REPORT

OF

THE COMPTROLLER

AND

AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 1997

NO.3

(CIVIL)

GOVERNMENT OF KERALA

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PREFATORY REMARKS

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

The present Report relates mainly to matters arising from the Appropriation Accounts for 1996-97 and other points arising from audit of financial transactions of the Government of Kerala. It also includes certain points of interest arising from the Finance Accounts for 1996-97. The following audit reviews are, inter alia, included in this Report:

• *Working of Factories and Boilers Department*	*Labour and Rehabilitation Department*
• *Karapuzha Irrigation Project*	*Irrigation Department*
• *Functioning of Ayurveda Colleges and Hospitals*	*Health and Family Welfare Department*
• *Sanction, procurement and utilisation of vehicles in Health Services Department*	*- do -*
• *Working of Agency for Development of Aquaculture, Kerala*	*Fisheries and Ports Department*
• *Working of Agency for Non-conventional Energy and Rural Technology*	*Science, Technology and Environment Department*

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

The cases mentioned in the present Report are among those which came to notice in the course of test audit of accounts during 1996-97 as well as those which had come to notice in earlier years but could not be included in previous Reports; matters relating to the period subsequent to 1996-97 have also been included, wherever considered necessary.

OVERVIEW

This Report includes two chapters containing the observations of Audit on the State's Finance and Appropriation Accounts for the year 1996-97 and five chapters, comprising of six audit reviews and fortyeight paragraphs based on the audit of certain selected schemes, programmes, projects and financial transactions of the Government. A synopsis of the major findings is set out in this overview.

1. *Accounts of the State Government*

- *During 1996-97, total revenue receipts and expenditure of the Government of Kerala were Rs 6145.08 crore and Rs 6788.11 crore respectively, resulting in a revenue deficit of Rs 643.03 crore. Taking into account the capital deficit of Rs 40.59 crore, the net deficit in Consolidated Fund shot up to Rs 683.62 crore. The capital account in the Consolidated Fund showed a deficit during 1996-97 for the first time in the past 5 years.*

- *Revenue receipts increased from Rs 5423.56 crore in 1995-96 to Rs 6145.08 crore in 1996-97. Though the revenue growth in absolute terms was Rs 721.52 crore, the rate of growth had slumped in 1996-97 to 13 per cent from 16 per cent in the previous year. The revenue receipts fell short of the revised estimates by Rs 320.17 crore in 1996-97. While 63 per cent of revenue receipts comprised of tax revenue (Rs 3898.50 crore) raised by Government non-tax revenue mobilised was 8 per cent only (Rs 513.80 crore).*

- *The non-tax revenue collections had a negative growth rate of 4.05 per cent in 1996-97 as against the rate of growth of 35 per cent in 1995-96. Similarly, the rate of growth in respect of tax revenue also decreased to 15 per cent in 1996-97 from 21 per cent registered in 1995-96.*

- *The flow of funds from Government of India towards State's share of Union taxes and duties registered a steady increase from Rs 687 crore in 1992-93* *to Rs 1243 crore in 1996-97. However, the amount of Central grants which was Rs 633 crore in 1994-95 had declined to Rs 468 crore in 1995-96 and Rs 490 crore only in 1996-97.*

- *Revenue expenditure (Rs 6788.11 crore) constituted 88 per cent of the total expenditure of Government (Rs 7751.66 crore) incurred on revenue and capital including loans and advances. Non-development expenditure (Rs 5555.02 crore) constituted 82 per cent of the revenue expenditure. Noticeably, servicing of debt (Rs 1103.41 crore) accounted for as much as one-fifth of the total non-development expenditure and the interest payments consumed 28 per cent of tax revenue raised by Government. The non-development expenditure had increased from Rs 3126 crore in 1992-93 (15.68 per cent of Gross State Domestic Product) to Rs 5555 crore in 1996-97 (16.65 per cent of Gross SDP).*

- *Though no overdraft was availed in 1995-96, the State Government had to obtain overdraft (Rs 4.46 crore) for 2 days in March 1997.*

- *Capital expenditure for creation of durable assets and economic development fell short of the budget allocations throughout the 5 year period 1992-97, the shortfall ranged between 9 per cent and 22 per cent.*

- *Government made further investment of Rs 146 crore in statutory corporations (Rs 29 crore), Government companies (Rs 78 crore), joint stock companies (Rs 5 crore) and co-operative banks and societies (Rs.34 crore). Though Rs 495 crore were invested during the 4 years 1993-97, the dividend received in all the years was negligible and ranged between 0.31 per cent and 0.52 per cent of the investment at the end of the respective years. The dividend paid to Government decreased in 1996-97 to Rs 3.90 crore from Rs 5.78 crore in 1995-96. The accumulated loss of 53 Government companies and 3 statutory corporations in which Government had invested Rs 661 crore up to 31 March 1997, amounted to Rs 941 crore as per their accounts finalised for various years from 1984-85 to 1996-97. The capital invested by Government in 28 Government companies and one* *statutory corporation had already been eroded by their accumulated loss as disclosed in their latest accounts.*

- *The Internal debt of the State increased by 75 per cent during 1992-97, from Rs 1694 crore in 1992-93 to Rs 2971 crore in 1996-97. The outstanding Central loans and advances also increased by Rs 1891 crore. Together with the increase in other liabilities such as small savings, provident funds, reserve funds, etc., outstanding as of March 1997, the total liabilities of the State Government (Rs 11421 crore) had increased by 81 per cent in relation to Rs 6297 crore at the end of 1992-93.*

- *The total indebtedness increased from 31.58 per cent in 1992-93 to 34.23 per cent in 1996-97 in terms of the Gross SDP. The public debt increased by 72 per cent from Rs 4415 crore at the end of March 1993 to Rs 7583 crore at the end of March 1997. However, other liabilities had swelled by 104 per cent from Rs 1882 crore to Rs 3838 crore during the corresponding period. The debt servicing (repayment plus interest) in respect of small savings ranged between 90 and 100 per cent during 1992-97; in respect of State provident funds it was 97 per cent of the receipts during 1996-97.*

- *The revenue deficit persisted throughout the 5 years 1992-97 and had increased from Rs 337 crore in 1992-93 to Rs 643 crore in 1996-97. As it was directly related to internal debt, continued failure to rein in the deficit led to increase in the borrowings. The percentage of interest payments on public debt was 54 in 1992-93 and 53 in 1996-97 of fiscal deficit.*

- *The fiscal deficit ranged between Rs 732 crore in 1992-93 and Rs 1542 crore in 1996-97 showing an increase of 111 per cent. The recurrence of fiscal deficit led to borrowings and increase in liability of the Government. Ninetyfive per cent of the borrowings were utilised for amortisation of debt.*

- *The arrears in recovery from the loanees amounted to Rs 1266 crore (Principal : Rs 487 crore, Interest : Rs 779 crore) excluding the figures in respect of 33 departmental officers from whom similar information was not available.*

- *Financial assistance to local bodies increased by 30 per cent over the previous year 1995-96. A substantial portion of the increased assistance was attributable to enhanced payment of assistance to panchayat raj institutions (Rs 530 crore) as a sequel to transfer of certain departmental functions and schemes to these institutions.*

- *The contingent liabilities of the State Government in the form of guarantees offered to financial institutions amounted to Rs 5867.82 crore. Guarantee fee aggregating to Rs 43.55 crore was pending realisation in 42 cases.*

(Paragraphs 1.1 to 1.10)

2. ***Appropriation Audit and control over expenditure***

- *During 1996-97 the overall excess expenditure in 9 Grants and Appropriations aggregated Rs 1.12 crore, while savings totalling Rs 994.43 crore occurred in 96 Grants and Appropriations. The excess expenditure aggregating Rs 1.12 crore in 5 Grants (Rs 1.11 crore) and 4 Appropriations (Rs 0.01 crore) required regularisation under article 205 of the Constitution of India.*

- *Supplementary provisions of Rs 446.16 crore obtained during the year 1996-97 constituted 5.1 per cent of the original budget provision of Rs 8745.10 crore. Supplementary provision aggregating Rs 111.67 crore obtained in 34 cases on 27 March 1997 proved wholly unnecessary or could have been restricted wherever necessary, to only token amounts to meet expenditure on new service items since the expenditure was less than even the original provision. On the other hand the supplementary* *provision of Rs 1.72 crore obtained on 27 March 1997 proved insufficient in 2 other cases by more than Rs 25 lakh in each case, leaving an aggregate uncovered excess of Rs 0.75 crore. In 10 cases, supplementary provisions aggregating Rs 179.28 crore were obtained on 27 March 1997 when the actual utilisation of funds was Rs 82.47 crore only (46 per cent). Substantial non-utilisation/under-utilisation of supplementary provision obtained in March 1997 pointed to the need for closer scrutiny of the supplementary estimates proposed by the departments.*

- *Savings in excess of Rs 1 crore and by more than 10 per cent of the provision in each case occurred in 28 cases and ranged between 10.46 and 63.11 per cent of the respective provisions.*

- *Substantial savings of more than Rs 1 crore in each case occurred in 30 cases on account of non-implementation or slow implementation of Plan schemes. In 8 of these cases the entire provision remained unutilised.*

- *Persistent savings, exceeding Rs 25 lakh in each case, occurred in 39 cases during 1994-97. Such persistent savings during the 3 years were substantial, ranging between Rs 21 crore and Rs 252 crore in major departments viz, Education, Health, Police and Rural Development.*

- *In 27 cases, savings in excess of Rs 1 crore in each case were not surrendered. Against the net savings of Rs 993.31 crore, amount surrendered during the year was Rs 532.32 crore only of which Rs 531.97 crore (99.9 per cent) were surrendered only on the last day of the financial year i.e. 31 March 1997. In 7 other cases, funds were injudiciously surrendered in March 1997 in excess of the final savings by more than Rs 25 lakh in each case. In 39 cases reappropriation of funds proved excessive by over Rs 25 lakh in each case. These instances were indicative of inadequate budgetary control.*

- *Financial rules of the State Government provide that Government servants should not on any account reserve or reappropriate by transfer to a Deposit* *head any portion of an appropriation remaining unexpended during the year to prevent it from lapsing and use it for expenditure after the end of the year. Information collected from various treasuries and test check conducted by Audit revealed that huge amounts were drawn at the fag end of the year and kept in Personal Deposit (PD) accounts/ Treasury Public (TP) accounts for utilisation during subsequent years. The amounts so drawn during 1996-97 and kept in PD/TP accounts of departmental officers amounted to Rs 182.28 crore. As on 31 March 1997 there was a total balance of Rs 486.85 crore in 916 PD accounts (Rs 126.72 crore) and 4356 TP accounts (Rs 360.13 crore) maintained in 146 treasuries. Two major executing agencies of Government schemes viz, District Collectors (14) and District Rural Development Agencies (14) together held in PD/TP accounts a balance of Rs 83.71 crore as of 31 March 1997 being the unspent funds in respect of 57 schemes implemented by them. Rupees 63.92 crore (76 per cent) of the above balance related to funds provided by way of Central assistance.*

- *The corpus of the Contingency Fund was enhanced temporarily from Rs 25 crore to Rs 50 crore by an Ordinance promulgated on 20 August 1996 which was not replaced by an Act but was allowed to lapse on 15 October 1996. During 1996-97, 38 sanctions were issued for withdrawal of Rs 71.48 crore from the Contingency Fund of the State. Six advances for an aggregate amount of Rs 11.48 crore remained unrecouped to the Fund as on 31 March 1997.*

- *According to the principles of legislative control over expenditure, any excess over grants/appropriations made by the Legislature will have to be regularised by obtaining excess grants therefor. For the purpose, Government have to furnish to the Public Accounts Committee notes seeking regularisation of the excess disclosed in the Appropriation Accounts and commented upon in Audit Reports. Such explanatory notes in respect of 78 grants/appropriations where excess expenditure aggregating*

Rs 1127.19 crore occurred during 1983-84, 1985-86 and 1988-89 to 1995-96 had not yet been received as of November 1997.

(Paragraphs 2.1 to 2.12)

3. *Working of Factories and Boilers Department*

The Factories and Boilers Department was engaged in enforcement/implementation of the various provisions in the Factories Act, 1948, the Indian Boilers Act, 1923 and other allied enactments for ensuring occupational safety, health and welfare of the factory workers and safety of neighbouring public.

The Department attended to registration, licensing, renewal, inspection of factories and boilers and conducted air monitoring studies, medical examination of workers, investigation of complaints and accidents, launching of prosecutions, etc. As of March 1997, 4855 factories coming under Section 2(m) and 11202 factories coming under Section 85 of the Factories Act had been registered with the Department. A review by Audit of the working of the Department revealed the following:

- *No effective machinery was in position to secure registration of all the units permitted/licensed by other departments, local bodies, etc., as a result of which a large number of units continued to remain outside the purview of the Act.*

- *The shortfall in the number of mandatory inspections of factories ranged between 37 and 57 per cent during 1991-96. Even the available staff had not achieved the target of inspections, the shortfall being in the range of 13 to 44 per cent. The number of supervisory level inspections also fell short of the target by 13 to 99 per cent during 1991-95. The defects noticed during inspections and which led to fatal mishaps later on were never brought to notice of the occupiers for rectification as required. The reports of the accidents were not being utilised as inputs for analysing the reasons* *for the accidents, their frequency, the risk prone areas, etc., and to take remedial measures.*

- *The inspections conducted by untrained/unqualified Additional Inspectors were perfunctory. The recommendations of the Public Accounts Committee (March 1988) not to appoint non-technical personnel for inspections of factories, had not been implemented. There was no manpower planning to cope with the increased work load. Although a large number of chemical factories including Major Accident Hazard Units had sprung up in the State, there was no qualified chemical inspecting staff for securing hazard control in such units.*

- *Systems and procedures for the enforcement of Indian Boiler Act and Regulations were found to be lax compromising the safety of workers.*

- *The Dangerous Machines (Regulation) Act, 1983, could not be implemented, as the rules thereunder had not been framed.*

- *There was inordinate delay in appointment of medical officers in the medical wing started in 1980 for medical examination of workers engaged in dangerous/hazardous processes. Lack of proper co-ordination between Employees State Insurance medical offices and the Department led to tardy implementation of the scheme for control and treatment of occupational diseases of workers engaged in dangerous/hazardous jobs.*

- *Failure to provide necessary infrastructure facilities like staff, vehicles, equipment, etc., to the Industrial Hygiene Laboratory (IHL) and Safety Cells seriously affected their smooth working. The Government failed to utilise the funds allocated by Government of India in May 1989 for strengthening the infrastructure to control chemical hazards and consequently could not avail of further assistance for the entire VIII Plan period.*

- *The Department did not insist on submission of stability certificates by the occupiers on completion of factory buildings. It could not be ascertained whether such certificates were obtained before grant of registration and licence.*

- *Delay in tariff revision of licence fee resulted in loss of revenue of Rs 1.12 crore to Government during 1995-96.*

(Paragraph 3.9)

4. Functioning of Ayurveda colleges and hospitals

There were five Ayurveda Colleges (AVCs) in the State including 2 aided private institutions conducting graduate course in Ayurveda. Post Graduate courses in seven specialities with 6 students in each speciality were also being offered in AVC, Thiruvananthapuram. Ayurveda hospitals were also functioning in these colleges for imparting clinical training to students in health care and treatment under the Indian Systems of Medicine (ISM). Government had also established 108 Ayurveda hospitals with bed strength varying from 4 to 100 and 614 Ayurveda dispensaries as of March 1997. A review by Audit on the functioning of these institutions for the period from 1991-92 to 1996-97 revealed the following significant points:*

- *Central assistance of Rs 1.13 crore provided for implementation of the scheme, viz., Programme for Higher Education, Training and Research in ISM during 1992-93 to 1996-97 could not be availed of as the courses offered were not approved by the Central Council for Indian Medicines (CCIM).*

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* Three Government colleges each at Thiruvananthapuram, Thrippunithura and Kannur and two private colleges at Ollur and Kottakkal

- *Neither the norms prescribed by the CCIM in respect of number and pattern of teaching staff nor any uniform staff pattern had been adopted by the Ayurveda colleges. The shortage in the strength of teaching staff ranged from 29 per cent to 76 per cent. Non-adherence to the teacher student ratio prescribed for Post Graduate courses in AVC, Thiruvananthapuram resulted in management of classes by under qualified faculties. The Post Graduate course in Swasthavritta was conducted from 1993-94 onwards despite its non-recognition by CCIM.*

- *For want of minimum infrastructure facilities such as building for college/hospital, full-fledged laboratories, herbal gardens, X-ray unit etc., the Bachelor of Ayurvedic Medicine and Surgery (BAMS) course conducted by AVCs at Kannur and Kottakkal had not been recognised by the CCIM and affiliation from University had also not been granted. Despite this, 521 students were admitted for this course during the years 1991-92 to 1996-97.*

- *Owing to under-utilisation of manpower and infrastructure and insufficiency of funds for the purchase of raw drugs, production of many medicines by the Pharmacies of AVCs at Thiruvananthapuram and Thrippunithura undertaken in 1991-92 either completely stopped or declined drastically during 1992-93 to 1995-96.*

- *Drug Standardisation Unit in AVC, Thiruvananthapuram could not evolve any standards due to lack of infrastructure facilities. The expenditure of Rs 74.18 lakh incurred on salaries and contingencies for the period 1986-87 to 1996-97 was largely unfruitful.*

- *No publication was brought out by the Pharmacognosy unit attached to the AVC, Thiruvananthapuram for publishing books on Pharmacognosy of Ayurveda drugs since 1986 rendering the expenditure of Rs 71.06 lakh incurred on the unit from 1986-87 to 1996-97 unjustified.*

- *Extra expenditure incurred during the period from 1991-92 to 1996-97 by Government on excess non-teaching staff in AVC, Kottakkal due to non-fixing of norms based on work load amounted to Rs 41.43 lakh.*

- *In the absence of a well defined system in the Directorate of ISM for the proper deployment of medical and paramedical staff, 13 hospitals had excess staff while there was shortage of Medical Officers in 30 hospitals/dispensaries and paramedical staff in 41 dispensaries.*

- *Owing to lapses in providing infrastructure facilities, even the sanctioned bed strength was not provided in 14 hospitals; such shortage of beds ranged from 10 per cent to 100 per cent during 1991-92 to 1996-97. Though the occupancy rate in Ayurveda College Hospital, Thiruvananthapuram exceeded the sanctioned bed strength by 47 per cent to 59 per cent during 1991-92 to 1996-97, leading to over-crowding with many in-patients lying on the floor of wards, the bed strength was not increased.*

- *Excessive procurement of 9.90 tonnes Kashaya Choornam in 5 hospitals and one dispensary led to retention of huge stock of the medicines, potency of which would wane after 2 months.*

- *Though sufficient stock of linen was available in the hospitals at Kannur, Kozhikode and Ottappalam, linen were neither issued nor replaced periodically due to non-availability of funds for meeting washing charges.*

(Paragraph 3.4)

5. Karapuzha Irrigation Project

- *Karapuzha Irrigation Project taken up for execution in 1978 at an estimated cost of Rs 7.60 crore for increasing paddy production by 38950 tonnes in Vythiri and Sultan Bathery taluks had not been completed even* *after 19 years of its commencement. Audit review of the project revealed the following:*

- *The estimated cost had soared to Rs 225 crore as per revised estimate of July 1997, registering an increase of 2960 per cent. The partial commissioning targeted for 1984-85 had also not been achieved.*
- *Consequent on the revision of estimate, the benefit cost ratio originally fixed at 2.5 had fallen to 1 which was below the minimum requirement of 1.5.*
- *Ten works estimated to cost Rs 54.13 crore were awarded, without inviting tenders, to two contractors and their relatives and nominees under 103 piece-work agreements. Failure to observe Codal provisions and agreeement conditions resulted in undue benefits to contractors to the tune of Rs 1.12 crore in respect of 19 works.*
- *Extra payments aggregating to Rs 3.08 crore were made to contractors for shoring which was not admissible as per the conditions of the contract.*
- *Construction of houses for rehabilitation of 218 adivasi families evicted in 1978 from the reservoir area had not started even after 19 years of the starting of the project.*

(Paragraph 4.1)

6. *Sanction, procurement and utilisation of vehicles in Health Services Department*

A review of the sanction, procurement and utilisation of vehicles in the Health Department revealed that:

- *35 vehicles allotted by Government of India and taken possession between May 1996 and January 1997 had not been put to use (June 1997) due to delay in registration for want of sufficient funds.*

- *Five chassis purchased in July 1995 at a cost of Rs 18.05 lakh were idling due to delay in body building.*

- *53 vehicles costing Rs 62.24 lakh were condemned prematurely before the expiry of the life period.*

- *Building constructed at a cost of Rs 43 lakh for housing Regional Workshop at Thrissur and machinery purchased at a cost of Rs 15 lakh during 1991 had not been put to use for want of required staff.*

(Paragraph 5.1)

