	5.63	10.8
CAPITAL SECTION					
18.	XV Public Works	Voted	868.65	91.61	10.5
19.	XXX Agriculture	"	937.79	213.80	22.8
20.	XXXI Food	"	598.74	330.80	55.2

APPENDIX II—*Concl.*

<i>Sl. No.</i>	<i>Number and name of grant</i>	<i>Charged/ Voted</i>	<i>Total grant/ appropriation</i>	<i>Saving</i>	<i>Percentage of saving to the total provision</i>
<i>(in lakhs of rupees)</i>					
21.	XXXI Food	<i>Charged</i>	5.00	4.40	88.0
22.	XXXII Animal Husbandry	<i>Voted</i>	8.15	3.94	48.3
23.	XXXIV Fisheries	„	97.55	51.40	52.7
24.	XXXV Forest	„	109.51	12.46	11.4
25.	XXXIX Power	„	432.00	72.48	16.8
26.	XL Ports	„	132.65	65.22	49.2
27.	XLV Miscellaneous Loans and Advances	„	341.10	37.69	11.00

APPENDIX III

**Major schemes where provision remained substantially or wholly
unutilised**

[Reference: paragraph 2.4 (iv)—page 39]

Sl. No.	Department/grant number and head/scheme	Provision	Saving and its percentage	Reasons for saving and remarks
(in lakhs of rupees)				
1.	Education (Technical)— 277.F. (g) 6. Starting of C.S.I.R. Laboratory	20.00	20.00 (100%)	Non-finalisation of land acquisition proceedings.
2.	Revenue—XXIX—304(a) 5. Annuity to religious, charitable and educational institutions of a public nature under the Kerala Land Reforms Act, 1963	100.00	47.93 (48%)	Shortfall in the number of applications for interim annuity and procedural delay in settling claims.
3.	Revenue—XXIX—304(a) 6. Payment of compensation for the lands in excess of the ceiling under the Kerala Land Reforms Act, 1963.	25.00	22.52 (90%)	Actual requirement was reportedly less than the amount estimated
4.	Agriculture—XXX—505(c) 1. Manure Supply Scheme	427.13	414.61 (97%)	Non-acceptance of pool fertilisers allotted by the Government of India as there was decline in consumption due to high price.
5.	Agriculture—XXX—505(d) 1. Purchase and sale of Plant Protection Chemicals	50.00	23.96 (48%)	Less requirement from district level officers
6.	Food—XXXI—309 (c) 3. Special Nutrition Programme	27.00	24.91 (92%)	Post budget decision to reduce the target to 50% , delay in starting new centres and use of World Food Programme commodities as nutrition component.
7.	Food—XXXI—509 (a) 1. Grain Supply Scheme	597.72	330.78 (55%)	Large scale levy concessions granted and reduction in rates of levy.

APPENDIX III—*Concl'd.*

<i>Sl. No.</i>	<i>Department/grant number and head/scheme</i>	<i>Provision</i>	<i>Saving and its percentage</i>	<i>Reasons for saving and remarks</i>
		<i>(in lakhs of rupees)</i>		
8.	Industries—XXXVII—522(a) 1. Steel Industries Kerala Limited	60.00	49.33 (82%)	Delay in finalising the project of the Steel Industrials Kerala, Ltd., because of the decision to shift its location from Trichur to Alleppey.
9.	Industries—XXXVII—722 (b) 3. Loans to Steel Industries	20.00	20.00 (100%)	do.
10.	Water and Power (Irrigation)—XXXVIII 533A(i) Periyar Valley Project— Works	343.12	79.26 (23%)	Diversion of funds for meeting additional requirements mainly under Pazhassi, Kallada, Kanjirapuzha and Chitturpuzha projects.
11.	Water and Power—(Irrigation)—XXXVIII 533 B(v) Chemoni-Mupli Scheme— Works	74.77	58.38 (78%)	Delay in starting the Project Division with full complement of staff and arranging execution of work
12.	Water and Power (Irrigation)—XXXVIII 533 B(x) Muvattupuzha Project— Works	79.57	39.87 (50%)	Retarded progress of works caused by longer monsoon season and belated receipt of machinery required for execution of works.
13.	Water and Power (Irrigation)—XXXVIII 533 B (t) Idamalayar Project— Works	37.38	37.07 (99%)	Delay in construction of Idamalayar dam by the Kerala State Electricity Board.
14.	Water and Power (Electricity)—XXXIX 734 (a) 8. Ways and Means Advances to Kerala State Electricity Board.	200.00	100.00 (50%)	Limiting the ways and means advance during the year to Rs. 100 lakhs.