7. *Working of Agency for Development of Aquaculture*

Agency for Development of Aquaculture was established as an autonomous body in May 1989 for implementation of Kerala Fisheries Development Project for prawn culture (Phase I) aided by Kuwait Fund. Its main functions were development of inland water areas for scientific prawn culture, establishment of shrimp hatcheries and shrimp feed mill, quality control and providing required extension system including foreign technology. Audit review revealed as below:

- *Out of Rs 25.66 crore drawn by the Director of Fisheries during 1990-91 to 1996-97, the expenditure incurred on the project was Rs 10.21 crore leaving unspent balance of Rs 15.45 crore.*

- *While the project was proposed to be completed by 31 March 1998, the financial achievement was only 14.50 per cent as of March 1997. Physical achievement was 13 per cent in the case of construction of ponds and nil in the case of other components of the project including setting up of 4 hatcheries.*

- *The Executive Director and the Senior Extension Co-ordinator had sanctioned Rs 2.78 crore as loan in 33 cases without any authority.*

- *Due to poor quality of feed arranged by the Agency and non-co-operation of technical staff, a loanee-farmer abandoned the farm after 2 culture operations had ended in failure and the loan amount of Rs 11.45 lakh was pending recovery.*

- *Culture operations undertaken in 2 Government farms resulted in loss of Rs 37.48 lakh due to purchase of diseased seeds from Matsyafed.*

- *Purchase of 160 pond aerators without assessing the actual requirement resulted in blocking of funds to the tune of Rs 24.26 lakh.*

(Paragraph 7.5)

8. *Working of Agency for Non-conventional Energy and Rural Technology*

The Agency was established as an autonomous body in 1986 with the aim of gathering and disseminating knowledge in the fields of non-conventional energy, energy conservation and rural technology. Following points were noticed in audit:

- *Budget estimates were not prepared realistically, resulting in huge unspent balance of Rs 11.95 crore as of March 1997.*

- *Expenditure of Rs 18.23 lakh on two completed micro-hydel projects was not fruitful due to non-maintenance and non-operation by the nominated agencies.*

- *Out of Rs 60.36 lakh received from Government of India as subsidy for implementation of Solar Thermal Extension Programme, only Rs 39.19 lakh were utilised. The unspent balance of Rs 21.17 lakh had not been refunded even after the expiry of extended period of utilisation.*

- *Out of 700 solar power lanterns procured in March 1994 for distribution, 350 lanterns costing Rs 14.02 lakh were defective.*

- *Purchase of solar cookers without assessing the demand resulted in accumulation of stock worth Rs 14.16 lakh.*

- *Expenditure of Rs 7 lakh incurred on collection of wind data for the preparation of Wind Atlas of Kerala had become infructuous as the data collected were found unreliable.*

- *Wind generator installed at a cost of Rs 8.47 lakh to provide power supply to 30 houses in tribal settlement became defective due to frequent failure of the inverter.*

- *Temporary advances amounting to Rs 84.50 lakh paid to officers during 1989-90 to September 1996 were pending adjustment as of January 1997.*

(Paragraph 7.7)

9. *State Lotteries Department*

- *The Department incurred expenditure of over Rs 7 lakh per annum towards payment of compensatory allowances to its personnel (up to the grade of District Lottery Officer). Since additional remunerations were paid invariably for the extra work done and compensatory off allowed for holiday duty, payment of monthly compensatory allowances was unwarranted/unjustified.*

- *In spite of lukewarm response from registered lottery agents, numbering 26661, to the welfare fund scheme launched in April 1991 (3414 agents only having got enrolled during 1991-96), the Department did not review the staff position and redeploy the additional staff (31 numbers) specifically sanctioned for implementing the scheme. The administrative expenditure of Rs 41 lakh (up to March 1996) lacked justification.*

(Paragraph 3.12)

10. Idamalayar Irrigation Project

- *Government decision to execute two works through the original contractor by paying enhanced rate of 80 per cent above Schedule of Rates 1992, instead of terminating the contract invoking the provisions in the agreement and rearranging the work at his risk and cost, resulted in undue benefit of Rs 56.16 lakh to the contractor.*

(Paragraph 4.3)

- *Failure to assess the correct soil conditions based on trial pits in respect of a work under Idamalayar Irrigation Project resulted in avoidable expenditure of Rs 12.65 lakh on slope correction and removal of slipped earth apart from delay in completion of work. Further removal of silt accumulated by slippage would involve additional expenditure of Rs 60.61 lakh.*

(Paragraph 4.4)

11. Kallada Irrigation Project

- *Departmental lapses in assessing the correct percentage of soil/rock for arriving at the rate for earth work excavation, providing excess thickness for canal lining, irregular sanction of higher rate for excavation of ferruginous quartzite and extra payment to the contractor for protective blasting resulted in extra liability of Rs 70.45 lakh in the case of a work.*

(Paragraph 4.2)

12. Muvattupuzha Valley Irrigation Project

- *In spite of the stipulation in the contract that rates quoted by the contractor were to include all incidental works such as shoring, bailing etc., supplementary agreement was executed in respect of a canal work treating shoring as extra item resulting in avoidable loss of Rs 24.86 lakh.*

(Paragraph 4.6)

13. ***Kerala Water Authority - Non-recovery of contractors' liability and non-adjustment of temporary advances***

- *An amount of Rs 2.82 crore was pending recovery/adjustment from contractors and 8 Assistant Engineers (AEs) as of September 1997. Of this, Rs 1.28 crore were pending recovery from contractors due to non-settlement of final bills relating to 43 works completed between April 1978 and March 1995. Recoveries due from contractors due to cancellation of 20 contracts at their risk and cost during 1980 to March 1996 amounted to Rs 1.37 crore. Out of temporary advances, Rs 0.17 crore paid to 8 AEs from 1991 onwards and pending recovery/adjustment even after a lapse of 6 years, Rs 0.15 crore were outstanding against 2 AEs who had already retired in May 1991 and May 1995 respectively.*

(Paragraphs 7.14, 7.15 and 7.18)

14. ***Undue benefit to a contractor***

- *Failure on the part of Kerala Water Authority to correctly regulate the payment of road restoration cost due to laying of pipes along the road, resulted in unjustified benefit of Rs 41.18 lakh to the contractor.*

(Paragraph 7.17)

15. ***Departmental lapses causing avoidable expenditure on account of water charges and interest on accumulated electricity charges***

- *Failure of the Police Department to install separate water meters in 151 family quarters resulted in payment of water charges amounting to Rs 18.74 lakh for the period September 1981 - March 1994. The liability for the subsequent period was Rs 9.54 lakh.*

(Paragraph 3.6)

- *Failure of the Revenue Department to pay in time the electricity dues for Civil Stations resulted in payment of Rs 22.20 lakh as interest to the Kerala State Electricity Board between March 1995 and March 1997 on outstanding arrears.*

  (Paragraph 3.11)

- *Delay in payment of electricity charges in respect of 45 Lift Irrigation Schemes resulted in payment of interest of Rs 37.32 lakh to Kerala State Electricity Board. Further, non-remittance of electricity charges in respect of 27 Lift Irrigation Schemes would entail payment of Rs 26.07 lakh as interest.*

  (Paragraph 4.5)

16. ***Unproductive establishment expenditure on idle hospital staff***

- *Owing to either lack of or inadequate accommodation, in-patient wings sanctioned for 4 homoeo hospitals did not function for various periods during January 1987 to March 1995, rendering the expenditure of Rs 7.80 lakh incurred on pay and allowances of 14 staff members unproductive.*

  (Paragraph 3.5)

- *Failure to secure the services of an Assistant Surgeon from the Health Services Department resulted in idling of the paramedical staff in position at the Police Hospital, Kottayam and payment of idle wages amounting to Rs 6.75 lakh during August 1993 - July 1997.*

  (Paragraph 3.8)

17. ***Lethargic implementation of a work included in VIII Finance Commission Award –blocking of funds***

- *Land measuring 31.22 acres was acquired in October 1986 at a cost of Rs 87.64 lakh for construction of Kerala Armed Police III Battalion Headquarters at Adoor. However, Government had not accorded (as of October 1997) administrative sanction to the project report prepared as late as in May 1993, though the work was included in VIII Finance Commission Award (1985-90). This led to the blocking of funds and resultant loss of interest amounting to Rs 73.16 lakh*

(Paragraph 3.7)

18. ***Unwise acquisition of unsuitable land***

- *Acquisition of an unsuitable site for a sales tax check post even after the post had been shifted to another site rendered the expenditure of Rs 10.43 lakh unfruitful.*

(Paragraph 3.13)

19. ***Other topics of interest***

- *Failure on the part of Centre for Imaging Technology (C-DIT) to renew the contract of scientists and technologists and to retrieve the technical data/documents and transfer of technology in respect of research work already done by them when they quit C-DIT, resulted in abandonment of the projects and infructuous expenditure of Rs 2.30 crore.*

(Paragraph 7.9)

- *Contrary to Government Orders for amalgamation of Government High School for Boys and Government High School for Girls at Kaloor to effect economy, the schools were allowed to function separately in the same building. Failure to merge the 2 schools and to redploy the excess staff resulted in wasteful establishment expenditure of Rs 39 lakh from April 1990 to March 1996 and annual avoidable recurring expenditure of Rs 6.67 lakh in General Education Department.*

(Paragraph 3.3)

- *Government decision to pay enhanced rate for work done after the due date of completion on account of delay/lapses on the part of the Fisheries and Ports Department resulted in extra liability of Rs 60.89 lakh in the case of construction of breakwaters at Munambam.*

(Paragraph 4.12)

- *The Fisheries and Ports Department's failure in not specifically mentioning in the agreement exclusion of the arbitration clause enabled the contractor to launch arbitration proceedings leading to avoidable expenditure of Rs 18.19 lakh.*

(Paragraph 4.13)

- *The decision of Mahatma Gandhi University to pay campus and outstation allowances to its employees, due to shifting of its Headquarters away from Kottayam Town, without sanction from Government resulted in irregular payment of Rs 49.15 lakh till September 1994.*

(Paragraph 7.12)

- *Purchase of paper by Kerala Saksharatha Samithi, in excess of actual requirement resulted in blocking of funds to the tune of Rs 18.85 lakh for* *the last 3 years and avoidable extra expenditure of Rs 3.01 lakh on godown rent.*

(Paragraph 7.10)

- *Adoption by three PH Divisions of rates higher than those prescribed for excavation in medium rock resulted in extra expenditure of Rs 23.93 lakh in respect of 31 works arranged between 1992-93 and 1994-95.*

(Paragraph 7.16)

- *While adopting the pay scales prescribed by University Grants Commission, Cochin University of Science and Technology did not adopt the norms prescribed for teaching hours, rendering 25 teaching staff in excess in five departments. The recurring liability towards pay and allowances of 14 excess staff appointed after introduction of the UGC scheme in May 1990 worked out to Rs 10.49 lakh per annum.*

(Paragraph 7.11)

- *Failure on the part of Public Works department to specify in the agreement the number of initial and routine load tests as per the 'Specifications for Road and Bridge Works' of the Ministry of Surface Transport resulted in undue benefit of Rs 56.88 lakh to a contractor for the construction of the link road NH47 A.*

(Paragraph 4.10)

CHAPTER I

ACCOUNTS OF THE STATE GOVERNMENT

1.1. Introduction

1.1.1. Structure of the Government Accounts

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

Part – I Consolidated Fund

All receipts of the Government from revenues, loans and recoveries of loans go into the Consolidated Fund of the State, constituted under Article 266 of the Constitution of India. All expenditure of the Government is met from this Fund and no amount can be withdrawn from the Fund without authorisation from the State Legislature. It consists of two main divisions, namely Revenue Account (Revenue receipts and Revenue expenditure) and Capital Account (Capital receipts, Capital expenditure, Public debt and Loans etc.)

Part – II Contingency Fund

The Contingency Fund created under Article 267(2) of the Constitution of India is in the nature of an imprest placed at the disposal of the Governor of the State to meet the requirement of urgent unforeseen expenditure pending authorisation from State Legislature. Approval of the Legislature is subsequently obtained for such expenditure and for transfer of equivalent amount from the Consolidated Fund to Contingency Fund. The corpus of this Fund authorised by the Legislature was Rs 25 crore.

Part – III Public Account

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

1.1.2. Annual Accounts

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

1.1.3. Audit Reports

The Finance Accounts and the Appropriation Accounts as well as various transactions in these Accounts are audited by the Comptroller and Auditor General of India (CAG) in accordance with the CAG's (Duties, Powers and Conditions of Service) Act, 1971. CAG certifies the Accounts and also submits Audit Reports thereon to the Governor in terms of Article 151 of the Constitution of India. CAG's Reports for the year ended 31 March 1997 are presented in separate volumes as under:

Number of Report	Audit observations pertaining to
No. 2	Revenue Receipts
No. 3	Civil

In addition, Report containing the observations of Audit on the working of Statutory Corporations, Boards and Government companies is submitted to the State Government for presentation to the Legislature.

1.2. Price trends

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

The average wholesale price index of agricultural commodities in the State increased by 12.34 *per cent* (based on average from January to November 1996). The annual average consumer price index also showed an increase by 10 *per cent* in 1996.

The analysis of the Finance Accounts of the State Government should ideally be viewed in the context of these prices.

1.3. Summarised financial position

The financial position of the Government of Kerala as on 31 March 1997 emerging from the Appropriation Accounts and the Finance Accounts for the year 1996-97 and the abstract of Receipts and Disbursements for the year is given in the following statements:

I. Summarised financial position of the Government

Amount as on 31 March 1996 (Rupees in crore)		Liabilities	Amount as on 31 March 1997 (Rupees in crore)	
2486.28		Internal debt including ways and means advances but excluding overdrafts		2970.85
	2110.89	Market loans	2491.07	
	152.68	Loans from Life Insurance Corporation of India	177.15	
	222.71	Loans from other Institutions	302.63	
	..	Ways and means advances	..	
4238.25		Loans and advances from Central Government		4612.54
	395.20	Pre-1984-85 loans	364.61	
	1721.49	Non-Plan loans	1870.43	
	2069.58	Loans for State Plan Schemes	2323.11	
	15.20	Loans for Central Plan Schemes	18.15	
	36.78	Loans for Centrally Sponsored Plan Schemes	36.24	
47.78		Contingency Fund		14.72
3389.01		Small Savings, Provident Funds, etc.		3837.52
497.13		Deposits		890.71
58.27		Reserve Funds		52.62
	62.83	Gross	57.18	
	4.56	Less: Investments	4.56	
10716.72		**Total**		**12378.96**

of Kerala as on 31 March 1997

Amount as on 31 March 1996 (Rupees in crore)		Assets	Amount as on 31 March 1997 (Rupees in crore)	
4683.02#		Gross capital outlay		5305.54
	1111.28	Investment in shares of companies,corporations, etc.	1257.04	
	3571.74	Other capital outlay	4048.50	
1973.16#		Loans and advances		2250.09
	790.23	Loans for power projects	837.03	
	1088.59	Other development loans	1307.17	
	94.34	Loans to Government servants and Miscellaneous loans	105.89	
2.40		Other advances		2.17
260.73		Remittance balances		327.30
206.21		Suspense and miscellaneous balances - other items (Net)		262.85
504.38		Cash		526.16
	18.29	Cash in treasuries	20.80	
	(-)6.61	Remittances in transit - Local *	(-) 0.85	
	1.55	Departmental cash balance	2.42	
	0.18	Permanent cash imprest	0.19	
	498.03	Cash balance investment	539.90	
	(-)7.06	Deposits with Reserve Bank of India	(-) 36.30	
	**	Deposits in other banks	**	
3086.82#		Deficit on Government Account		3704.85
		Previous year deficit	3087.56	
		Deduct: Prior period adjustments	0.74	
		Gross	3086.82	
		Add :Revenue deficit during current year	643.03	
		Appropriation to Contingency Fund	(-) 25.00##	
10716.72		**Total**		**12378.96**

\# Figures changed due to *pro forma* corrections *vide* paragraph 7 of the Explanatory Note at Pages 6 and 7.

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

** Amount Negligible

\## Foot-note at Page 10 may be referred to.

Explanatory notes

1. The summarised financial statements are based on the statements of the Finance Accounts and the Appropriation Accounts of the State Government and are subject to notes and explanations contained therein.

2. Government accounts being mainly on cash basis, the revenue surplus or deficit had been worked out on cash basis. Consequently, items payable and receivable or items like depreciation or variation in stock figures, etc., do not figure in the accounts.

3. Although a part of the revenue expenditure (grants) and the loans are used for capital formation by the recipients, its classification in the accounts of the State Government remains unaffected by end use.

4. Under the Government system of accounting, the revenue surplus or deficit is closed annually to Government account with the result that cumulative position of such surplus or deficit is not ascertainable. The balance figure of Rs 184.56 crore as on 31 March 1982 was, therefore, treated as cumulative surplus for drawing up the first statement of financial position for 1982-83 which took the place of a Balance Sheet.

5. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of other States and others pending settlement, etc. The balance under Suspense and Miscellaneous had increased from Rs 206.21 crore as on 31 March 1996 to Rs 262.85 crore as on 31 March 1997.

6. The closing cash balance according to the accounts of the Reserve Bank of India was Rs 37.29 crore against the figure of Rs 36.30 crore reflected in the State Government accounts. The difference of Rs 0.99 crore was under reconciliation (November 1997).

7. The amount as of 31 March 1996 in respect of 'Gross Capital outlay', 'Loans and Advances' and 'Deficit on Government account' shown in this summary were at variance with those shown in the Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 1996 (No.3) because of the *pro forma* adjustments carried out in the progressive balances consequent on:

(i) Reduction in Government's equity (Rs 2.43 crore) in the Government company, *viz.*, Kerala Automobiles Limited, and its conversion as loan of an equivalent amount.

(ii) Conversion of loans granted to Malappuram Co-operative Spinning Mills (Rs 153.40 lakh), Kerala Bamboo Corporation Limited (Rs 94.00 lakh) and Kerala State Cashew Development Corporation Limited (Rs 63.18 lakh) into share capital (Rs 3.10 crore).

(iii) Increase in Government share holding in Oil Palm India Limited by Rs 64.64 lakh on conversion of grant-in-aid into share capital.

(iv) Rectification of misclassification of Rs 9.50 lakh, wrongly credited under the Major head '4401-Recoveries on account of Purchase and Distribution of Pulses under Grow More Food Programme' instead of under "0401-800-83" during 1993-94.