APPENDIX IV

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

(Reference: paragraph 3.12—pages 95-96)

<i>Department</i>	<i>Number</i>	<i>Amount</i> (in lakhs of rupees)
Revenue	40	6.23
Development	23	2.34
Health	19	0.43
Public Works	23	18.53
Agriculture	24	4.21
Local Administration and Social Welfare	12	8.90
Taxes	9	0.45
Industries	5	0.31
Higher Education	16	2.26
General Education	13	5.47
Finance	10	1.95
Home	4	0.16
Food	2	0.73
Public	1	0.12
Labour	1	0.32
Total	202	52.41

APPENDIX V

Writes off, waivers and ex-gratia payments

(Reference: paragraph 3.13—page 96)

Sl. No.	Name of Department	Writes off		Waiver		Ex-gratia payments	
		Items	Amount Rs.	Items	Amount Rs.	Items	Amount Rs.
1.	Agriculture	858	3,18,380	8	23,435	3	6,800
2.	Revenue	11	36,208	8	99,445	..	..
3.	General Education	14	16,730	3	810	..	..
4.	Higher Education	2	2,676	..	..	..	..
5.	Development	12	22,369	1	27,000	4	13,500
6.	Industries	9	12,604	3	1,08,386(A)	2	3,109
7.	Health	25	1,14,609	..	..	2	12,619
8.	Law	5	12,899	..	..	..	..
9.	Home	16	6,567	..	..	25	78,156
10.	Election	3	894	..	..	..	..
11.	Public Works and Electricity	33	2,42,374	..	..	..	..
12.	Finance	3	24,207	..	..	99	1,37,925
13.	Water & Transport	60	36,695	1	4,204	..	..
14.	Taxes	5	2,26,080	1	33	..	..
15.	Local Administration & Social Welfare	2	1,06,690(B)	2	3,15,576(C)	..	..
16.	Labour	16	9,027	3	612	..	..
17.	Public	20	3,247	..	..	51	82,500
18.	General Administration	4	956	..	..	..	..
	Total	1,098	11,93,212	30	5,79,501	186	3,34,609

- (A) Includes Rs. 98,480 being interest (including penal interest) on loans issued (to recoup 50 per cent of the loss incurred in a fire accident in March 1968) to 25 weavers' co-operative societies in Trichur.
- (B) Includes Rs. 1,06,000 due from the colonists of Pichanattukulam colony in Vakathanam Panchayat in Kottayam District, towards repayment of loans granted under the Village Housing Project Scheme.
- (C) (i) Includes Rs. 31,576 being interest and penal interest due on the loans mentioned at (B) above.
- (ii) Includes Rs. 2,84,000 being project allowance paid to the staff of the Public Health Engineering Department during the period 1st October 1967 to 4th August 1968 which was not admissible as this allowance sanctioned by Government was payable to the staff employed on investigation works of the Public Works Department only.

APPENDIX VI

(Reference : paragraph 4.18—pages 129-130)

(a) Cases where alternate arrangements for the execution of balance works have not been made.

Sl. No.	Name of work	Name of Division	Value of the original contract (in lakhs of rupees)	Date of cancellation of original contract	Expenditure already incurred on the work (in lakhs of rupees)
1.	Construction of staff quarters for fire service training school at Fort Cochin	Buildings and Roads Division, Ernakulam	1.56	May 1975	1.10
2.	Improvements to the road from Pazhayidam to Chenapady	Buildings and Roads Division, Kottayam	1.16	May 1975	0.37
3.	Improvements to Muttar Central road	Buildings and Roads Division, Alleppey	4.58	February 1976	1.33
4.	Reconstructing a bridge at 2/400 of Chathannoor-Paravoor road	Buildings and Roads Division, Quilon	1.02	September 1975	0.15

(b) Cases where the liabilities of the contractors have not been fixed.

Sl. No.	Name of work	Name of Division	Date of cancellation of original contract	Date of award of balance work on fresh contract	Period of delay
1.	Opening a road from Karamana to Jagathy via Parachira dam	Buildings and Roads Division, Trivandrum	November 1974	February 1975 (work completed in November 1975)	More than two years
2.	Lift irrigation scheme, Anakara	Minor Irrigation Division, Palghat	November 1968	December 1969	More than 8 years
3.	Rural water supply scheme to Iritty (Augmentation)	Public Health Division, Cannanore	May 1976	June 1976	More than one year
4.	Laying 40 cm. cast iron pipes from Thirumala Pallimukku Junction to Kunnappuzha Junction and 20 cm. cast iron pipes from Pallimukku Junction to Pangode bridge	Water Supply Project Division No. II, Trivandrum	November 1975	February 1976	More than one year

1812
The first of the year was a very cold one, and the snow lay on the ground for several weeks.

The weather was very disagreeable, and the snow lay on the ground for several weeks.

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(c) Cases of delay of more than a year in determination of liability

<i>Sl. No.</i>	<i>Name of work</i>	<i>Name of Division</i>
1.	Construction of a bridge at L. S. 690	Buildings and Roads Division, Alleppey
2.	Improvements to Edathua-Thakazhy road	Buildings and Roads Division, Alleppey
3.	Providing chipping carpet to miles 5/0 to 7/0 and 7/0 to 8/0 of Kumbazha-Kozhencherry road	Buildings and Roads Division, Quilon
4.	Construction of Arikkanchira bridge on Mangathiri-Peravanna road	Special Buildings Division, Calicut
5.	Construction of two storeyed additional building for Sree Swathi Thirunal College of Music	Buildings and Roads Division, Trivandrum
6.	Opening a canal from Trikkurchira to Manjamkuzhy	Irrigation Division, Trichur
7.	Rural water supply scheme to Padanathode in Pallikunnu Panchayat	Public Health Division, Cannanore
8.	Rural water supply scheme to Ulikkal Bazar	Public Health Division, Cannanore

VI—*Concl.*
of the original contractor

<i>Date of cancellation of original contract</i>	<i>Date of award of balance work</i>	<i>Date of determination of liability</i>	<i>Amount of liability fixed (in lakhs of rupees)</i>	<i>Period of delay</i>
March 1967	February 1971	January 1975	0.34	About four years
October 1974	April 1975	May 1976	0.38	Over one year
October 1967	1969	March 1974	0.11	More than five years
February 1974	June 1974	June 1976	1.38	Two years
February 1970	1971-72	October 1976	0.28	Over four years
July 1965	January 1973	March 1976	0.42	Over three years
October 1975	December 1975	December 1977	0.04	Two years
September 1975	November 1975	December 1977	0.03	Over two years

APPENDIX VII

Synopsis of stores and stock accounts (1976-77)

(Reference: paragraph 5.1—page 131)