II Abstract of Receipts and

SECTION A – REVENUE

Receipts		(Rupees in crore)
1	**Revenue receipts**	
	(i) Tax revenue	3898.50
	(ii) Non-tax revenue	513.80
	(iii) State's share of Union Taxes and duties	1242.65
	(iv) Non-Plan grants	42.39
	(v) Grants for State Plan Schemes	160.75
	(vi) Grants for Central Plan and Centrally Sponsored Plan Schemes	235.93
	(vii)Grants for special Plan schemes	51.06
2	**Revenue deficit carried to Section B**	643.03
	Total	**6788.11**

Disbursements for 1996-97

	Disbursements	Non-Plan	Plan	Total
		(Rupees in crore)		
1	**Revenue expenditure**			
	(i) General Services	2622.50	1.35	2623.85
	(ii) Social Services	2141.36	549.72	2691.08
	(iii) Agriculture and Allied Activities	312.01	239.88	551.89
	(iv) Rural Development	74.64	201.73	276.37
	(v) Special Areas Programmes	-	9.90	9.90
	(vi) Irrigation and Flood Control	64.48	51.24	115.72
	(vii) Energy	0.01	14.57	14.58
	(viii) Industry and Minerals	28.25	118.76	147.01
	(ix) Transport	159.57	5.49	165.06
	(x) Science, Technology and Environment	0.68	12.34	13.02
	(xi) General Economic Services	35.22	28.11	63.33
	(xii) Grants-in-aid and Contributions	116.30	-	116.30
	Total	**5555.02**	**1233.09**	**6788.11**

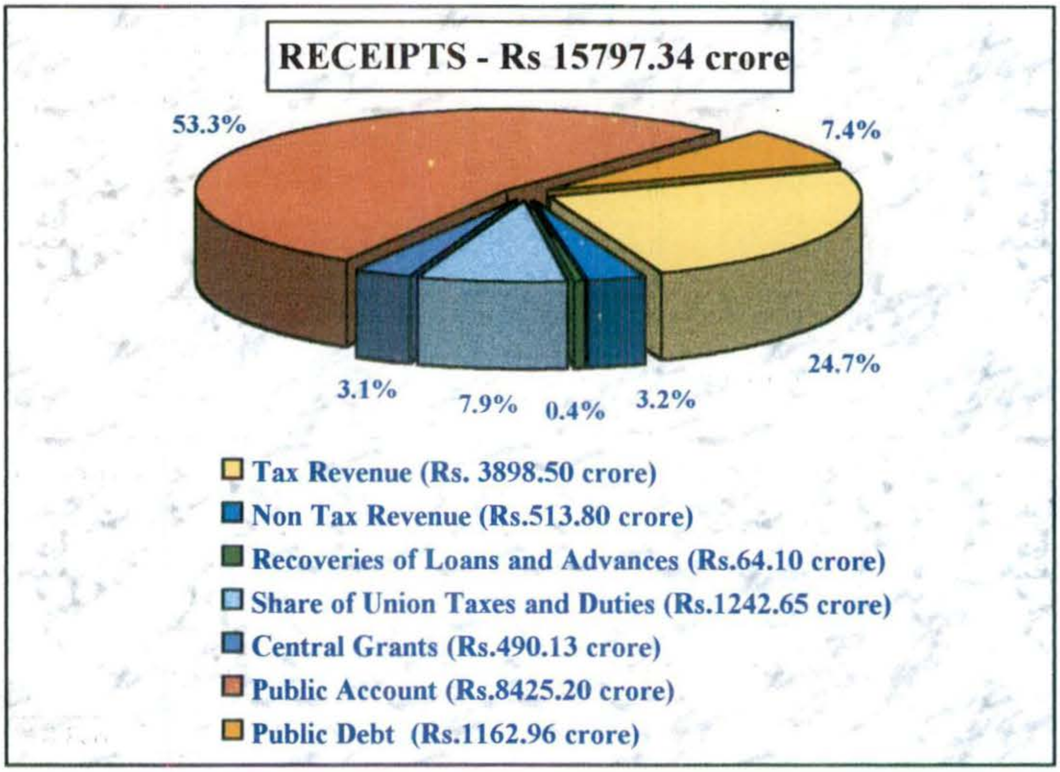
SECTION B - OTHERS

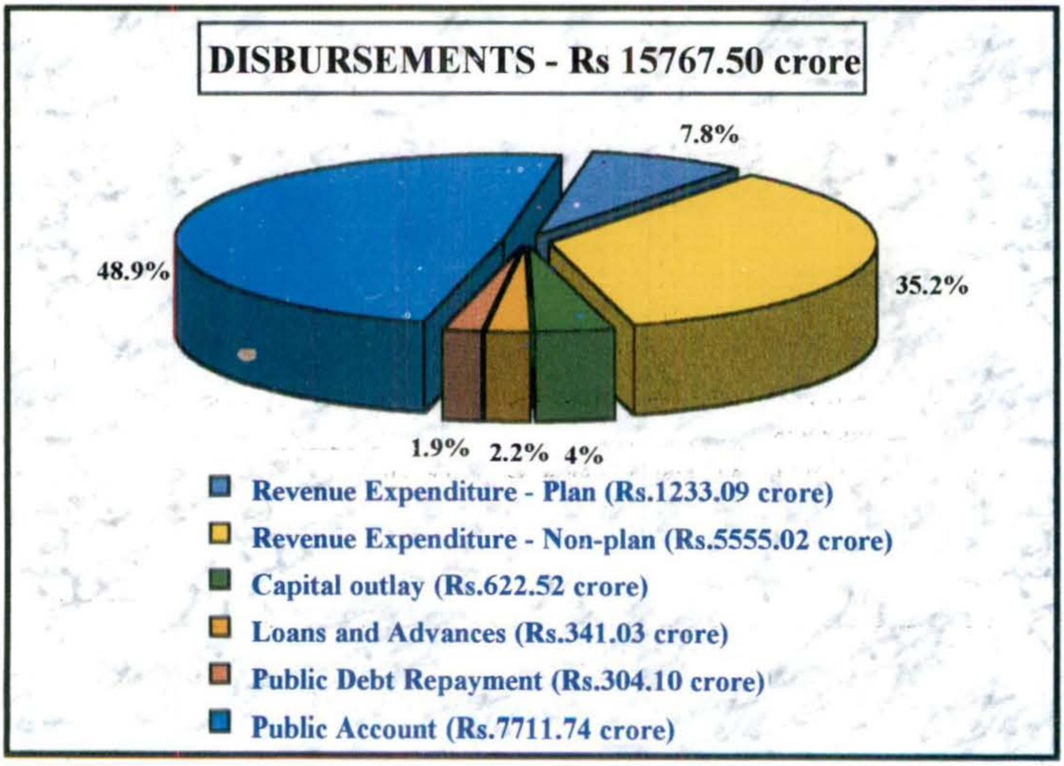
	Receipts	(Rupees in crore)	
1	Opening cash balance including permanent advance and cash balance investment		504.38
2	Capital receipts		-
3	Recoveries of loans and advances		64.10
	(i) From Power Projects	34.53	
	(ii) From Government Servants	18.40	
	(iii)From others	11.17	
4	Public Debt receipts		1162.96
	(i) Internal debt other than ways and means advances	509.79	
	(ii)Ways and means advances excluding overdraft	113.22	
	(iii)Loans and advances from Central Government	539.95	
5	Contingency Fund		(-) 22.78**
6	Public Account receipts		8425.20
	(i) Small savings, Provident funds, etc.	2907.23	
	(ii) Reserve Funds	49.57	
	(iii)Deposits and advances	1771.46	
	(iv) Suspense and Miscellaneous	1538.15	
	(v) Remittances	2158.79	
7	Closing overdraft from Reserve Bank of India		--
	Total		**10133.86**

** Minus figures represented the cumulative effect of account adjustments carried out on lapsing of the Kerala Contingency Fund (Amendment) Ordinances issued in January 1996, February 1996 and August 1996 for enhancing the corpus by Rs 15 crore, Rs 10 crore and Rs 25 crore respectively.

	Disbursements	(Rupees in crore)	
1	Opening Overdraft from Reserve Bank of India	..	
2	Capital Outlay		622.52
	(i) General Services	32.24	
	(ii) Social Services	83.33	
	(iii) Agriculture and Allied Activities	57.72	
	(iv) Irrigation and Flood Control	187.59	
	(v) Energy	0.22	
	(vi) Industry and Minerals	110.46	
	(vii) Transport	141.75	
	(viii) General Economic Services	9.21	
3	Loans and advances disbursed		341.03
	(i) For Power Projects	81.33	
	(ii) To Government Servants	29.95	
	(iii) To others	229.75	
4	Revenue deficit brought down		643.03
5	Repayment of Public Debt		304.10
	(i) Internal debt other than ways and means advances	25.22	
	(ii) Ways and means advances excluding overdraft	113.22	
	(iii) Repayment of loans and advances to Central Government	165.66	
6	Appropriation to Contingency Fund		(-) 25.00*
7	Contingency Fund		10.28
8	Public Account disbursements		7711.74
	(i) Small savings, Provident funds, etc.	2458.72	
	(ii) Reserve Funds	55.22	
	(iii) Deposits and advances	1377.65	
	(iv) Suspense and Miscellaneous	1594.79	
	(v) Remittances	2225.36	
9	Cash balance at end		526.16
	(i) Cash in treasuries, Deposits with RBI and other banks and Remittances in transit	(-) 16.35	
	(ii) Departmental cash balance including permanent advances	2.61	
	(iii)Cash balance investment	539.90	
			10133.86

* Please see foot-note at page 10

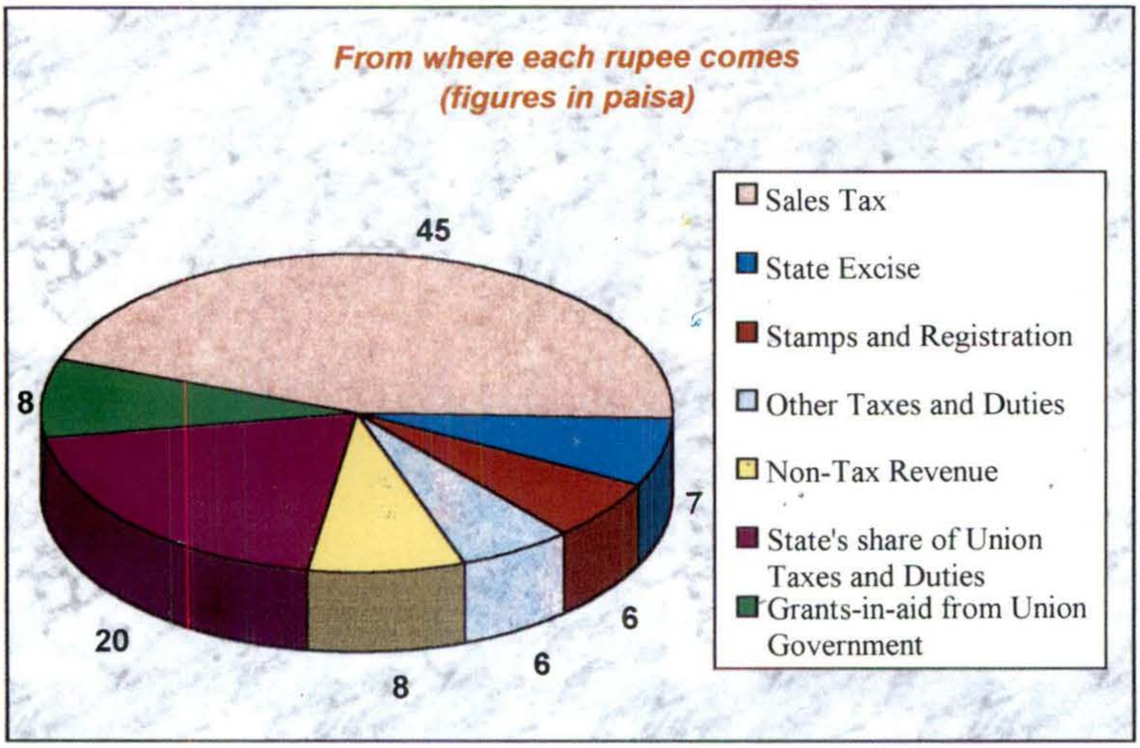

RECEIPTS - Rs 15797.34 crore
53.3%
7.4%
24.7%
3.1%
7.9%
0.4%
3.2%
Tax Revenue (Rs. 3898.50 crore)
Non Tax Revenue (Rs.513.80 crore)
Recoveries of Loans and Advances (Rs.64.10 crore)
Share of Union Taxes and Duties (Rs.1242.65 crore)
Central Grants (Rs.490.13 crore)
Public Account (Rs.8425.20 crore)
Public Debt (Rs.1162.96 crore)


DISBURSEMENTS - Rs 15767.50 crore
7.8%
48.9%
35.2%
1.9%
2.2%
4%
Revenue Expenditure - Plan (Rs.1233.09 crore)
Revenue Expenditure - Non-plan (Rs.5555.02 crore)
Capital outlay (Rs.622.52 crore)
Loans and Advances (Rs.341.03 crore)
Public Debt Repayment (Rs.304.10 crore)
Public Account (Rs.7711.74 crore)

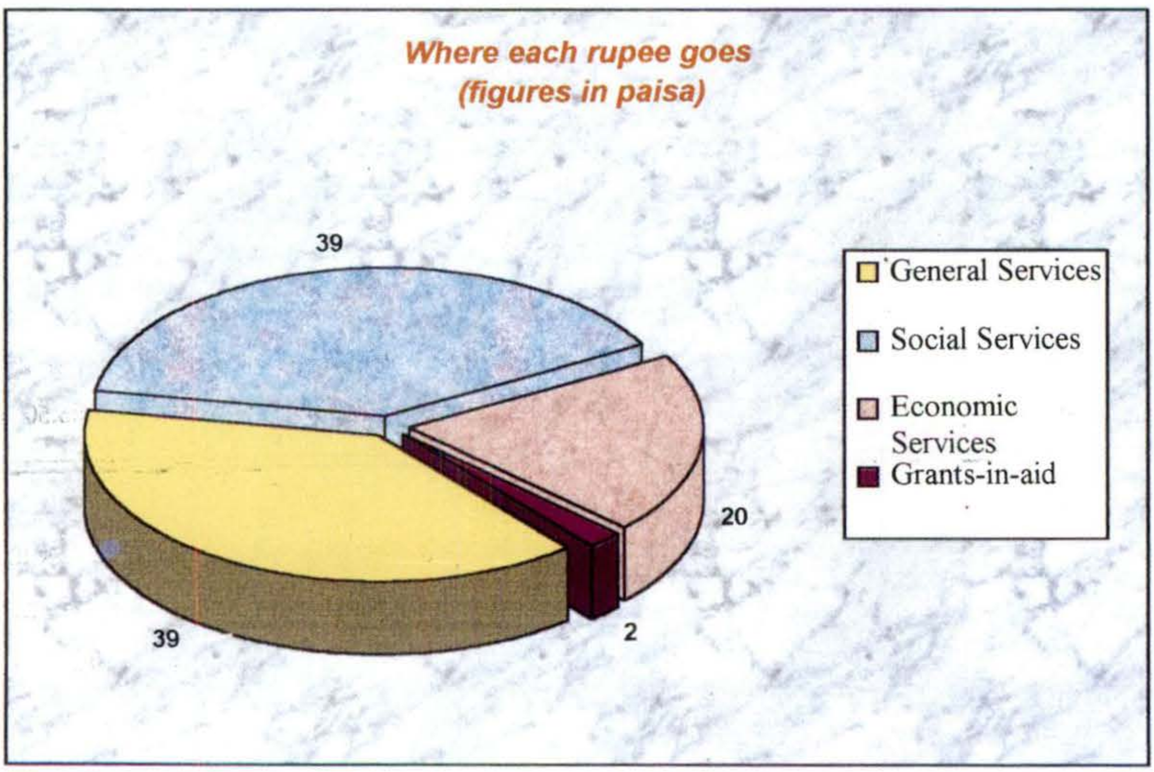
III. Sources and Application of funds during 1996-97

	Sources	(Rupees in crore)		Application	(Rupees in crore)
1	Revenue receipts	6145.08	1	Revenue expenditure	6788.11
2	Recoveries of Loans and Advances	64.10	2	Capital expenditure	622.52
3	Increase in Public Debt	858.86	3	Lending for development and other purposes	341.03
4	Net receipts from Public Account	713.46	4	Net effect from Contingency Fund transactions	33.06
	(i) Increase in Small Savings, Provident Funds etc.	448.51			
	(ii) Decrease in Reserve Funds	(-) 5.65			
	(iii) Increase in Deposits and Advances	393.81			
	(iv) Effect of Suspense Balance	(-) 56.64			
	(v) Effect of Remittance Balance	(-) 66.57			
5	Appropriation to Contingency Fund	25.00	5	Increase in cash balance including permanent advances, departmental cash balance and cash balance investment	21.78
	Total	**7806.50**			**7806.50**

Based on these statements and supporting data, the following paragraphs in this chapter present an analysis of the management of the finances of the State Government during 1996-97, relating it to the position prevalent in the preceding four years.



From where each rupee comes
(figures in paisa)
45
7
6
6
8
20
8
Sales Tax
State Excise
Stamps and Registration
Other Taxes and Duties
Non-Tax Revenue
State's share of Union Taxes and Duties
Grants-in-aid from Union Government



Where each rupee goes
(figures in paisa)
39
20
2
39
General Services
Social Services
Economic Services
Grants-in-aid

1.3.1. Financial position of the State

(i) Financial position of the State Government during 1996-97 as emerged from the Finance Accounts revealed that revenue receipts of the State Government were Rs 6145.08 crore against which revenue expenditure was Rs 6788.11 crore, thus resulting in a revenue deficit of Rs 643.03 crore constituting 10.46 *per cent* of revenue receipts.

(ii) The revenue receipts of the State Government comprised of tax revenue (Rs 3898.50 crore), non-tax revenue (Rs 513.80 crore), State's share of Union taxes and duties (Rs 1242.65 crore) and grants-in-aid from the Union Government (Rs 490.13 crore). The main sources of tax revenue were sales tax (71 *per cent*), State excise (11 *per cent*) and Stamps and Registration (9 *per cent*) while non-tax revenue came mainly from sale of timber and other forest produce (2.5 *per cent*) and State lotteries (1.7 *per cent*).

(iii) The revenue expenditure of Rs 6788.11 crore was incurred on General Services (Rs 2623.85 crore), Social Services (Rs 2691.08 crore), Economic Services (Rs 1356.88 crore) and Grants-in-aid and contributions (Rs 116.30 crore).

(iv) The capital expenditure was Rs 622.52 crore which was applied on General Services (5.18 *per cent*), Social Services (13.39 *per cent*) and Economic Services (81.43 *per cent*).

(v) The Public Debt of the State Government increased by Rs 858.86 crore during 1996-97 thereby pushing up the burden of interest payment and servicing of debt. The interest payments (Rs 1103.41 crore) constituted 16.26 *per cent* of revenue expenditure (Rs 6788.11 crore).

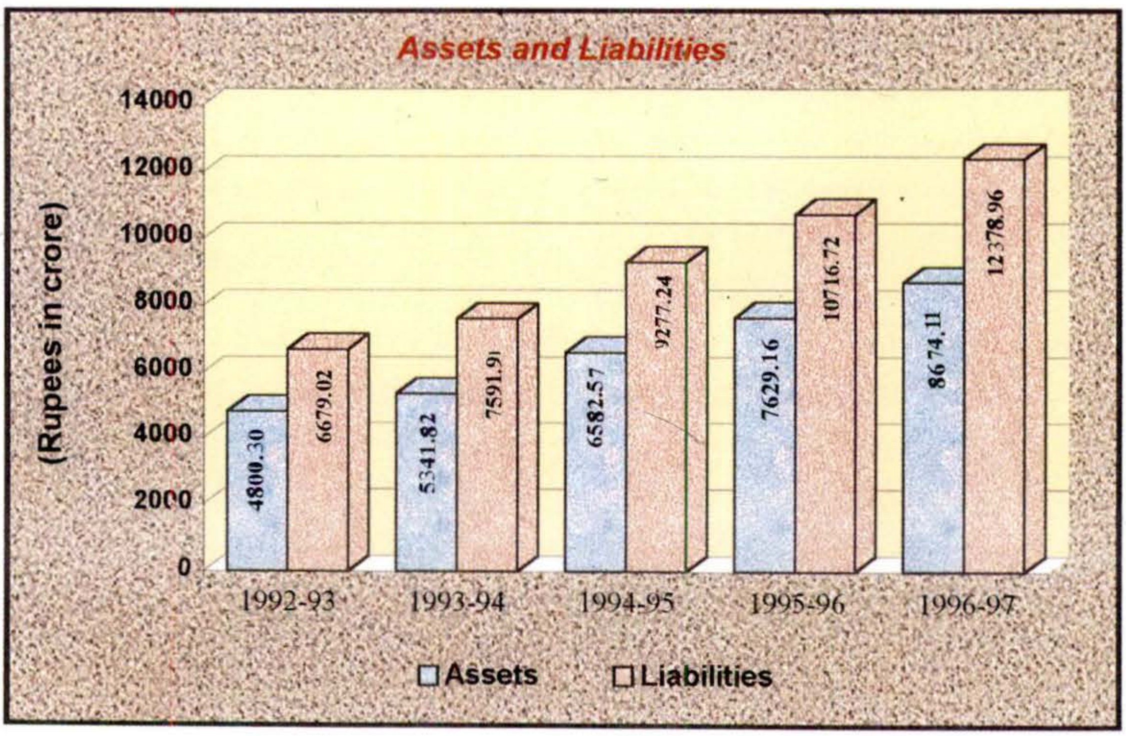
(vi) The present financial position of the State Government could be attributed to large absorption of resources by non-Plan expenditure, mounting public debt, heavy debt servicing and negligible returns from State public undertakings, which had been analysed separately in the succeeding paragraphs.

1.3.2. Assets and Liabilities of the State Government

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

Year	Assets	Liabilities	Excess liabilities over assets	As a percentage of total assets
	(Rupees in crore)			
1992-93	4800.30	6679.02	1878.72	39
1993-94	5341.82	7591.91	2250.09	42
1994-95	6582.57	9277.24	2694.67	41
1995-96	7629.16	10716.72	3087.56	40
1996-97	8674.11	12378.96	3704.85	43

While the assets had grown by 81 *per cent* during the 4 years, the liabilities had grown by 85 *per cent*. At the end of 1992-93, the liabilities were in excess of the assets by Rs 1878.72 crore; the difference had increased to Rs 3704.85 crore in 1996-97. The excess of liabilities over assets increased from 39 *per cent* of the total assets to 43 *per cent* during the period 1992-97.

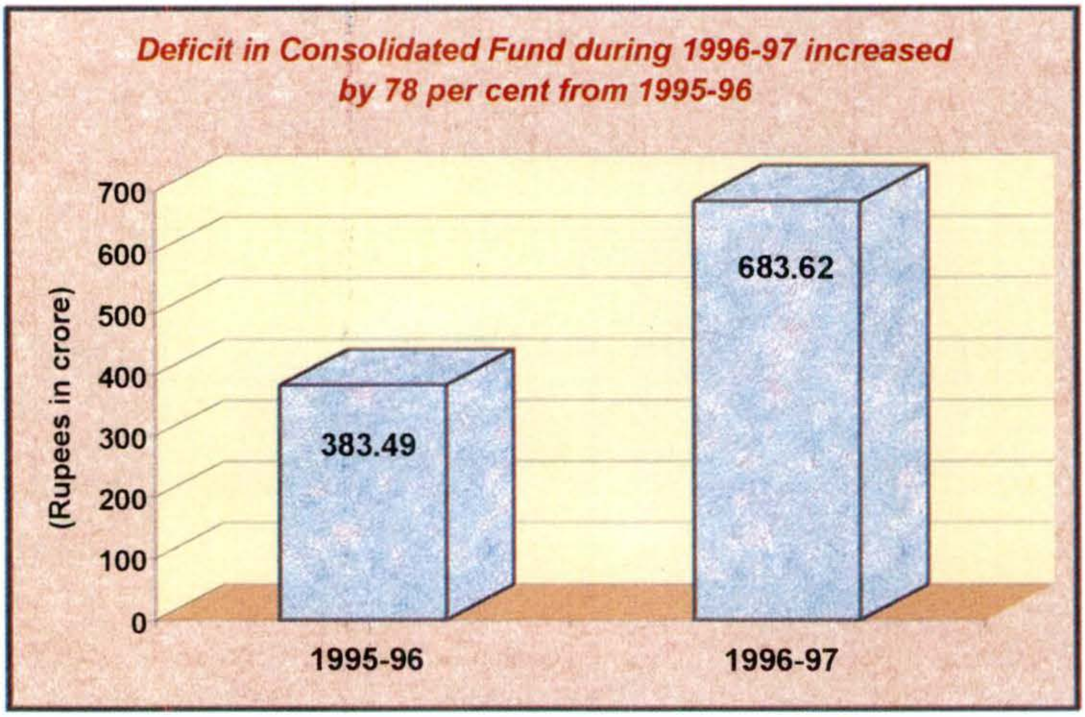


1.3.3. Consolidated Fund

The receipts and expenditure under the Consolidated Fund of the State for 1996-97 along with that for the previous financial year were as under:

(Rupees in crore)

Receipts			Expenditure		
1995-96		1996-97	1995-96		1996-97
Revenue Account					
5423.56	Revenue Receipts	6145.08	5826.37	Revenue Expenditure	6788.11
402.81	Revenue Deficit	643.03	--	--	--
5826.37	**Total**	**6788.11**	**5826.37**	**Total**	**6788.11**
Capital Account					
--	Capital Receipts	--	563.47	Capital Expenditure	622.52
31.74	Recoveries of Loans and Advances	64.10	368.11	Loans and Advances disbursed	341.03
1083.09	Receipts booked as Public Debt	1162.96	163.93	Repayment of Public Debt	304.10
--	Capital Deficit	40.59	19.32	Capital Surplus	--
1114.83	**Total**	**1267.65**	**1114.83**	**Total**	**1267.65**
383.49	**Deficit in Consolidated Fund**	**683.62**	--	--	--



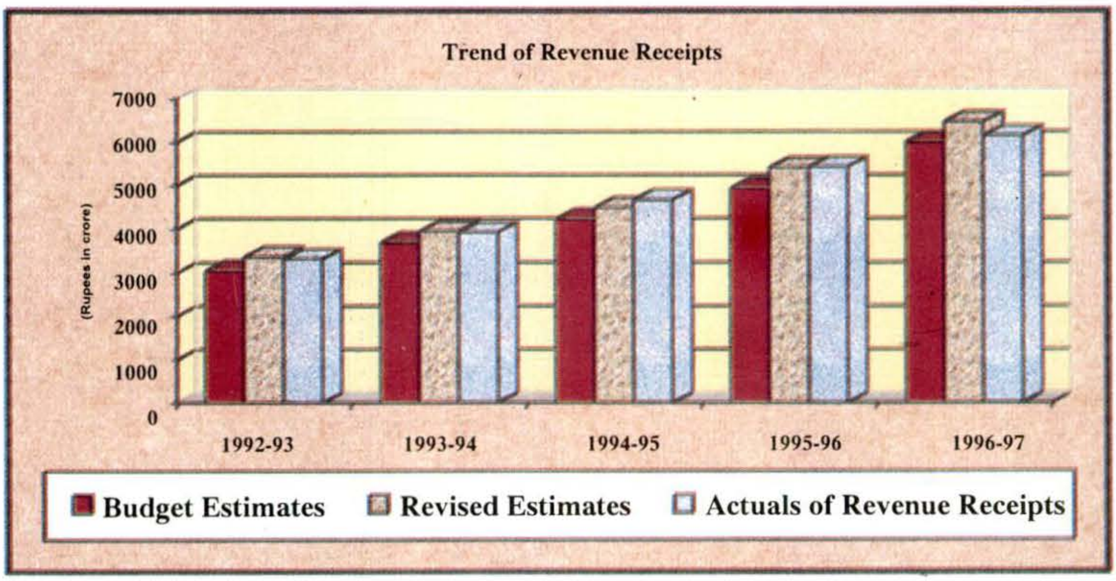
Receipts in the Consolidated Fund of the State increased from Rs 6031.32 crore in 1992-93 to Rs 7372.14 crore in 1996-97 which constituted an increase of 22.23 *per cent*. Compared to the Budget estimates for 1996-97, the total receipts under the Consolidated Fund fell short by Rs 123.84 crore, whereas such shortfall during the preceding year was Rs 190.04 crore. On the expenditure side the short fall in 1996-97 (Rs 545.93 crore) was more than in 1995-96 (Rs 292.68 crore). The net deficit in the Consolidated Fund of the State burgeoned to Rs 683.62 crore in 1996-97 registering an increase of 78 *per cent* with reference to the deficit of Rs 383.49 crore in the previous year. The net deficit anticipated in the Budget for 1996-97 was Rs 1105.71 crore against which the actual net deficit amounted to Rs 683.62 crore. The deficit on the capital account during the year occurred for the first time in the last five years (1992-97) when there was a capital surplus in all the preceding 4 years.

1.4. Revenue receipts

1.4.1. *(a) Trend of revenue receipts*

The trend of revenue receipts during the five years 1992-1997 was as under:

Year	Budget Estimates	Revised Estimates	Actuals		Percentage of increase
			Of revenue receipts	Increase over the previous year	
	(Rupees in crore)				
1992-93	3045.57	3366.16	3318.73	466.60	16
1993-94	3688.59	3951.33	3921.75	603.02	18
1994-95	4216.96	4489.54	4666.42	744.67	19
1995-96	4928.69	5405.96	5423.56	757.14	16
1996-97	6004.08	6465.25	6145.08	721.52	13



Revenue receipts increased from Rs 3318.73 crore in 1992-93 to Rs 6145.08 crore in 1996-97 registering a growth of 85 *per cent* in 4 years. However, the annual growth rate declined by 3 *per cent* in 1996-97 compared to the preceding year. The revenue collected in 1992-93 was 8.97 *per cent* above the original estimates and the actuals exceeded the estimates by 10 *per cent* in 1995-96. However, such a tempo was not maintained in 1996-97, the revenue mopped up in excess of the original estimates being 2 *per cent* only. Compared to the revised estimates of Rs 6465.25 crore, there was a shortfall of Rs 320.17 crore in the revenue receipts.

(b) Additional resource mobilisation

Though measures for mobilisation of additional resources (Rs 94.80 crore) were introduced with effect from 29 July 1996, the actual yield was Rs 35.96 crore only, the shortfall being 62 *per cent.* Two measures for resource mobilisation with an anticipated yield of Rs 40 crore were not at all carried out.

1.4.2 Tax revenue

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

Year	Budget Estimate	Tax revenue	Percentage growth over previous year	Percentage of tax revenue to total revenue receipts
	(Rupees in crore)			
1992-93	1926.67	1886.96	13	57
1993-94	2371.02	2344.86	24	60
1994-95	2763.07	2799.10	19	60
1995-96	3210.91	3382.68	21	62
1996-97	4044.33	3898.50	15	63

Tax revenue actually mobilised fell far short of the projections made in the Budget estimates except during 1994-95 and 1995-96. Though tax revenue garnered in 1996-97 increased by Rs 515.82 crore compared to that in 1995-96, the annual growth rate had actually dipped by 6 *per cent.* The sources which contributed substantially higher revenue compared to 1995-96, were Taxes on sales, trades, etc. (Rs 486.32 crore), Taxes on vehicles (Rs 25 crore) and electricity duty (Rs 39 crore).

1.4.3. Non - tax revenue

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

Year	Budget Estimate	Actuals	Percentage growth over previous year	Percentage of non-tax revenue to total revenue receipts
	(Rupees in crore)			
1992-93	239.47	279.40	19	8
1993-94	275.44	322.93	16	8
1994-95	287.54	396.35	23	8
1995-96	372.49	535.49	35	10
1996-97	489.60	513.80	(-) 4	8

There was a sharp decline in the non-tax revenue collected during 1996-97. The decrease in collections amounted to Rs 21.69 crore i.e. 4 *per cent* of the tax collected in the previous year. The share of non-tax revenue in the total revenue receipts was 8 *per cent* throughout the five year period except in 1995-96 (10 *per cent*). The momentum in the growth rate achieved in the preceding two years (23 *per cent* in 1994-95 and 35 *per cent* in 1995-96) was not sustained in 1996-97. The decrease was mainly due to less receipt from public sector and other undertakings (Rs 33 crore) and less interest on cash balance investments (Rs 13 crore) compared to the preceding year.

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

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

Year	State's share of Union taxes	Central grants	Total	Percentage of total to	
	(Rupees in crore)			revenue receipts	revenue expenditure
1992-93	686.96	465.41	1152.37	35	32
1993-94	751.18	502.78	1253.96	32	29
1994-95	838.42	632.55	1470.97	32	29
1995-96	1036.96	468.43	1505.39	28	26
1996-97	1242.65	490.13	1732.78	28	26

The receipts from Government of India during 1996-97 was higher by Rs 227.39 crore compared to that in 1995-96, though as a proportion of the State's total revenue receipts, it remained the same (at 28 *per cent*) during the 2 years In relation to the total revenue, the proportion of receipts from Government of India dipped from 35 *per cent* in 1992-93 to 28 *per cent* in 1996-97, a drop of 7 *per cent.*

1.5. Revenue expenditure

1.5.1. Growth of revenue expenditure

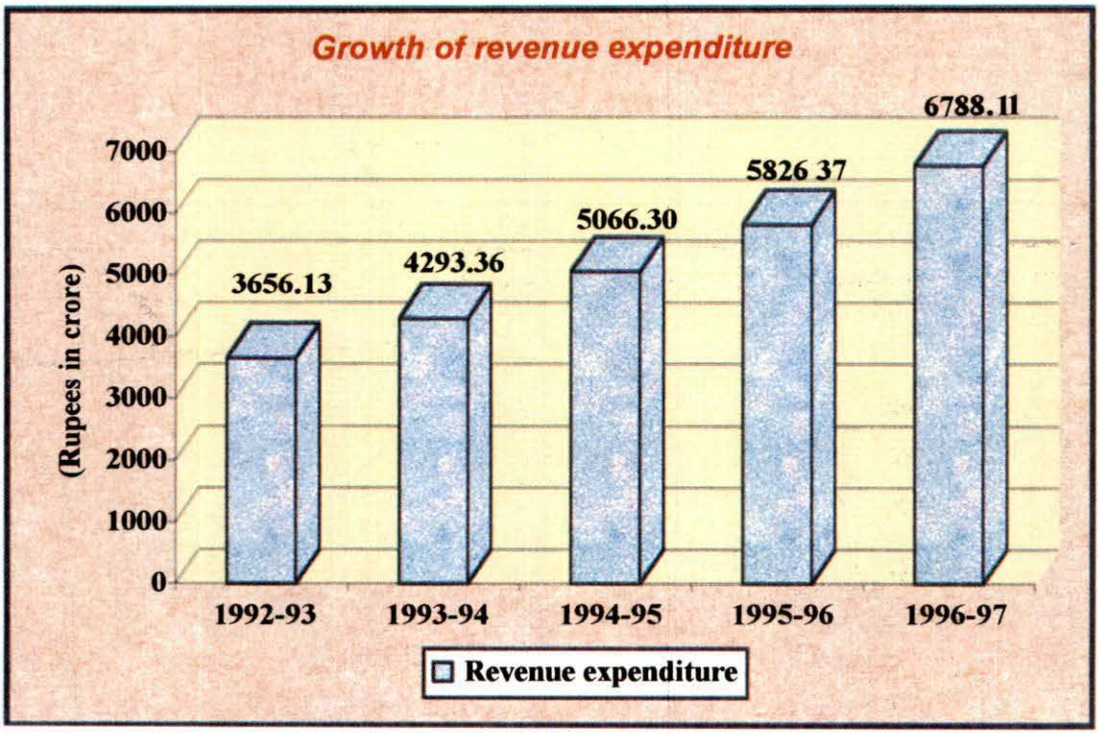
Trend of revenue expenditure of the State (both Plan and Non-Plan) during the 5 year period ended 1996-97 was as under:

Year	Budget estimate	Actuals			Increase(+)/ decrease(-) over the previous year	Gross State Domestic Product (GSDP) at current prices*	As a percentage of GSDP
		Plan	Non-Plan	Total			
		(Rupees in crore)					
1992-93	3680.67	530.60	3125.53	3656.13	(+) 439.67	19937.23	18.34
1993-94	4306.74	630.23	3663.13	4293.36	(+) 637.23	22516.42	19.07
1994-95	5241.78	761.35	4304.95	5066.30	(+) 772.94	26992.10	18.77
1995-96	5777.19	920.17	4906.20	5826.37	(+) 760.07	30044.04**	19.39
1996-97	7146.69	1233.09	5555.02	6788.11	(+) 961.74	33367.37@	20.34

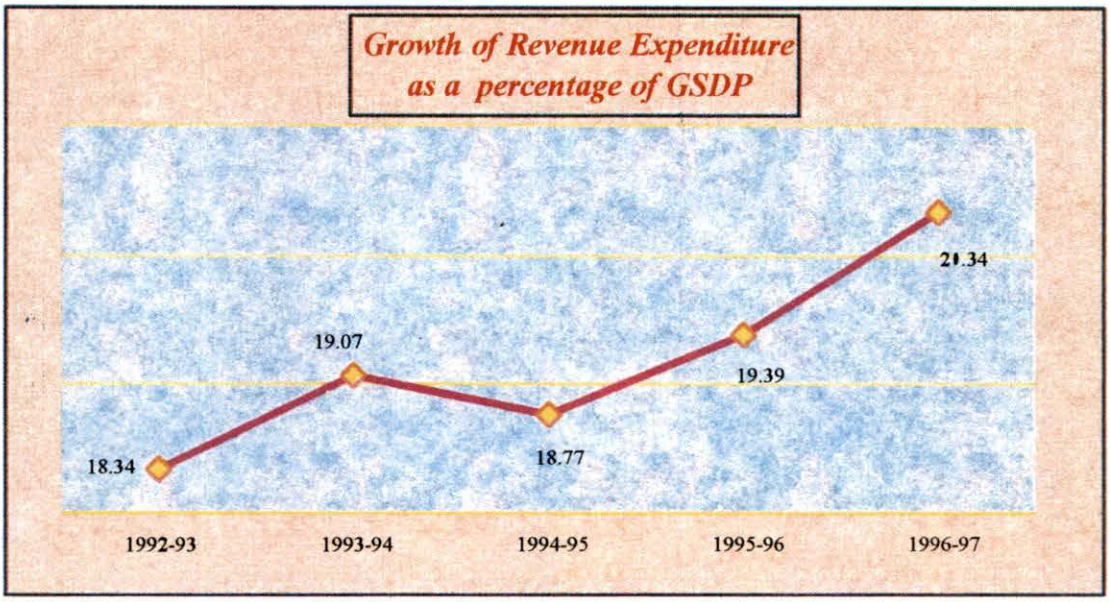
* Source: Directorate of Economics and Statistics, Thiruvananthapuram

** Provisional

@ Quick estimates

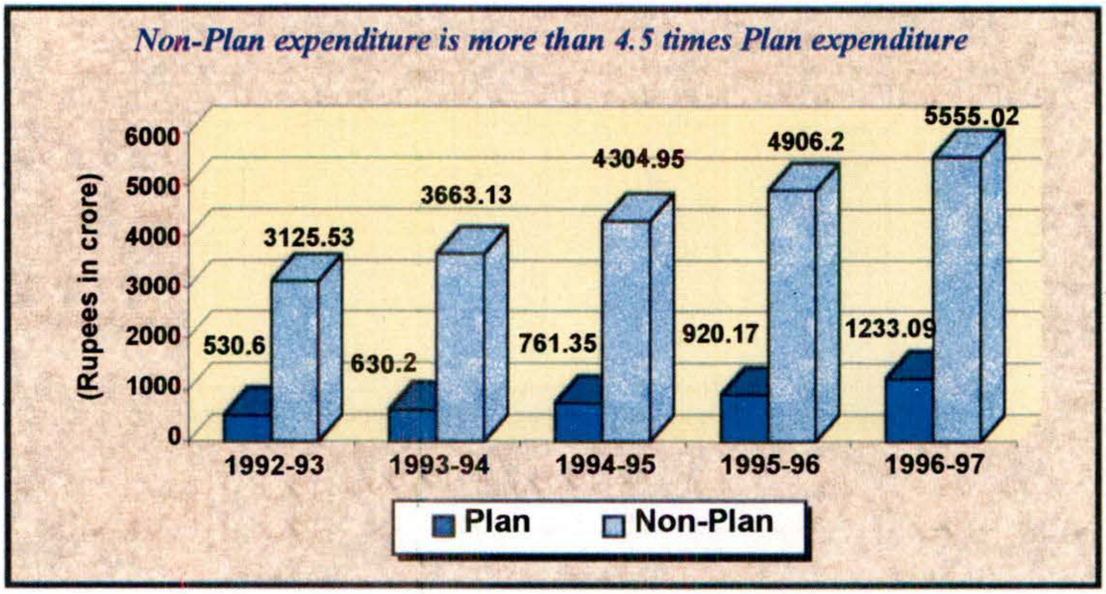


The total revenue expenditure (both Plan and non-Plan) increased from Rs 3656.13 crore in 1992-93 to Rs 6788.11 crore in 1996-97, the increase being 86 *per cent*. The growth percentage in 1996-97 was 16.5 compared to the revenue expenditure incurred in 1995-96. In relation to Gross SDP, total revenue expenditure increased to 20.34 *per cent* in 1996-97 as against 18.34 *per cent* in 1992-93, registering an increase of 2 *per cent*.



1.5.2. Unrestrained growth of non-Plan revenue expenditure

(i) Non-Plan revenue expenditure constituted a major chunk of the total revenue expenditure during the 5 years 1992-97 and ranged between 82 and 85 *per cent.*



(ii) The increase in non-Plan expenditure in 1996-97 was Rs 649 crore, an increase of 13 *per cent* in relation to 1995-96. The non-Plan expenditure was 15.68 *per cent* of Gross SDP in 1992-93. It increased to 16.65 *per cent* in 1996-97. The escalation in non-Plan expenditure in the following sub-sectors during the period 1992-97 was more pronounced.

Sl. No.	Sector/Sub sector	1992-93	1996-97	Percentage of increase
		(Rupees in crore)		
1.	Organs of State	38.81	79.63	105
2.	Interest payments and Servicing of debt	542.51	1103.41	103
3.	Pensions and Miscellaneous General Services	430.88	852.20	98
4.	Labour and Labour Welfare	20.55	50.15	144
5.	Other Social Services	3.10	6.68	115
6.	Rural Development	32.67	74.64	128
7.	Transport	77.87	159.57	105

(iii) Some of the important functions/services/programmes where the non-Plan expenditure other than interest payments (commented upon in paragraphs 1.5.4 and 1.8.4 separately) had registered phenomenal increase during the 5 years 1992-97 were as under :

Sl. No.	Sub sector	1992-93	1993-94	1994-95	1995-96	1996-97	Percentage of growth over 1992-93
		(Rupees in crore)					
1.	Elections	4.07	2.26	7.22	15.61	16.07	295
2.	Promotion of small savings	11.30	14.25	36.47	37.43	26.56	135
3.	Secretariat	14.13	17.71	22.18	22.48	25.54	81
4.	Board of Revenue	1.20	1.82	2.13	2.06	2.35	96
5.	Special Commissioner of Enquiry	0.55	0.69	0.76	0.86	1.12	104
6.	Pension and other retirement benefits	371.87	464.72	565.45	716.85	753.66	103
7.	Govt. Residential Building	3.04	3.71	3.99	3.49	6.24	105
8.	Crop Husbandry	31.81	39.57	49.17	56.73	81.70	157
9.	Forestry & Wildlife	24.15	31.70	46.01	46.90	61.61	155
10.	Roads of interstate economic importance	0.85	1.50	2.89	3.22	6.58	674
11.	Tourism	4.67	5.63	5.56	7.24	9.41	101

During 1996-97, the non-Plan expenditure (Rs 5555 crore) outstripped the revenue raised by the State (Rs 4412 crore) and non-Plan grants amounting to Rs 42 crore received from Government of India. Further, the assignments made by Government of India towards State's share of Income Tax (Rs 524 crore) and Union Excise Duties (Rs 719 crore) had to be mainly used to cover the balance non-Plan expenditure (Rs 1101 crore). Consequently, Rs 590 crore (10 *per cent* of the total revenue receipts) only were available which was grossly inadequate to cover even the

Plan component of revenue expenditure amounting to Rs 1233 crore. The resource gap of Rs 643 crore had to be covered from sources outside the Revenue account.