Sl. No.	Department or other particulars	Nature of stores	Opening balance as on 1st April 1976	Receipts	Issues	Closing balance as on 31st March 1977
(in lakhs of rupees)						
A. PUBLIC WORKS AND ELECTRICITY DEPARTMENT						
1.	Buildings and Roads and District Stores	Building materials	134.73	394.39	568.23	(—)39.11
B. WATER AND TRANSPORT DEPARTMENT						
2.	Irrigation and Projects	Building materials	42.84	403.17	447.90	(—)1.89
C. CIVIL DEPARTMENTS						
AGRICULTURE DEPARTMENT						
3.	Dairy Development	Milk cans, milk & ghee bottles, aluminium foil, livestock, cattle feed, etc.	7.69	1.04	8.73	Nil
4.	Forest	Felled timber and other forest produce, livestock, other stores, etc.	1,439.50	3,813.52	3,320.86	1,932.16

(a) The opening balance has been revised adopting the balance as per the divisional accounts.

(b) The issues include Rs. 7.77 lakhs being the value of stores relating to five institutions under the control of the department transferred (May 1976 and June 1976) to the Kerala Livestock Development and Milk Marketing Board with all their assets and liabilities as per Government orders issued in April 1976 and May 1976.

(c) Includes Rs. 160.44 lakhs being the appreciation in value of felled timber and livestock due to revaluation.

(d) Includes Rs. 2.30 lakhs being the depreciation on felled timber and livestock.

APPENDIX VII—Contd.

Sl.No.	Department or other particulars	Nature of stores	Opening balance as on 1st April 1976	Receipts	Issues	Closing balance as on 31st March 1977
<i>(in lakhs of rupees)</i>						
EDUCATION DEPARTMENT						
5.	Government Presses	Consumable stores, types and type metal, binding materials, publications, forms, etc.	109.69	(e) 87.78	(f) 85.85	111.62
6.	Stationery Stores, Trivandrum, Ernakulam, Shoranur and Kozhikode	Paper, boards, books and envelopes, binding materials, ink, ribbon, machine spares, etc.	106.13	(g) 121.52	(h) 118.52	109.13
HOME DEPARTMENT						
7.	Jails					
	(i) Maintenance Section	Dietary articles, garden produce, clothing and bedding, medicines and surgical instruments, arms and ammunition, livestock, etc.	5.84	49.46	47.79	(hh) 7.51
	(ii) Manufactory Section	Raw materials, finished goods, tools and plant, etc.	10.47	29.34	(j) 25.54	14.27
LOCAL ADMINISTRATION AND SOCIAL WELFARE DEPARTMENT						
8.	Public Health Engineering Stores	Pipes and other sanitary fittings, building materials, etc.	332.22	353.46	262.06	423.62

(e) Includes Rs. 0.03 lakh being the appreciation in value due to revaluation of types, type metal and publications and Rs. 0.07 lakh being the value of stores found in excess.

(f) Includes Rs. 2.02 lakhs being the depreciation, shortages, etc., of consumable stores (Rs. 0.03 lakh) and publications (Rs. 1.99 lakhs).

(g) Includes Rs. 5.72 lakhs being the appreciation in value due to revaluation.

(h) Includes Rs. 0.39 lakh on account of depreciation due to revaluation. The shortage of one Malayalam type-writer pointed out (October 1977) by Audit is to be investigated by the department.

(hh) Does not include value of arms and ammunitions kept in sub-jails and other

(j) Includes Rs. 0.06 lakh being the depreciation in value of tools and plant.

APPENDIX VII—Concl.

<i>Sl.No.</i>	<i>Department or other particulars</i>	<i>Nature of stores</i>	<i>Opening balance as on 1st April 1976</i>	<i>Receipts</i>	<i>Issues</i>	<i>Closing balance as on 31st March 1977</i>
<i>(in lakhs of rupees)</i>						
TAXES DEPARTMENT						
9.	Central Stamp Depot, Trivandrum.	Stamps	623.03	1,973.01	1,061.83	1,534.21 (k)
10.	Non-postal stamps (held in treasuries)	Judicial and non-judicial stamps	5,548.94	16,163.28	5,213.25	16,498.97
HEALTH DEPARTMENT						
11.	Government Medical Stores, Trivandrum and District Medical Stores	Medicines and dressings, equipment, instruments and appliances, bedding, clothing and uniforms and laboratory requisites	231.62	348.19	345.21	234.60 (l)
INDUSTRIES DEPARTMENT						
12.	Director of Industries and Commerce	Raw materials, equipment, machinery, etc., in Research-cum-Designs Centre, Trivandrum and Demonstration-cum-Training Centre, Trivandrum	4.17	0.31	2.22 (m)	2.26 (l)