1.5.3. Trend analysis of Sectoral revenue expenditure

In the Government accounts, the transactions are accounted under various heads, which in turn, are grouped in sectors. The expenditure heads are grouped into General Services, Social services and Economic services. Specific functions or services are grouped into a sector. For example, Education, Sports, Art and Culture, Health and Family Welfare, Water Supply and Sanitation, Housing and Urban Development, Labour Welfare, Social Welfare and Nutrition, etc., are grouped under Social Welfare. Similarly Agriculture, Rural Development, Irrigation and Flood control, Energy, Industry and Minerals, Transport, Tourism, Science, Technology and Environment, Civil Supplies, etc., are included in Economic Services. The General Services on the other hand include expenditure on the organs of State, Fiscal services, Administrative Services and Pensions.

The sectoral classification, therefore, broadly indicates the revenue expenditure on the group of specific functions and services. The sectoral trend in expenditure pattern is analysed in the succeeding paragraphs.

(Rupees in crore)

Sector	1992-93	1993-94	1994-95	1995-96	1996-97
A- General Services					
Plan	0.06	0.08	0.61	0.81	1.35
Non-Plan	1335.54	1647.36	1985.09	2338.28	2622.50
Total	**1335.60**	**1647.44**	**1985.70**	**2339.09**	**2623.85**
As a percentage of Gross SDP	6.7	7.3	7.4	7.8	7.9
B – Social Services					
Plan	157.33	206.78	260.44	335.27	549.73
Non-Plan	1284.06	1569.77	1822.10	1975.24	2141.35
Total	**1441.39**	**1776.55**	**2082.54**	**2310.51**	**2691.08**
As a percentage of Gross SDP	7.2	7.9	7.7	7.7	8.1
C – Economic Services					
Plan	373.21	423.37	500.29	584.10	682.02
Non-Plan	466.00	386.05	432.54	517.55	674.86
Total	**839.21**	**809.42**	**932.83**	**1101.65**	**1356.88**
As a percentage of Gross SDP	4.3	3.6	3.5	3.7	4.1

The Revenue expenditure on General Services increased from Rs 1335.60 crore in 1992-93 to Rs 2623.85 crore in 1996-97 which constituted an increase of 96 *per cent*, whereas the growth percentage in respect of Social Services was 87 and for Economic Services, it was 62 only. As a proportion of total Revenue expenditure, the share of General Services increased from 36 *per cent* in 1992-93 to 39 *per cent* in 1996-97. The share of Social Services varied between 39 and 41 *per cent*. However, the share of Economic Services declined to 20 *per cent* in 1996-97 from 23 *per cent* in 1995-96.

The Plan expenditure on Social Services increased from Rs 157.33 crore in 1992-93 to Rs 549.73 crore in 1996-97, registering an increase of 249 *per cent*. The corresponding increase in Plan expenditure on Economic Services was 80 *per cent* only. As a percentage of Gross SDP, while the expenditure on General Services increased from 6.7 *per cent* in 1992-93 to 7.9 *per cent* in 1996-97 and that on Social Services increased from 7.2 *per cent* in 1992-93 to 8.1 *per cent* in 1996-97, the expenditure on Economic Services decreased from 4.3 *per cent* in 1992-93 to 4.1 *per cent* in 1996-97. However, the expenditure on Economic Services had started picking up after having slumped during 1993-94 (3.6 *per cent*) and 1994-95 (3.5 *per cent*). The comparatively low proportionate share of Economic Services in the total expenditure and its decreasing growth rate *vis-à-vis* the other 2 sectors, signified a movement towards providing services rather than creation of durable and remunerative assets.

1.5.4. Interest payments

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

(Rupees in crore)

Year	Interest paid on				Total	Percentage of interest payments with reference to Tax Revenue
	Internal debt	Loans received from Government of India	Small Savings, Provident Funds, etc.	Others		
1992-93	154.98	237.62	149.84	0.07	542.51	29
1993-94	180.90	278.16	228.02	0.08	687.16	29
1994-95	216.41	330.70	272.48	0.08	819.67	29
1995-96	253.64	418.07	252.36	0.09	924.16	27
1996-97	318.08	494.16	291.06	0.11	1103.41	28

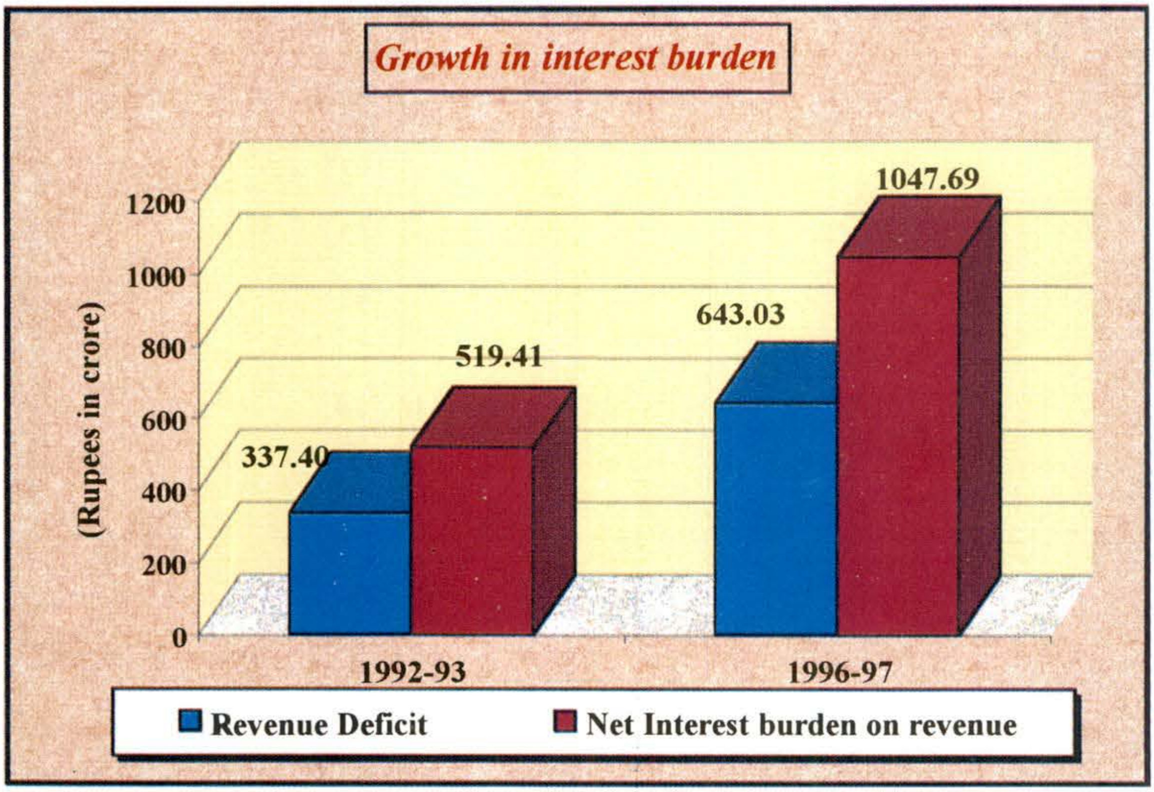
The outgo as interest payment increased by Rs 179.25 crore compared to that in 1995-96, registering a growth rate of 19.4 *per cent*. The growth rate in the preceding year was 12.7 *per cent* only. The interest payments constituted 16.3 *per cent* of Revenue expenditure in 1996-97 against 15.9 *per cent* in the previous year 1995-96. Compared to the increase in Revenue expenditure by Rs 3131.98 crore from 1992-93 to 1996-97 (85.7 *per cent*) the interest payments increased by Rs 560.90 crore (103.4 *per cent*).

The interest paid on Internal Debt increased by 105 *per cent* during the 5 year period 1992-97. Similarly interest paid on Central loans and advances increased by 108 *per cent*. The total interest paid on Public Debt constituted 74 *per cent* of the interest payment in 1996-97 as compared to 72 *per cent* in 1992-93.

The gap between interest payment and interest receipts (including interest recovered from Departmental commercial undertakings) was widening and the net burden on revenue ranged between Rs 519.41 crore in 1992-93 and Rs 1047.69 crore in 1996-97 which constituted 15.6 *per cent* and 17 *per cent* of the Revenue receipts in those years. The details were as under:

(Rupees in crore)

Year	Interest payment	Interest receipts	Net burden on revenue	Revenue deficit
1992-93	542.51	23.10	519.41	337.40
1993-94	687.16	27.60	695.56	371.61
1994-95	819.67	37.76	781.91	399.88
1995-96	924.16	100.32	823.84	402.81
1996-97	1103.41	55.72	1047.69	643.03



The burden of interest obligation due to mounting Public Debt was the major factor responsible for the widening gap between Revenue receipts and Revenue expenditure.

1.5.5. Financial assistance to local bodies and others

The quantum of assistance jumped from Rs 966.83 crore in 1992-93 to Rs 1994.32 crore in 1996-97 - an increase of 106 *per cent*. With reference to previous year, 1995-96, the increase was 30 *per cent*. The out-flow of funds in the form of grant-in-aid during 1996-97 was Rs 1710 crore which constituted 25 *per cent* of the revenue expenditure. The phenomenal growth in grant-in-aid paid to panchayat raj institutions, *viz*. District panchayats, Block panchayats, Village panchayats, Corporations and Municipalities during 1996-97 (Rs 529.62 crore) consequent on transfer of certain functions/schemes to them from the departments concerned, was the major contributing factor for the increase in grant-in-aid. Grant-in-aid paid to aided educational institutions and 6 Universities in 1996-97 (Rs 984.07 crore), which registered a growth of 13 *per cent* compared to 1995-96, was another significant factor.

(Rupees in crore)

Sl. No.	Particulars	1992-93	1993-94	1994-95	1995-96	1996-97
1	Assistance paid	966.83	1197.18	1399.99	1536.58	1994.32
2	Revenue raised by the State	2166.36	2667.79	3195.45	3918.17	4412.30
3	Percentage of assistance to revenue raised by the State	45	45	44	39	45
4	Revenue expenditure	3656.13	4293.36	5066.30	5826.37	6788.11
5	Percentage of assistance to revenue expenditure	26	28	28	26	29

The departmental officers sanctioning grants-in-aid are required to obtain certificates from the grantees for utilisation of the grants paid to them and furnish the utilisation certificates to Accountant General (Accounts and Entitlement) within one year from the date of sanction, unless specified otherwise. The purpose of furnishing such certificates is to ensure that grants had been properly utilised for the intended purposes and in cases when the grants were sanctioned subject to conditions, the prescribed conditions were complied with. As of November 1997, 162 certificates in respect of grants aggregating Rs 61.35 crore paid up to 31 October 1996 had not been received by Accountant General (A&E). The department-wise details are given in paragraph 7.2.

1.5.6. Loans and advances by State Government

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

	1992-93	1993-94	1994-95	1995-96	1996-97
	(Rupees in crore)				
Opening Balance	1083.24*	1189.15*	1378.53*	1637.47*	1973.16*
Amount advanced during the year	137.10	233.95	288.47	368.11	341.03
Amount repaid by the beneficiaries during the year	20.42	33.44	25.71	31.74	64.10
Closing Balance	1199.92	1389.66	1641.29	1973.84	2250.09
Net addition	116.68	200.51	262.76	336.37	276.93
Interest received and credited to revenue	8.92	11.55	19.15	46.91	17.26
Net receipt from long term borrowings	534.10	589.75	956.47	919.16	858.86

The trend in disbursement and recovery of loans and advances by the State Government during the 5 years 1992-93 to 1996-97 is indicated in the following table:

Year	Disbursement of loans		Recovery of loan		Interest received on outstanding loans	
	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals
	(Rupees in crore)					
1992-93	141.79	137.10	21.80	20.42	13.68	8.92
1993-94	180.10	233.96	22.35	33.44	22.32	11.55
1994-95	248.73	288.48	24.07	25.71	15.26	19.15
1995-96	266.74	368.11	26.56	31.73	16.97	46.91
1996-97	314.19	341.03	30.73	64.10	13.02	17.26

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

The net loans and advances disbursed during 1992-97 ranged between 22 *per cent* and 37 *per cent* of the net long term borrowings by the State Government. The loans paid during 1996-97 decreased to Rs 341 crore from Rs 368 crore in 1995-96. The decrease was mainly in Energy Sector where the loan paid in 1996-97 was Rs 81 crore as against Rs 134 crore paid in 1995-96.

The recoveries during 1996-97 amounted to Rs 64 crore, registering an increase of Rs 32 crore over that in the preceding year. The increase was mainly due to adjustment of the dues payable to the Kerala State Electricity Board towards supply of electricity at concessional rates to new industrial units (Rs 25 crore) and free supply to small and marginal paddy growers (Rs 6.50 crore) against principal portion under "Loans for Power Projects" instead of adjusting it against the accumulated interest or against outstanding Electricity Duty payable by the Board.

1.5.7. Recoveries in arrears

In respect of loans and advances the detailed accounts of which were maintained by the Accountant General (Accounts and Entitlement) an amount of Rs794.65 crore was in arrears as on 31 March 1997 as shown below:

Sl. No.	Name of Institution	Principal	Interest
		(Rupees in crore)	
1	Kerala State Electricity Board	160.92	465.86
2	Kerala State Road Transport Corporation	41.40	39.64
3	Kerala Water Authority	91.19	112.81
4	Kerala State Housing Board	3.83	2.91
5	Development Authorities	4.11	4.36
6	Other institutions	1.42	2.48
	Total	**302.87***	**628.06***

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

During the period from 1992-93 to 1996-97, the State Government granted 24 loans totalling Rs 387.33 crore to Kerala State Electricity Board. Of this, an amount of Rs 161.64 crore represented electricity duty due to Government from the Board, which was converted into fresh loans.

According to the orders issued by Government in March 1961, each Head of the Department should intimate to the Accountant General every year by 15 July, the arrears (as on 31 March preceding) in recovery of principal and interest on loans, the detailed accounts of which are maintained by the departmental officers. Of the 40 departmental officers from whom statements were to be received for the year 1996-97, 33 departmental officers had not furnished the statements as of November 1997, as against 28 officers in the previous year. The position of arrears in recovery of principal and interest based on information furnished by 7 departmental officers was as under:

Name of department	Arrears as on 31 March 1997	
	Principal	Interest
	(Rupees in crore)	
Agriculture	5.64	8.56
Agriculture (Dairy Development)	1.76	2.30
Food and Civil Supplies	132.59	76.31
Industries	44.44	63.57
Ports	0.12	0.01
Total	**184.55**	**150.75**

1.6. Capital expenditure

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

(Rupees in crore)

Year	Provision			Actuals of capital expenditure			Shortfall in expenditure	Percentage of variation	Percentage of increase (+) / decrease(-) over the previous year
	Original budget estimates (Net)	Supplementary	Total	Non-Plan	Plan	Total			
1992-93	338.50	18.54	357.04	(-)3.04*	280.94	277.90	79.14	22	(-) 4
1993-94	376.22	30.10	406.32	0.09	363.24	363.33	42.99	11	(+) 11
1994-95	435.27	54.36	489.63	4.36	441.65	446.01	43.62	9	(+) 2
1995-96	500.40	136.24	636.64	1.82	561.65	563.47	73.17	11	(-) 2
1996-97	684.85	33.72	718.57	(-) 2.14	624.66	622.52	96.05	13	(-) 2

The capital expenditure during 1996-97 was Rs 622.52 crore against the net budget estimates (including supplementary) of Rs 718.57 crore, the shortfall in expenditure being Rs 96.05 crore (13 *per cent).* It would be seen that even the original provision was not utilised except during the 2 years 1994-96. The unutilised provision (including supplementary grants obtained) ranged between 9 *per cent* and 22 *per cent.* The important functions/programmes where substantial shortfalls occurred and the main reasons wherever furnished by Government, are given in Chapter II of this Report. The capital expenditure incurred was 1.8 *per cent* of the Gross SDP in 1996-97.

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

1.6.2 Sectoral analysis of Capital expenditure

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

(Rupees in crore)

Year	General services		Social services		Economic services		Total	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
1992-93	9.71	..	38.35	0.71	232.88	(-)3.75	280.94	(-)3.04
1993-94	10.75	..	47.10	0.54	305.39	(-)0.45	363.24	0.09
1994-95	14.20	..	42.60	1.69	384.85	2.67	441.65	4.36
1995-96	23.44	..	68.66	0.36	469.55	1.46	561.65	1.82
1996-97	32.03	0.21	81.05	2.27	511.58	(-)4.62	624.66	(-)2.14

The share of capital expenditure on Economic Services, in the total Government expenditure of Rs 7751.66 crore (Revenue : Rs6788.11 crore; Capital : Rs 622.52 crore and Loans and Advances : Rs 341.03 crore) was 6.54 *per cent* in 1996-97. Compared to 1995-96, there was significant shortfall in capital expenditure under the following heads.

(Rupees in crore)

Functions/Services	Expenditure		Shortfall
	1995-96	1996-97	
Crop Husbandry	1.16	0.38	0.78
Fisheries	27.07	21.95	5.12
Food, storage & warehousing	2.56	(-)1.94	4.50
Engineering Industries	4.96	3.05	1.91
Other Transport Services	12.56	4.56	8.00

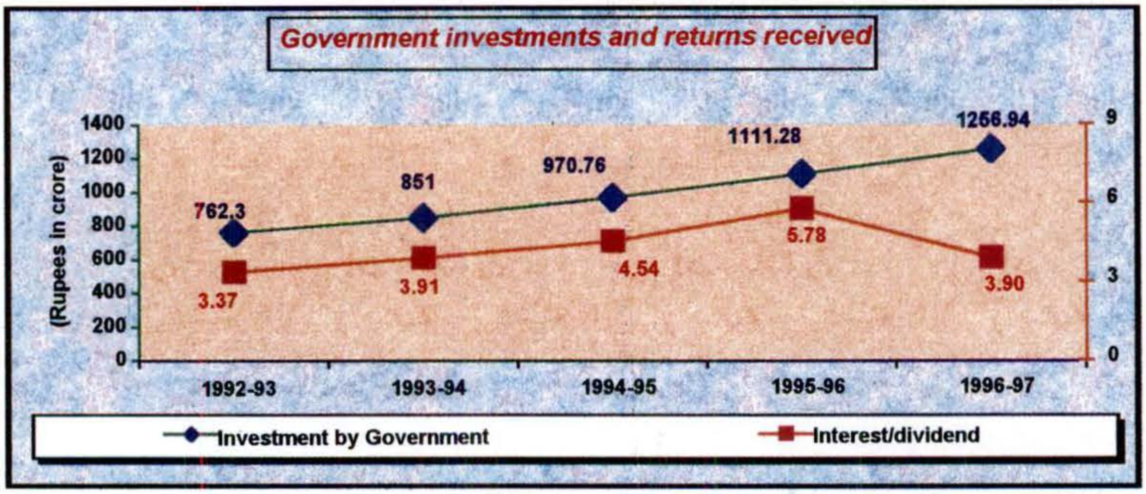
In the Social Services Sector, there was a marked decline in the capital outlay on Housing from Rs 15.18 crore in 1995-96 to Rs 6.29 crore in 1996-97 (deceleration percentage being 59).

1.6.3. Investment and returns

In 1996-97, Government invested Rs 145.66* crore in share capital of statutory corporations (Rs 29.19 crore), Government companies (Rs 77.76 crore), joint stock companies (Rs 5.04 crore) and co-operative banks and societies (Rs 33.67 crore).

The investment of the Government in the share capital of different concerns at the end of each year from 1992-93 to 1996-97 and the return in the form of interest/dividends were as under :

Year	Government Investments (Rupees in crore)	Return on investment (Rupees in crore)	Percentage
1992-93	762.30	3.37	0.44
1993-94	851.00	3.91	0.46
1994-95	970.76	4.54	0.47
1995-96	1111.28**	5.78@	0.52
1996-97	1256.94	3.90@@	0.31



The total investment increased by Rs 495 crore (65 *per cent*) over a period of 4 years from Rs 762.30 crore in 1992-93. The negligible return on investment during the period 1992-97, ranging between 0.31 *per cent* and 0.52 *per cent* of the

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* Excludes Rs 0.10 crore invested in Thiruvananthapuram Airport Development Society which has no provision for share capital *vide* page 232 of the Finance Accounts.