(k) The closing balance includes Refugee Relief Revenue stamps worth Rs. 8.91 lakhs and Refugee Relief Special Adhesive stamps worth Rs. 0.37 lakh which are not current. The obsolete Refugee Relief Revenue stamps were returned to the Controller of Stamps, Nasik in June 1977. Orders of the State Government for the disposal of the Refugee Relief Special Adhesive stamps were awaited (February 1978).

The closing balance also includes Rs. 0.06 lakh being the value of stamps found short.

(l) The figures are provisional subject to verification during local audit.

(m) The issues (Rs. 2.22 lakhs) include Rs. 2.11 lakhs being the value of stores relating to four centres transferred to the control of the Industries Development Commissioner with effect from April 1976.

APPENDIX VIII

Stores and stock accounts not received/not certified being defective

(Reference: paragraph 5.1—page 131)

<i>Sl. No.</i>	<i>Department</i>	<i>Officer from whom the stock accounts/ revised stock accounts are due</i>	<i>Nature of stores</i>	<i>Period for which stock accounts have not been received</i>	<i>Period for which stock accounts have not been certified</i>
1.	Agriculture	Director of Agriculture	Plant protection materials and equipment, agricultural implements and appliances, fertilisers, manures, seeds, grafts and other farm produce	1976-77	—
2.	Do.	Director of Animal Husbandry	Livestock, eggs, feeds, equipment and instruments, medicines and chemicals	—	1976-77
3.	Development	State Port Officer	Paints, iron materials, fuel oil and lubricants, wire, nylon and coir ropes, spare parts of departmental crafts and other items	1975-76 and 1976-77 and revised stock accounts for 1973-74 and 1974-75	..
4.	Do.	Director of Fisheries	Apparatus, chemicals, nylon yarns, spare parts of marine diesel engines and diesel engines	1975-76 and 1976-77 and revised stock accounts for 1974-75	..
5.	Do.	Director of Harijan Welfare	Tools and plant, equipment, raw materials, manufactured articles and furniture	1976-77 and revised stock accounts for 1975-76	..

APPENDIX VIII—Contd.

<i>Sl.No.</i>	<i>Department</i>	<i>Officer from whom the stock accounts revised stock accounts are due</i>	<i>Nature of stores</i>	<i>Period for which stock accounts have not been received</i>	<i>Period for which stock accounts have not been certified</i>
6.	Home (Police) ..	Inspector General of Police	Clothing items, miscellaneous items like time-piece, ground sheet, Asoka emblem, whistle, number plates, etc., arms, ammunitions and wireless goods	1976-77 and revised stock accounts for 1975-76	..
	Health				
7.	Health .. Transport Wing of the Department of Health Services	Director of Health Services	Tyres, tubes, batteries, vehicle spare parts, consumable and general stores, tools and plant	1975-76 and 1976-77 and revised stock accounts for 1973-74 and 1974-75	..
8.	Department of Homoeopathy	Director of Homoeopathy	Medicines, dietary articles and fuel	..	1975-76. The accounts for 1976-77 also not certified pending receipt of revised accounts for 1975-76.
9.	Department of Indigenous Medicine	Director of Indigenous Medicine	Medicines, dietary articles, fuel, raw materials, prepared medicines, Pharmacognosy publications, printing papers, chemicals and laboratory materials, glass-ware and other perishable articles,	..	1975-76 and 1976-77

APPENDIX VIII—Concl'd.