** See Explanatory Note No. 7 below the account statements in paragraph 1.3.

@ Excludes Rs. 0.03 crore classified under 'Dividends from other investments' for want of full details of the institutions to which it could be apportioned.

@@ Excludes 0.02 crore which could not be apportioned to the respective institutions for want of details.

total investment up to the end of the respective years was much lower than the average rate of interest of 13.43 *per cent* paid by Government on market borrowings.

No dividend or interest was received from statutory corporations during 1992-93 to 1996-97. The share of dividends received from Government companies, joint stock companies and co-operative institutions is indicated below :

(Rupees in crore)

Nature of concerns	1992-93	1993-94	1994-95	1995-96	1996-97
Government Companies	2.64	2.84	3.69	4.63	2.88
Other Joint Stock Companies	0.42	0.48	0.54	0.52	0.51
Co-operative Banks and Societies	0.31	0.59	0.31	0.63	0.51

The return on investment declined to Rs 3.90 crore from Rs 5.78 crore in 1995-96. As a proportion of investment it dipped to 0.31 *per cent* in 1996-97 from 0.52 *per cent* in the preceding year. The decline in the returns was caused mainly by substantial decrease in the dividend from Government companies to Rs 2.88 crore in 1996-97 from Rs 4.63 crore in 1995-96.

1.6.4. Investment in undertakings working on loss

The accumulated loss of 53 Government companies and three statutory corporations in which Government had invested Rs 661.07 crore up to 31 March 1997 was Rs 940.85 crore as disclosed in the accounts rendered by them for various years from 1984-85 to 1996-97.

Four companies were under liquidation. One company had been declared as sick. The accumulated losses in one statutory corporation and 28 Government companies were more than the investments. The details are given in Appendix - 1.

1.6.5. Non-finalisation of annual accounts by Government companies

The accountability of Government companies to the Legislature is to be achieved through regular submission of audited annual accounts to the Legislature. Out of 86 Government companies (including 4 subsidiaries), only 8 had finalised accounts up to the year 1996-97 and 6 others had rendered provisional accounts.

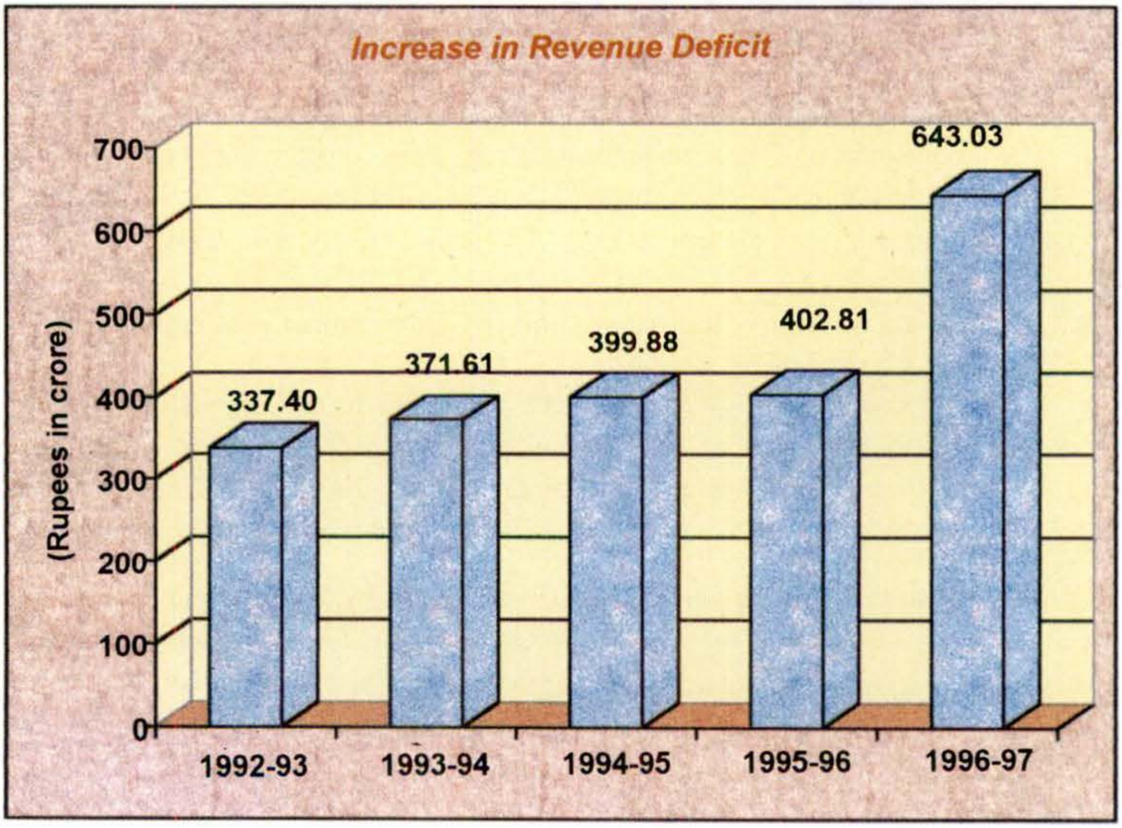
The extent of arrears in finalisation of accounts by 58 companies (excluding those under liquidation – 7, declared sick by BIFR – 1, defunct - 1 and those which did not commence commercial activities - 5) ranged from 1 to 9 years. Ten companies had not finalised their accounts for more than 5 years, 25 companies for 2 to 5 years and 22 companies for the current year. The details are given in Appendix - 2.

1.7. Deficit

1.7.1. Revenue deficit

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

Year	Revenue Receipts (Rupees in crore)	Revenue Expenditure (Rupees in crore)	Revenue Deficit (Rupees in crore)	Percentage of actual deficit to revenue receipts	As a percentage of Gross State Domestic Product
1992-93	3318.73	3656.13	337.40	10.2	1.69
1993-94	3921.75	4293.36	371.61	9.5	1.65
1994-95	4666.42	5066.30	399.88	8.6	1.48
1995-96	5423.56	5826.37	402.81	7.4	1.34
1996-97	6145.08	6788.11	643.03	10.5	1.93



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

Year	Revenue deficit (Rupees in crore)			Revenue deficit as a percentage of GSDP
	Budget estimates	Revised estimates	Actuals	
1992-93	635.10	485.09	337.40	1.69
1993-94	618.17	466.68	371.61	1.65
1994-95	833.37	694.32	399.88	1.48
1995-96	848.50	820.47	402.81	1.34
1996-97	1142.61	1007.06	643.03	1.93

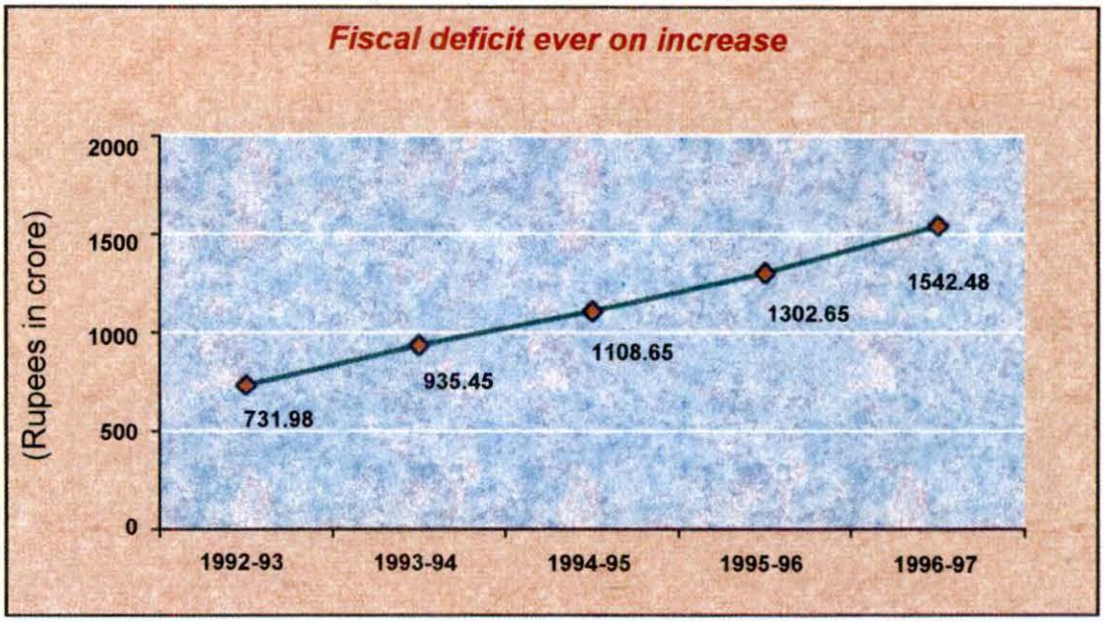
Though the actual revenue deficit was within the original anticipation as well as revised projections, the continuous shortfalls indicated either over-provisions or under-pitching the revenue potential. The revenue deficit was brought below the anticipated level by compression of revenue expenditure by effecting budgetary savings (discussed separately in Chapter II).

1.7.2. Fiscal deficit

Fiscal deficit is defined as the excess of expenditure (both revenue and capital) including net loans paid over revenue receipts (including grants-in-aid received). The fiscal deficit for the last five years was as follows:

(Rupees in crore)

Particulars	1992-93	1993-94	1994-95	1995-96	1996-97
Revenue Expenditure	3656.13	4293.36	5066.30	5826.37	6788.11
Capital Expenditure	277.90	363.33	446.01	563.47	622.52
Loans and Advances (Net)	116.68	200.51	262.76	336.37	276.93
Total Expenditure	4050.71	4857.20	5775.07	6726.21	7687.56
Revenue Receipts	3318.73	3921.75	4666.42	5423.56	6145.08
Fiscal Deficit	731.98	935.45	1108.65	1302.65	1542.48
As a percentage of Gross SDP	3.67	4.15	4.11	4.34	4.62



The fiscal deficit, in absolute terms, increased from Rs 732 crore in 1992-93 to Rs 1542 crore in 1996-97, registering an increase of 111 *per cent.*

During 1996-97, the fiscal deficit arose on account of Government's compulsion to borrow in order to meet the following expenditure.

Item of expenditure	Amount (Rupees in crore)
Revenue expenditure	643
Capital expenditure	622
Lending for development and other purposes	277
Total	**1542**

This fiscal deficit of Rs 1542 crore was financed mainly through the following sources after adjustments by the net effects of suspense balances, remittance balance and transactions in Reserve Funds.

Sources	Amount (Rupees in crore)
Public debt (net)	858.86
Small savings, Provident Fund, etc.	448.51
Deposits and advances	393.81

1.7.3. Impact of fiscal deficit

The impact of fiscal deficit on Public Debt and magnitude of the interest burden during the last 5 years was as under :

Year	Fiscal Deficit	Total Public Debt	Interest on Public Debt	Percentage of interest to fiscal deficit
	(Rupees in crore)			
1992-93	731.98	4415.19	392.60	54
1993-94	935.45	4848.90	459.06	49
1994-95	1108.65	5805.37	547.11	49
1995-96	1302.65	6724.53	671.70	51
1996-97	1542.48	7583.39	812.24	53

The persistence of fiscal deficit has resulted in increase in Public Debt from Rs 4415 crore to Rs 7583 crore during the 5 years 1992-97, pushing up the interest burden from Rs 393 crore in 1992-93 to Rs 812 crore in 1996-97.

A disturbing aspect of the surging fiscal deficit was that interest payments on Public Debt accounted for around 50 *per cent* of the deficit throughout the period 1992-97 and Government had to borrow funds more and more for servicing the debt in addition to bridging the resource gap.

1.8. Public Debt

Public debt, which comprises of internal debt and loans and advances from Government of India, has vital links with all aspects of public finance.

The magnitude of the indebtedness of the State Government for the last 5 years was as under :

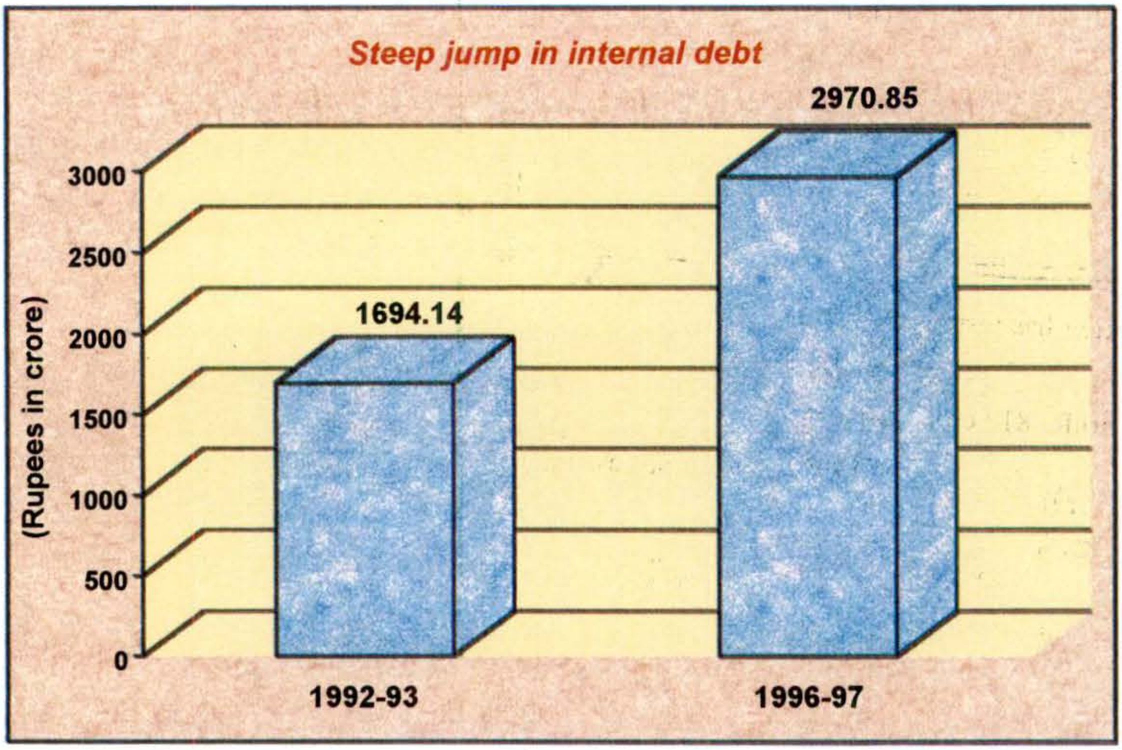
1.8.1. Internal debt

Internal debt comprises of long term loans raised in the open market and loans received from the Life Insurance Corporation of India, National Bank for Agriculture and Rural Development and other institutions to finance projects, schemes, etc. In addition, it also includes ways and means advance from the Reserve

Bank of India and other Bonds issued by the State Government. The growth-profile of internal debt during 1992-97 is depicted in the table below :

(Rupees in crore)

Particulars	1992-93	1993-94	1994-95	1995-96	1996-97
Opening balance	1363.46	1694.14	1734.68	2079.32	2486.28
Addition	2162.62	1143.35	509.32	427.64	623.01
Repayment of Principal	1831.94	1102.81	164.68	20.68	138.44
Net addition	330.68	40.54	344.64	406.96	484.57
Closing balance	1694.14	1734.68	2079.32	2486.28	2970.85



Internal debt increased from Rs 1694 crore in 1992-93 to Rs 2971crore in 1996-97, which represents an increase of Rs 1277 crore (75 *per cent*). Except during 1993-94, the net addition to the debt increased from year to year during 1992-97.

The resources mobilised through market loans constituted a major source of finance for implementation of Plan Schemes. The quantum of market borrowings envisaged in the Annual Plans, fresh loans raised, repayment of previous loans effected and interest paid during the years 1992-97 are indicated below :

Year	Market borrowings prescribed	Fresh loan raised	Repayments made	Interest paid	Total
	(Rupees in crore)				
1992-93	192.36	215.01	21.70	127.56	149.26
1993-94	193.16	219.64	26.43	153.23	179.66
1994-95	245.61	295.61	0.20	185.59	185.79
1995-96	345.61	345.61	0.02	217.00	217.02
1996-97	380.17	380.17	*	269.53	269.53

The market borrowings during 1992-95 were more than that visualised while finalising the respective annual Plan Programmes.

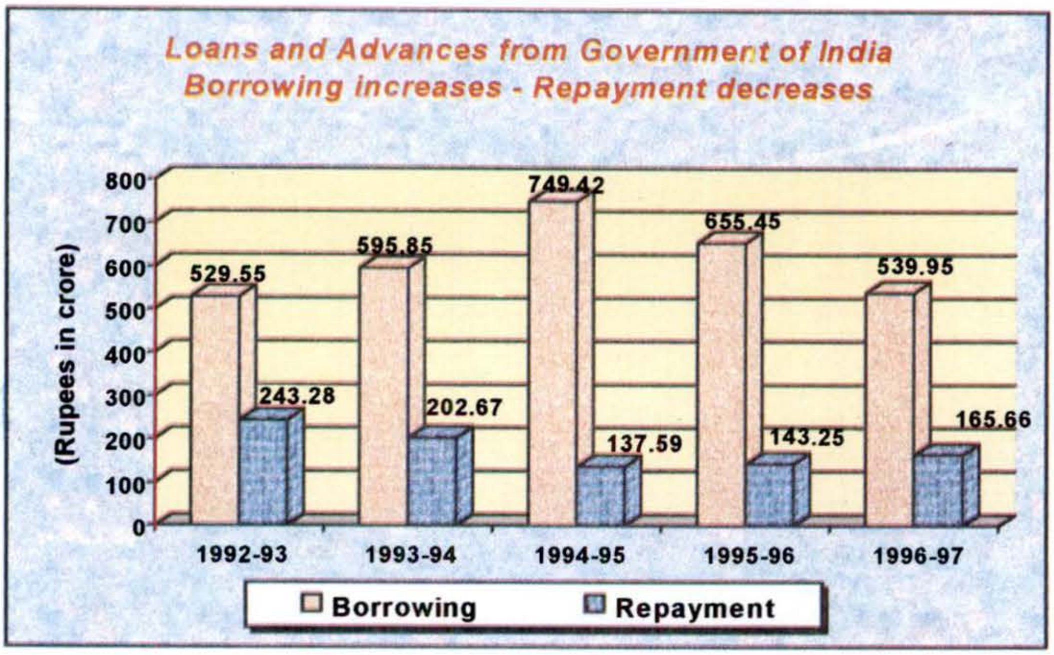
1.8.2. Loans and advances from Government of India

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

(Rupees in crore)

Year	Opening Balance	Additions	Discharges	Closing Balance	Net addition
1992-93	2434.77	529.55	243.28	2721.04	286.27
1993-94	2721.04	595.85	202.67	3114.22	393.18
1994-95	3114.22	749.42	137.59	3726.05	611.83
1995-96	3726.05	655.45	143.25	4238.25	512.20
1996-97	4238.25	539.95	165.66	4612.54	374.29

* Negligible being Rs 14,200



The net addition of loans received from Government of India during the past 5 years was Rs 2177.77 crore. The outstanding loans (principal) which stood at Rs 2721.04 crore in 1992-93 increased to Rs 4612.54 crore in 1996-97. There was a marked decline in the net addition of loan received after 1994-95.

1.8.3. Other liabilities

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

(Rupees in crore)

Year	1992-93	1993-94	1994-95	1995-96	1996-97	Total
Additions	2577.67	3298.42	3793.46	4122.01	4725.27	18516.83
Disbursements	2309.45	2818.09	3110.57	3589.69	3888.82	15716.62
Net additions	268.22	480.33	682.89	532.32	836.45	2800.21
Interest paid	149.92	228.10	272.56	252.45	291.17	1194.20
Debt obligations discharged and its percentage to additions	2459.37 95	3046.19 92	3383.13 89	3842.14 93	4179.99 88	16910.82 91

The category-wise details of the accretion of these liabilities are furnished in Appendix-3.

The total addition was Rs 18517 crore while the outgo amounted to Rs 15717 crore, resulting in a net receipt of Rs 2800 crore during the 5 year period 1992-97. The net addition to these liabilities ranged from Rs 268 crore in 1992-93 to Rs 836 crore in 1996-97. The major sources which provided for the spurt in the net addition during 1996-97 were, State Provident Funds (Rs 244 crore), Small Savings (Rs 179 crore) and Deposits (Rs 394 crore). It is noteworthy that the interest obligations discharged shot up from Rs 150 crore in 1992-93 to Rs 291 crore in 1996-97. Considering the cumulative outgo of Rs 1194 crore towards interest paid, the total obligation discharged amounted to Rs 16911 crore, being 91 *per cent* of the total receipts (Rs 18517 crore) during the period 1992-97.

The debt servicing (repayment plus interest) in respect of small savings mobilised primarily for financing Plan Programmes, had, over the period, assumed such dimensions (90 to 100 *per cent* of receipts) that in real terms, practically, very little funds were available for investment. In 1995-96, the outflow of funds towards repayment and interest was Rs 1889 crore (100.12 *per cent*) as against receipts amounting to Rs 1887 crore. The repayments and interest payments in respect of State Provident Funds in 1996-97 (Rs 851 crore) constituted 97 *per cent* of the receipts (Rs 880 crore).

1.8.4. Debt Service Obligation

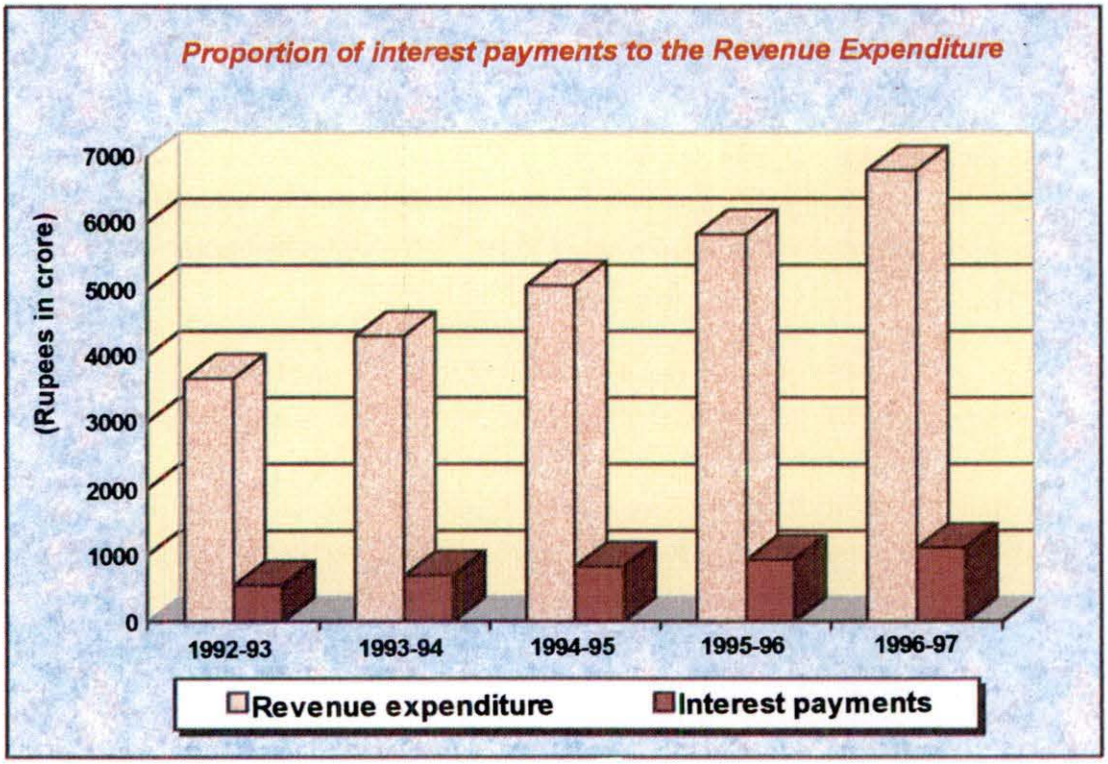
The State Government had not made any amortisation arrangements for open market loans floated by them from 1975 onwards and also for repayment of loans taken from the Government of India.

The outflow of funds on account of interest payments in 1996-97 (Rs 1103.41 crore) far exceeded that in 1992-93 (Rs 542.51 crore), the growth being Rs 560.90 crore. The position is summarised in the following table.

(Rupees in crore)

Year	Revenue expenditure	Interest payments	Interest payments as a percentage of revenue expenditure
1992-93	3656.13	542.51	15
1993-94	4293.36	687.16	16
1994-95	5066.30	819.67	16
1995-96	5826.37	924.16	16
1996-97	6788.11	1103.41	16

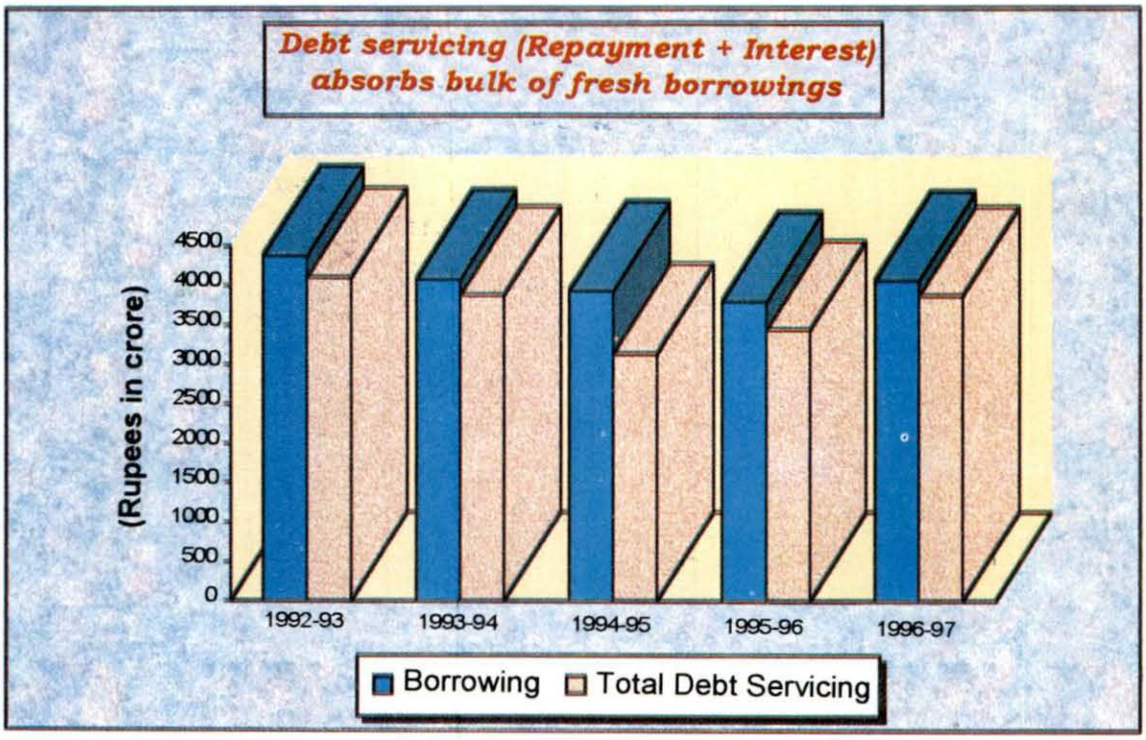
Though the percentage of the interest paid to total Revenue expenditure remained static at 16 *per cent* from 1993-94 onwards, the total interest payments had increased by 103 *per cent* during the period 1992-93 to 1996-97.



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

(Rupees in crore)

Year	Borrowings	Repayments effected	Interest paid	Total Debt Service	Debt Service as a percentage of borrowing
1992-93	4393.24	3562.67	542.51	4105.18	93
1993-94	4089.67	3188.14	687.16	3875.30	95
1994-95	3944.30	2322.09	819.67	3141.76	80
1995-96	3805.79	2513.12	924.16	3437.28	90
1996-97	4070.19	2762.82	1103.41	3866.23	95



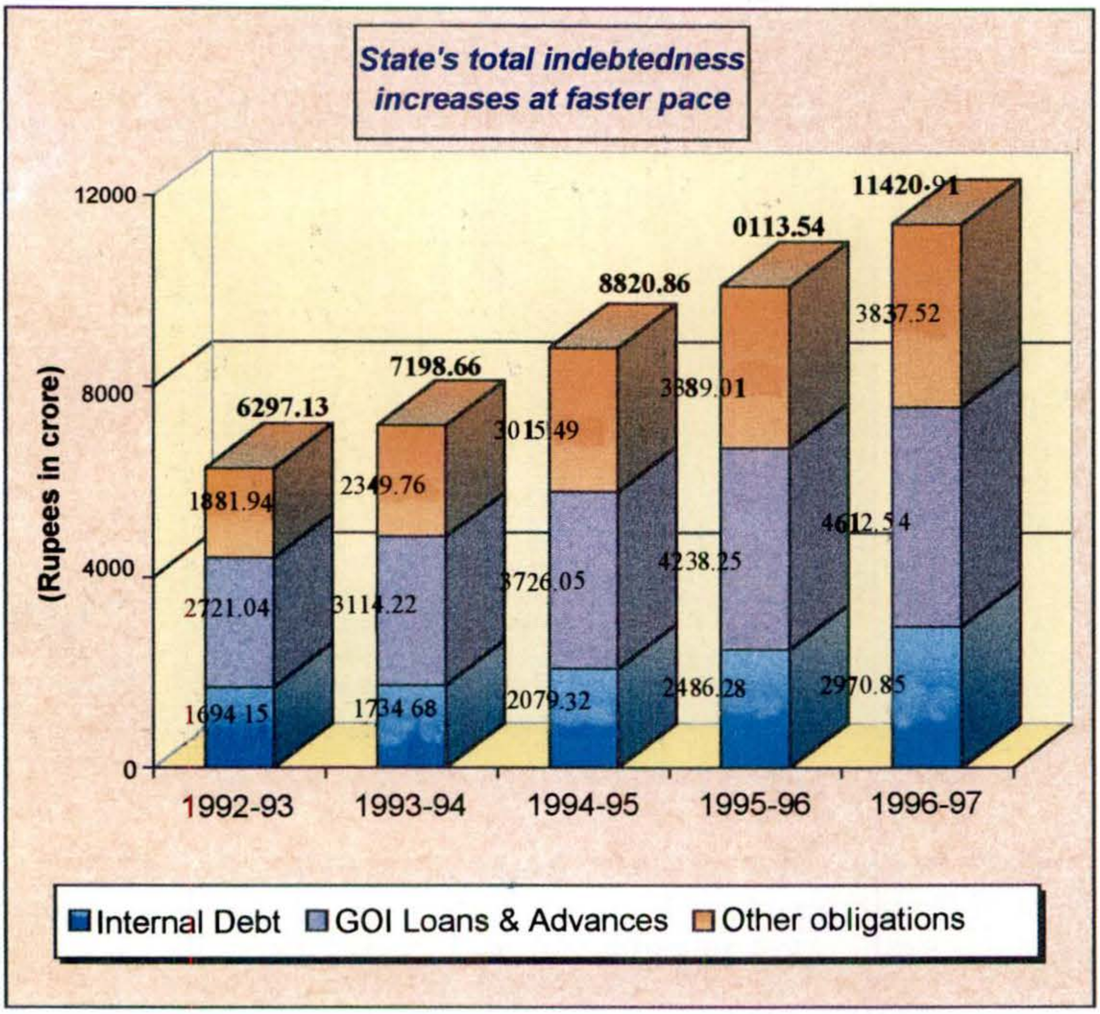
The debt servicing obligations discharged in 1996-97 increased substantially. Ninety five *per cent* of the borrowings had to be applied for this. After amortisation of debt obligations the balance available was Rs 203.96 crore only though the total borrowings in 1996-97 amounted to Rs 4070.19 crore.

1.8.5 Total indebtedness of State Government

The magnitude of the indebtedness of the State Government on the last day of the financial years 1992-93 to 1996-97 was as under :

(Rupees in crore)

Year	Internal Debt	GOI Loans & Advances	Other obligations	Total indebtedness	As a percentage of Gross SDP
1992-93	1694.15	2721.04	1881.94	6297.13	31.58
1993-94	1734.68	3114.22	2349.76	7198.66	31.97
1994-95	2079.32	3726.05	3015.49	8820.86	32.68
1995-96	2486.28	4238.25	3389.01	10113.54	33.66
1996-97	2970.85	4612.54	3837.52	11420.91	34.23



The total indebtedness increased from Rs 6297 crore in 1992-93 to Rs 11421 crore in 1996-97. The total indebtedness was 34.23 *per cent* of the Gross SDP at the end of the year 1996-97 as against 31.58 *per cent* in 1992-93, registering an increase of 2.65 *per cent*.

1.9. Ways and means advances and overdraft

Under an agreement with the Reserve Bank of India, the State Government has to maintain with the Bank a minimum daily cash balance of Rs60 lakh. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ways and means advances/overdraft from the Bank. The extent to which the

Government maintained the minimum balance with the Bank during the period 1992-93 to 1996-97 is indicated below:

Particulars	1992-93	1993-94	1994-95	1995-96	1996-97
(i) Number of days on which minimum balance was maintained:					
(a) without obtaining any advance	32	204	336	366	358
(b) by obtaining ways and means advances	165	108	28	Nil	5
(ii) Number of days on which there was shortfall from the agreed minimum balance	2	Nil	Nil	Nil	Nil
(iii)Number of days on which overdraft was taken	166	53	1	Nil	2

The position of ways and means advances, shortfall and overdraft taken by the State Government and interest paid thereon during 1992-93 to 1996-97 is detailed below:

Particulars	1992-93	1993-94	1994-95	1995-96	1996-97
	(Rupees in crore)				
Ways and Means Advances					
(i) Advances taken during the year	520.58	465.68	128.52	Nil	108.16
(ii) Advances outstanding at the end of the year	41.01	11.94	Nil	**	Nil
(iii) Interest paid	3.30	1.56	0.20	**	0.13@
Overdraft					
(i) Overdraft taken during the year (gross)	1332.33	402.91	330.07	Nil	4.46
(ii) Overdraft outstanding at the end of the year	156.04	Nil	Nil	**	Nil
(iii) Interest paid	2.23	0.74	0.24*	**	Nil

** Not applicable

@ Includes interest on overdrafts.

* Includes Rs24.31 lakh paid on overdrafts availed of in 1993-94

Although, the quantum of additional special accommodation available to the State Government (Rs 19.20 crore) was enhanced to Rs 38.40 crore from 1 August 1996, the State's holdings in Government of India dated securities was not increased adequately, and consequently the special ways and means advance could not be availed of in full. The necessity to increase the holdings in dated securities had been brought to the notice of Finance Department by Reserve Bank of India in July 1996. Had the State's holdings been augmented as advised by Reserve Bank of India, the overdraft of Rs 4.46 crore drawn by Government on 15 and 16 March 1997, could have been avoided.

1.10. Contingent liability of the State

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

(Rupees in crore)

As on 31 March	Maximum amount guaranteed (Principal only)	Amount outstanding	
		Principal	Interest
1993	2732.51	2180.32	115.41
1994	3680.76	2139.93	180.06
1995	4407.14	3086.16	142.48
1996	5167.48	1983.20	99.12
1997	5867.82	1863.49	85.48

The reduction in the outstandings was not due to any significant/substantial discharging of the contingent liability during 1996-97, but due to non-receipt of such information from Government/beneficiary institutions (Statutory Board : 3, Authority : 3, Government companies : 16, all Municipalities except Kayamkulam and Chittoor – Thattamangalam Municipalities, City Corporations except Kochi Corporation and others : 22). In the absence of full information, the full impact of the contingent liability arising out of the guarantees provided by the Government could not be properly assessed.

Five cases, where Government paid substantial sums in discharge of guarantees invoked by the financial institutions during April 1992 – March 1997 are listed below :

Sl. No.	Name of beneficiary	Guarantee amount discharged by Government (Rupees in lakh)
1.	Trivandrum District (Northern) Regional Fish Marketing Co-operative Society Limited, Anjengo	49.14
2.	Kozhikode Regional Fish Marketing Co-operative Society (Puthiappa) Limited	26.16
3.	Kerala Fisheries Corporation Limited	59.10
4.	Calicut Wholesale Co-operative Consumer Limited	61.92
5.	Kerala Soaps and Oils Limited	106.43

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

An amount of Rs 5.02 crore was received as guarantee fee. However, guarantee fees aggregating to Rs 43.55 crore (in 42 cases) were pending realisation as of March 1997.

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2.1. Introduction

In accordance with the provisions of Article 204 of the Constitution of India, soon after the grants under Article 203 are made by the State Legislature, an Appropriation Bill is introduced to provide for appropriation out of the Consolidated Fund of the State. The Appropriation Act passed by the State Legislature contains authority to appropriate certain sums from the Consolidated Fund of the State for the specified services. Subsequently, supplementary or additional grants can also be sanctioned by subsequent Appropriation Acts in terms of Article 205 of the Constitution of India.

The Appropriation Acts include the expenditure which has been voted by the Legislature on various grants in terms of Articles 204 and 205 of the Constitution of India and also the expenditure which is required to be charged on the Consolidated Fund of the State. The Appropriation Accounts are prepared every year indicating the details of amounts on various specified services actually spent by Government *vis-a-vis* those authorised by the Appropriation Acts.

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

This chapter contains observations on the audit conducted in respect of Appropriation Accounts prepared by the Accountant General (Accounts and Entitlement) for the year 1996-97.

2.2. Summary of expenditure

The summarised position of actual expenditure during 1996-97 against provision was as under:

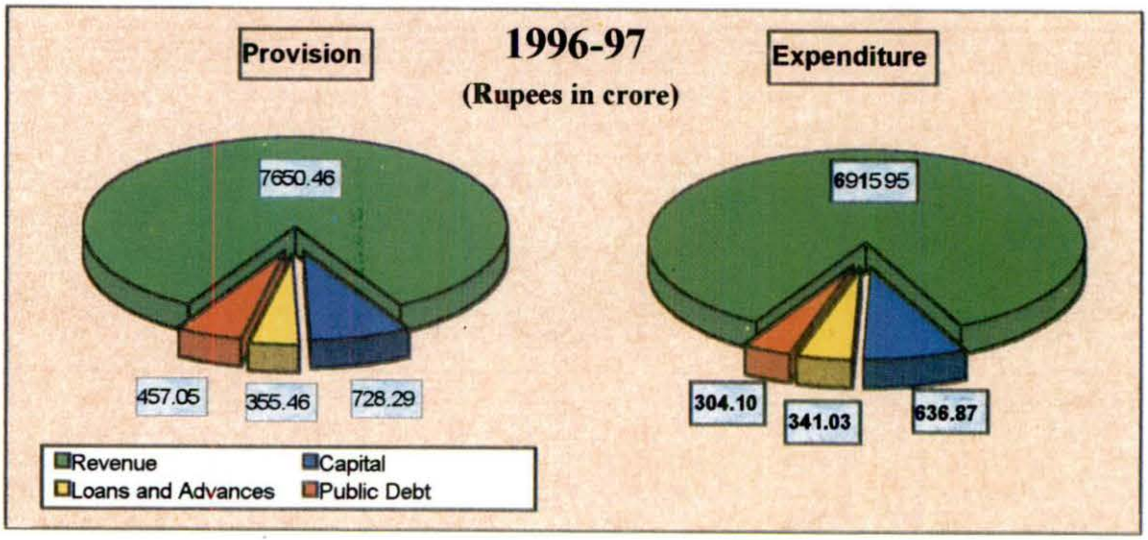
Nature of expenditure	Original grant/ Appropriation	Supplementary grant/Appro-priation	Total	Actual expenditure	Variation Savings (-)/ Excess(+)
	(Rupees in crore)				
1. Revenue					
Voted	6143.20	353.29	6496.49	5789.97	(-) 706.52
Charged	1137.17	16.80	1153.97	1125.98	(-) 27.99
2. Capital					
Voted	687.81	33.48	721.29	632.05	(-) 89.24
Charged	6.76	0.24	7.00	4.82	(-) 2.18
3. Public Debt					
Charged	455.97	1.08	457.05	304.10	(-) 152.95
4. Loans and Advances					
Voted	314.19	41.27	355.46	341.03	(-) 14.43
5. Transfer to Contingency Fund					
By Ordinance	-	-	25.00*	25.00*	-
Total	8745.10	446.16	9216.26**	8222.95**	(-) 993.31

The original budget provision obtained during 1996-97 was 16.27 *per cent* more than that in the preceding year. The supplementary provision (Rs 446.16 crore)

* The corpus of the Fund was temporarily enhanced from Rs 25 crore to Rs 50 crore with effect from 20 August 1996 *vide* Ordinance dated 21 August 1996 (No.8 of 1996)

** Includes Rs 25 crore transferred to the Contingency Fund by the above mentioned Ordinance.

provided during the year worked out to 5.1 *per cent* of the original provision. The year ended with an over-all saving of Rs 993.31 crore, which was 10.78 *per cent* of the total grant. The pie charts below depict pictorially the provision and expenditure during 1996-97.