<i>Sl.No.</i>	<i>Department</i>	<i>Officer from whom the stock accounts revised stock accounts are due</i>	<i>Nature of stores</i>	<i>Period for which stock accounts have not been received</i>	<i>Period for which stock accounts have not been certified</i>
			garden implements, hospital appliances, linen and bedding, uniform and artists' materials		
10.	Employees' State Insurance Scheme	Administrative Medical Officer, Employees' State Insurance Scheme	Medicines, tincture opium, instruments, linen articles, laboratory chemicals and dressings	..	1974-75. The stock accounts for 1975-76 and 1976-77 also not certified pending receipt of revised accounts for 1974-75.
11.	Industries	Industries Development Commissioner	Handkerchieves, clothing, pillow cases, cushion covers, tools, raw materials and machinery	1976-77	..
12.	Revenue	Secretary, Board of Revenue, Trivandrum	Clothing and miscellaneous items	1975-76 and 1976-77	..
13.	Excise	do.	Opium and ganja	1976-77	..

APPENDIX

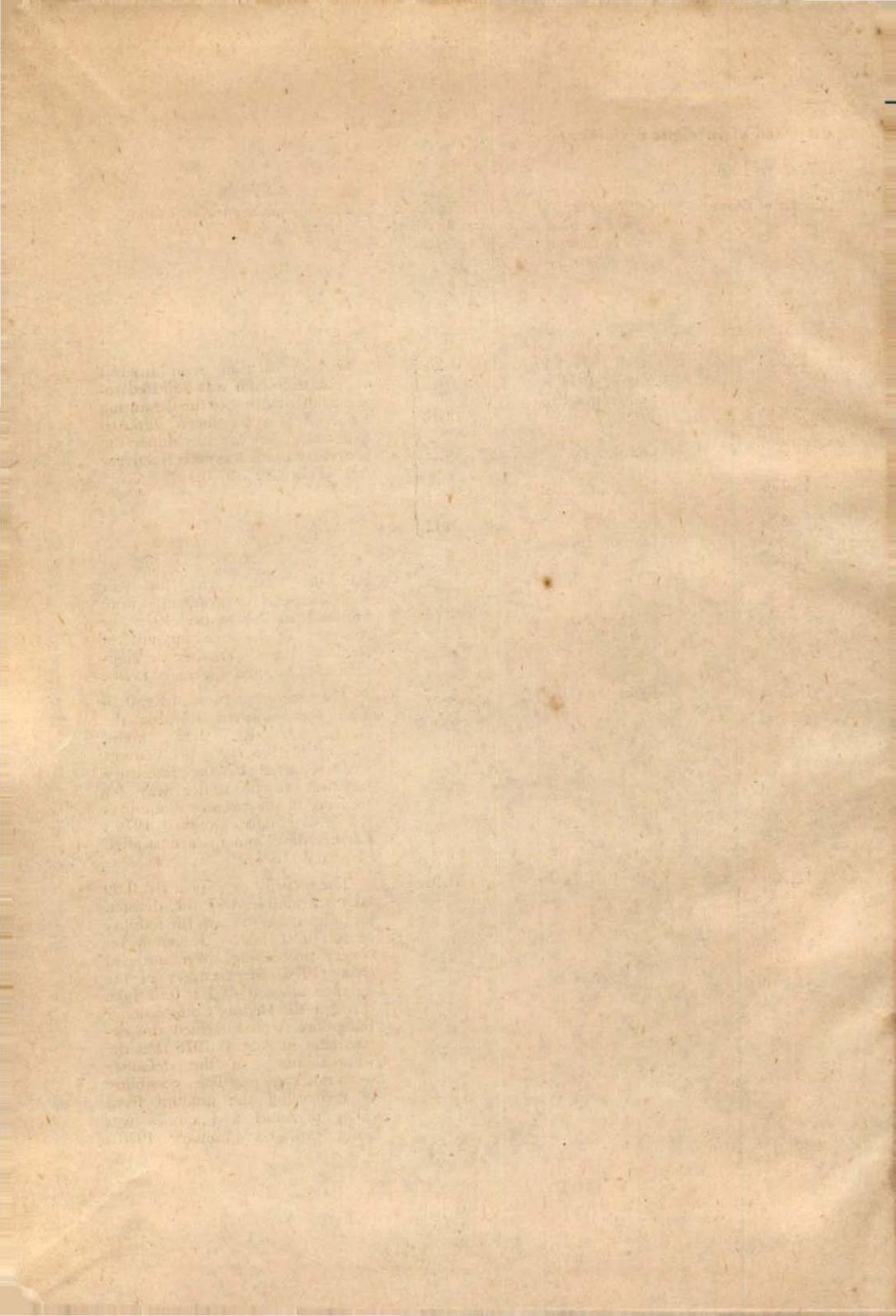
Statement showing the details of empty tar drums

Name of Division	Date of award of contract	Total number of drums to be sold	(Reference: paragraph)	
			Value of contracts initially accepted (in lakhs of rupees)	Number of drums lifted by the successful bidder
1. Buildings & Roads Division, Cannanore	July 1971	24,133	2.77	10,180
2. Buildings & Roads Division, Calicut	July 1971	21,752	1.38	17,905
3. Buildings & Roads Division, Palghat	July 1971	26,643	1.99	12,641
4. Buildings & Roads Division, Manjeri	July 1971	26,384	1.52	8,208
5. Special Buildings Division, Calicut	July 1971	379	0.03	Nil
6. Buildings & Roads Division, Quilon	May 1974	24,262	4.47	5,035
7. Buildings & Roads Division, Trivandrum	September 1974	22,222	4.02	5,644
8. Buildings & Roads Division, Kottayam	April 1975	14,604	2.22	1,815
Total		1,60,379		61,428

disposed of in eight divisions

5.3—page 136)

<i>Number of drums not lifted</i>	<i>Date of award of fresh contract/ date of disposal of drums not lifted</i>	<i>Less realisation as assessed by department (in lakhs of rupees)</i>	<i>Present position of action taken against the defaulting bidders</i>
13,953	June 1973 and August 1974 to September 1975	0.25	Security deposit with interest of Rs. 0.21 lakh was adjusted towards the liability of the defaulting firm. Action has been initiated to recover the amount under the provisions of the Revenue Recovery Act (February 1978).
3,847	January 1973	0.08	
14,002	October 1972	0.22	
18,176	December 1972	0.52	
379	June 1973 to January 1975	0.02	
19,227	June 1975	1.57	Earnest money deposit of Rs. 0.18 lakh was forfeited. Revenue recovery proceedings were initiated in November 1975 for recovery of balance amount of Rs. 1.39 lakhs. Further developments are awaited (January 1978).
16,578	February 1976	1.17	The security deposit of Rs. 0.16 lakh was adjusted towards the liability of Rs. 1.17 lakhs. Revenue recovery proceedings were reported by the Executive Engineer to be under way for recovery of the balance amount of Rs. 1.01 lakhs (August 1976). Further developments are awaited (January 1978).
12,789	July 1976	0.91	The security deposit of Rs. 0.09 lakh is available with the division for adjustment towards the liability of Rs. 0.91 lakh. Revenue recovery proceedings were initiated (May 1976) for recovery of the balance amount of Rs. 0.82 lakh through the Deputy Commissioner Bangalore, who informed the department in August 1976 that the whereabouts of the defaulter were not known. The possibility of recovering the amount from other divisions and circles was being explored (January 1978).
98,951		4.74	



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1978

PRINTED BY THE S. G. P. AT THE GOVERNMENT PRESS,
TRIVANDRUM, 1978.