2.3. Results of Appropriation Audit

The overall saving of Rs 993.31 crore was the net result of saving in 96 grants/appropriations and excess in 5 grants and 4 appropriations as shown below:

Excess (+)/ Savings(-)	Voted		Charged		Aggregate Total
	Revenue	Capital	Revenue	Capital	
	(Rupees in crore)				
Savings (-)	(-) 706.60 (41)	(-)104.70 (21)	(-) 27.99 (22)	(-) 155.14 (12)	(-) 994.43
Excess (+)	(+) 0.08 (1)	(+) 1.03 (4)	(+) 0.002 (2)	(+) 0.01 (2)	(+) 1.12
Net	**(-) 706.52**	**(-)103.67**	**(-) 27.99**	**(-) 155.13**	**(-) 993.31**

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

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

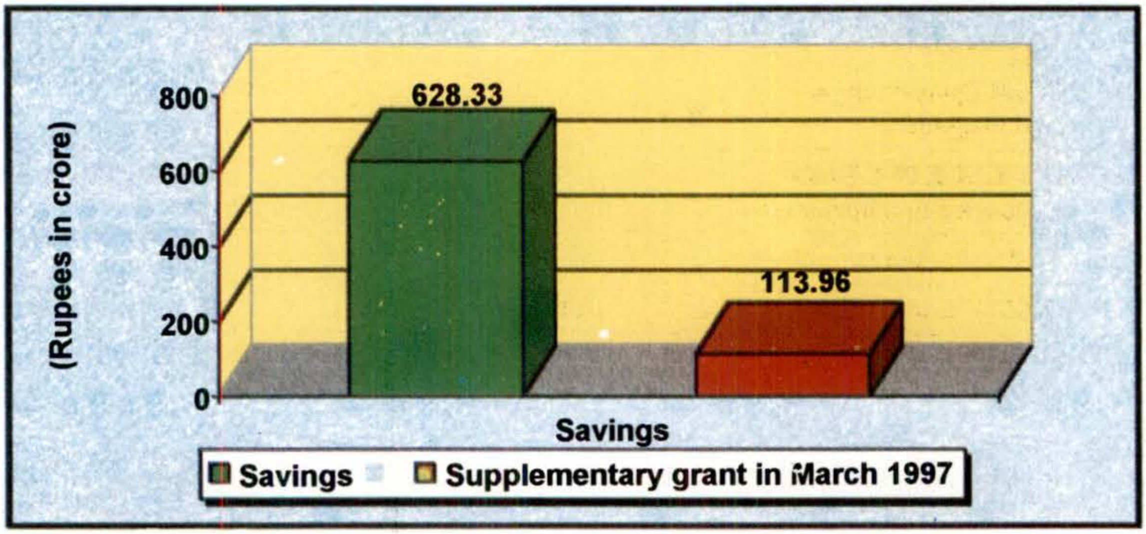
2.3.1. Excess over grant/appropriation

In the Revenue section, there was an excess of Rs 0.08 crore in one grant and an excess of Rs 1,507 in two appropriations. Excess in the Capital section amounted to Rs 1.03 crore in 4 grants and Rs 49,099 in 2 appropriations. Accordingly, 9 cases of excess expenditure (Revenue Section: 3; Capital Section: 6) detailed below required regularisation under Article 205 of the Constitution.

Sl. No.	Number and name of grant	Total grant or appropriation	Actual expenditure	Amount of excess
			(In Rupees)	
	REVENUE SECTION (Voted grants)			
1	XLIII-Compensation and assignments	1,16,22,00,000	1,16,30,20,874	8,20,874
	REVENUE SECTION (Charged appropriation)			
2	VI-Land revenue	*1,31,000*	*1,32,500*	*1,500*
3	XXXII-Dairy	*12,000*	*12,007*	*7*
	CAPITAL SECTION (Voted grants)			
4	XIV-Stationery and Printing and other Administrative Services	1,32,00,000	1,32,94,116	94,116
5	XVIII-Medical and Public Health	18,96,27,000	19,34,40,494	38,13,494
6	XXXIV-Forest	6,33,97,000	6,70,53,092	36,56,092
7	XXXIX-Power	81,05,00,000	81,32,78,101	27,78,101
	CAPITAL SECTION (Charged appropriations)			
8	XXV-Social Welfare including Harijan Welfare	-	*32,791*	*32,791*
9	XXXVII-Industries	*6,45,000*	*6,61,308*	*16,308*

2.3.2. Unnecessary/excessive/inadequate supplementary provision

In 37 cases, the final saving was more than the supplementary provision obtained on 27 March 1997 (*vide* Appendix-4). Of this, the supplementary provision aggregating Rs 111.67 crore obtained in 34 cases were wholly unnecessary or could have been restricted to token amounts wherever necessary to meet the expenditure on new service items since the expenditure was even less than the original provision. The supplementary provision of Rs 2.43 crore obtained in the remaining 3 cases (Serial numbers 21, 26 and 36 of Appendix-4) were also unnecessary as the expenditure during the year was less than the aggregate of the original provision and supplementary provision already obtained in September 1996.



In 10 cases, against the supplementary provision aggregating Rs 179.28 crore obtained,s the actual utilisation was only Rs 82.47 crore (46 *per cent*) and the savings in individual cases ranged from Rs 0.46 crore to Rs 37.23 crore (Appendix-5).

In 2 cases, though supplementary provision aggregating Rs 1.72 crore was obtained on 27 March 1997, the provision proved insufficient by more than Rs 25 lakh in each case, leaving an aggregate uncovered excess expenditure of Rs 0.75 crore. (Appendix-6).

2.3.3. Major savings

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

Sl. No.	Number and name of grant/ appropriation	Amount of saving (Rupees in crore and percentage of saving)	Main reasons for saving
	REVENUE (VOTED) SECTION		
1	II - Heads of States, Ministers and Headquarters staff	7.50 (15.61)	Reduction in the size of Council of Ministers and less expenditure on telephone bills (Rs 1.06 crore), failure to conduct *ad hoc* surveys by the State Planning Board (Rs 2.63 crore), non-filling up of vacant posts, etc.
2	IV - Elections	6.15 (27.69)	Postponement of the intensive revision of electoral rolls for Assembly and Parliament constituencies due on 1 July 1997 (Rs 5.44 crore)
3	VI - Land Revenue	19.06 (21.71)	Non-completion of Cadastral Survey (Rs 5.01 crore), non-preparation of land records from resurvey records (Rs 4.56 crore), non-filling up of vacant posts, etc.
4	VII - Stamps and Registration	2.69 (10.59)	Less expenditure on District Registry Offices (Rs 0.38 crore), non-payment of cost of stamps supplied to the Central Stamp Depot, Nasik (Rs 0.36 crore), non-introduction of Computerised Reporting System due to non-completion of purchase formalities (Rs 0.25 crore)
5	VIII - Excise	5.16 (18.34)	Due to redeployment of staff in Circle Offices and Range Offices (Rs 4.30 crore)
6	IX - Taxes on Vehicle	1.48 (16.43)	Non-filling up of vacant posts of Vehicle Inspectors for inspection of motor vehicles (Rs 0.61 crore), non-filling up of vacant posts (Rs 0.73 crore), etc.

Sl. No.	Number and name of grant/ appropriation	Amount of saving (Rupees in crore and percentage of saving)	Main reasons for saving
7	XII - Police	27.99 (10.46)	Non-filling up of vacant posts in Armed Police and Wireless units (Rs 14.78 crore), non-sanction of the scheme, non-implementation of the X Finance Commission award scheme due to non-receipt of sanction from Government (Rs 0.64 crore).
8	XVII - Education. Sports. Art and Culture	251.70 (13.28)	Less payment of teaching grant to non-governmental primary schools (Rs 47.78 crore), reduction in expenditure on Government Lower Primary Schools (Rs 47.25 crore), Secondary Schools (Rs 42.45 crore) and Upper Primary Schools (Rs 38.71 crore), inclusion of erroneous provisions for projects of non-conventional energy sources and new services since the central assistance for implementation was released direct to the nodal agencies as in the previous year (Rs 22.63 crore), direct release of Central assistance to implementing agencies of District Primary Education Programme (Rs 11.10 crore), etc.
9	XVIII - Medical and Public Health	70.43 (16.05)	Less expenditure on allopathic hospitals and dispensaries (Rs 17.92 crore), transfer of the Primary Health Centres, Community Health Centres, etc., to local bodies consequent on implementation of the Kerala Panchayat Raj Act, 1994 (Rs 4.98 crore), less expenditure for Malaria eradication programme (Rs 2.81 crore), etc.
10	XXIV - Labour and Labour Welfare	7.79 (12.52)	Less assistance to municipalities for employment service (Rs 3.04 crore), non-filling up of posts and non-procurement of machinery for Industrial Training Institutes, etc., erroneous provision for assistance to local bodies on a mistaken impression about transfer of functions of ITIs (Rs 1.13 crore), etc.

Sl. No.	Number and name of grant/ appropriation	Amount of saving (Rupees in crore and percentage of saving)	Main reasons for saving
11	XXVI - Relief on account of natural calamities	29.28 (26.15)	Fifty *percent* (Rs 27.70 crore) of the provision of Rs 55.40 crore made under the minor head '05-Calamity Relief Fund' proved reduntant as Central contribution was already received in advance during 1995-96.
12	XXVII - Co-operation	6.36 (16.85)	Non-receipt of sanction from European Economic Community for the extension of the Integrated Project for Coconut Development Processing and Marketing (Rs 4 crore), less expenditure on audit of Co-operatives (Rs 2.22 crore), etc.
13	XXVIII - Miscellaneous Economic Services	5.55 (18.02)	Non-filling up of posts and non-payment of rent on hired accommodation (Rs 1.92 crore), incorrect inclusion of provision in the Budget (Rs 1.10 crore) for implementation of Nehru Rozgar Yojana though Central assistance was directly released by Government of India to the Urban Local bodies from 1990-91 onwards, etc.
14	XXX - Food	22.55 (24.94)	Non-availment of Ration subsidy introduced with effect from 19 August 1996 (Rs 18.54 crore), less expenditure on Special Nutrition Programme due to decline in the number of beneficiaries for the feeding programme in Anganwadi Centres (Rs 1.73 crore), etc.
15	XXXIII - Fisheries	10.88 (25.66)	Non-sanction of scheme for 'Better housing for fishermen' (Rs 6.00 crore), reduction in expenditure on Phase II of Integrated Fisheries Development Project (Rs 3.15 crore), etc.
16	XXXIV - Forest	14.96 (14.49)	Non-approval of the project for establishment of an International Centre for Biodiversity Studies (Rs 2.73 crore), less expenditure on eco-development and eco-tourism in wildlife (Rs 4.72 crore), non-filling up of vacancies (Rs 1.20 crore), etc.

Sl. No.	Number and name of grant/ appropriation	Amount of saving (Rupees in crore and percentage of saving)	Main reasons for saving
17	XXXVI - Community Development	35.82 (28.49)	Curtailed release of Central assistance for Jawahar Rozgar Yojana (Rs 20.12 crore), Employment Assurance Scheme (Rs 12.75 crore) and TRYSEM training (Rs 1.44 crore), non-sanctioning of enhanced rate of DA (Rs 4.32 crore),etc.
18	XXXVII - Industries	17.43 (10.60)	Non-sanctioning of the scheme 'Tool Room at Kalamassery' (Rs 15.00 crore), delay in formation of a separate Department for Sericulture Industry (Rs 4.00 crore), etc.
19	XL - Ports	1.19 (21.67)	Due to transfer of the work of dredging of Minor Ports to the Kerala State Maritime Development Corporation Limited. (Rs 0.32 crore), non-filling up of vacancies and non-payment of DA arrears (Rs 0.58 crore), etc.
	CAPITAL (VOTED) SECTION		
20	XX - Water Supply and Sanitation	16.54 (30.48)	Due to release of loan by Government of India direct to the Kerala Water Authority.
21	XXII - Urban Development	6.37 (45.37)	Direct release of Central assistance for implementation of the 'Prime Minister's Integrated Development Programme for Class II Towns' (Rs 0.82 crore) and 'Urban Basic Service Programme in Selected Towns' (Rs 0.38 crore), etc.
22	XXIX - Agriculture	11.19 (33.59)	Non-implementation of the European Economic Community aided surface water schemes coming under Minor Irrigation (Rs 4.45 crore), non-release of the entire central assistance for the scheme loans to cultivators for short term credit (Rs 4.00 crore), poor response from farmers for loans for construction of field channels, field drains under Command Area Development Programme (Rs 0.90 crore), etc.

Sl. No.	Number and name of grant/ appropriation	Amount of saving (Rupees in crore and percentage of saving)	Main reasons for saving
23	XXXIII - Fisheries	20.31 (44.26)	Non-payment of loan assistance by the Agency for Development of Aquaculture, Kerala to the aquaculturists in the wake of Supreme Court verdict, (Rs 9.45 crore) non-purchase of speed boats (3 nos.) for Marine Enforcement wing due to non-receipt of sanction from Government of India (Rs 4.24 crore), non-implementation of the Tenth Finance Commission award for Fisheries Road works (Rs 2.60 crore), non-sanctioning of the scheme for Inland Fish Marketing (Rs 2.45 crore), etc.
24	XL - Ports	1.77 (25.69)	Non-commencement of works for development of Beypore Cargo Harbour for want of administrative sanction from Government (Rs 0.77 crore), non-release of share capital contribution to Kerala State Maritime Development Corporation Limited due to administrative reasons (Rs 0.50 crore), etc.
25	XLI - Transport	7.56 (38.87)	Non-availment of loan (Rs 7.40 crore) by Kerala Transport Development Finance Corporation Limited due to higher interest carried by the Government loan than the interest rates charged by the undertaking for its lending business.
	REVENUE (CHARGED) SECTION		
26	XVI - Pension and Miscellaneous	6.93 (63.11)	Less decretal payments for satisfaction of court decrees related to land acquisition cases involving Government Departments/Public Sector Undertakings/Local Bodies/Other institutions.
	CAPITAL (CHARGED) SECTION		
27	XXXVIII - Irrigation	1.41 (28.65)	Less decretal payments (Rs 1.04 crore)
28	Public Debt repayment	152.95 (33.46)	Inaccurate estimation of requirement of funds for repayment of Ways and Means Advances (Rs 158.04 crore)

2.3.4. Significant cases of savings in Plan expenditure

Due to non-implementation/slow implementation of the Plan schemes, substantial savings of more than Rs 1 crore each occurred in 30 cases; the entire provision remaining unutilised in 8 of these cases. Details are given in Appendix-7.

2.3.5. Significant cases of savings in non-Plan expenditure

In the cases detailed in Appendix 8 the non-Plan expenditure fell short of the provision by more than Rs 1 crore in each case and by more than 10 *per cent*.

2.3.6. Persistent savings

Persistent savings exceeding Rs 25 lakh in each case noticed in the voted grants/charged appropriations are given in Appendix 9. It is pertinent to note that there was persistent non-utilisation of substantial funds voted by legislature by major departments *viz.* Education, Health, Police and Rural Development during the 3 years 1994-97 and it ranged between Rs 21 crore (Police : 1993-94) and Rs 252 crore (Education : 1996-97).

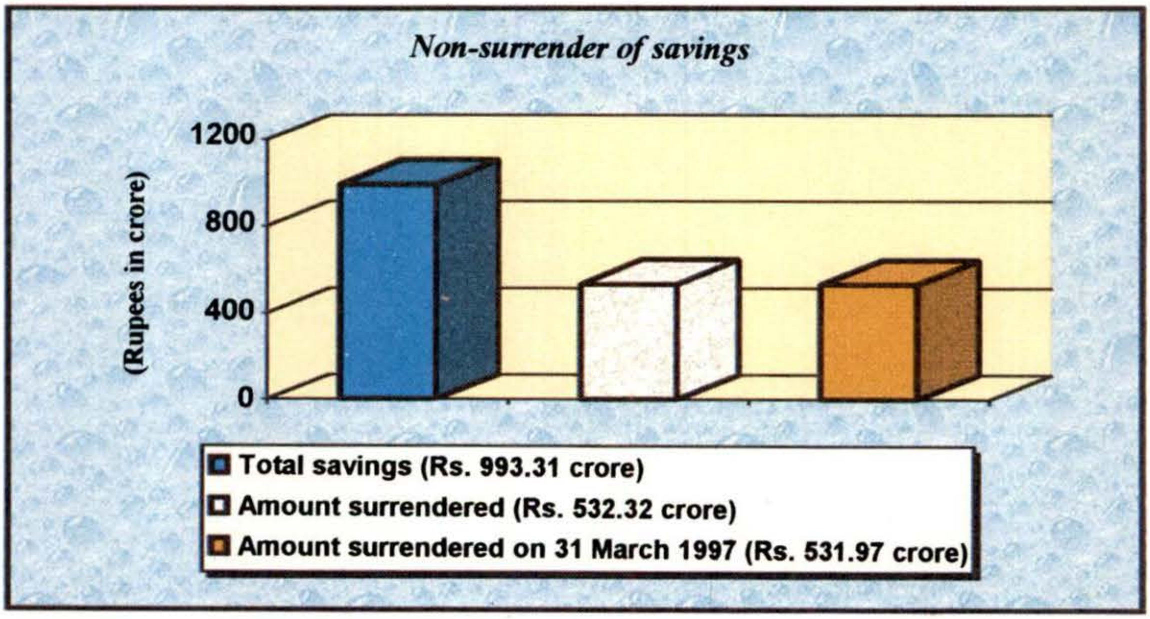
2.3.7. Persistent excess

In the following voted grants expenditure exceeded the provision persistently in all the three years from 1994-95.

Sl. No.	Number and name of grant	Amount of excess (Rupees in lakh)		
		1994-95	1995-96	1996-97
	REVENUE (VOTED)			
1	XLIII - Compensation and assignments	22	12.91	8.20
	CAPITAL (VOTED)			
1	XIV - Stationery and Printing and other Administrative services	29.95	3.77	0.94

2.3.8. Surrender of savings

All anticipated savings should be surrendered as soon as the possibility of savings is envisaged. Against the savings of Rs 993.31 crore, an amount of Rs 532.32 crore only was surrendered during 1996-97, of which surrender of Rs 531.97 crore (99.9 *per cent*) was made only on the last working day of the financial year *i.e.* 31 March 1997.



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

Sl. No.	Number and name of grant/ appropriation	Total grant	Actual expenditure	Savings	Amount not surrendered
		(Rupees in crore)			
	REVENUE (VOTED) SECTION				
1	II-Heads of States, Ministers and Headquarters staff	48.02	40.52	7.50	5.20
2	III-Administration of justice	47.09	44.78	2.31	2.11
3	V-Agricultural Income Tax and Sales Tax	32.50	29.48	3.02	3.01
4	VI-Land Revenue	87.78	68.72	19.06	18.79
5	VII-Stamps and Registration	25.39	22.70	2.69	2.11

Sl. No.	Number and name of grant/ appropriation	Total grant	Actual expenditure	Savings	Amount not surrendered
		(Rupees in crore)			
6	VIII-Excise	28.14	22.98	5.16	4.89
7	X-Treasury and Accounts	28.28	26.65	1.63	1.62
8	XI-District Administration and Miscellaneous	68.42	62.67	5.75	5.18
9	XV-Public Works	239.35	219.63	19.72	19.27
10	XVI-Pensions and Miscellaneous	885.38	848.15	37.24	37.24
11	XVII-Education, Sports, Art and Culture	1895.68	1643.98	251.70	208.44
12	XVIII-Medical and Public Health	438.75	368.32	70.43	52.69
13	XXI-Housing	36.68	34.35	2.33	2.26
14	XXV-Social Welfare including Harijan Welfare	338.21	317.26	20.95	15.14
15	XXVI-Relief on Account of Natural Calamities	111.96	82.68	29.28	28.78
16	XXVII-Co-operation	37.74	31.38	6.36	3.38
17	XXVIII-Misc. Economic Services	30.79	25.24	5.55	1.05
18	XXIX-Agriculture	380.88	347.18	33.70	14.95
19	XXXI-Animal Husbandry	58.56	54.52	4.04	3.94
20	XXXIII-Fisheries	42.40	31.52	10.88	1.26
21	XXXV-Panchayat	191.02	186.42	4.60	4.54
22	XXXVIII-Irrigation	86.25	77.67	8.58	1.31
23	Debt charges	1122.18	1103.41	18.77	17.92
	CAPITAL (VOTED)				
24	XV-Public Works	157.02	155.22	1.80	1.80
25	XXIX-Agriculture	33.31	22.12	11.19	6.22
26	XXXVII-Industries	249.18	233.89	15.29	6.21
	CAPITAL (CHARGED) SECTION				
27	XXXVIII-Irrigation	4.92	3.51	1.41	1.26

2.3.9. Injudicious surrender

In the following cases, surrender of funds made in each case on 31 March 1997 was injudicious being in excess of final savings by Rs 25 lakh or more.

Sl. No.	Number and name of grant	Total grant	Actual expenditure	Savings	Amount surrendered	Amount surrendered in excess
		(Rupees in crore)				
	REVENUE SECTION					
1	XII-Police	267.60	239.61	27.99	29.01	1.02
2	XIII-Jails	13.40	12.49	0.91	1.35	0.44
3	XIX-Family Welfare	66.32	63.90	2.42	4.97	2.55
4	XXXIV - Forest	103.22	88.26	14.96	15.96	1.00
5	XXXVI - Community Development	125.72	89.89	35.83	39.65	3.82
	CAPITAL SECTION					
6	XXXVIII- Irrigation	178.02	163.94	14.08	15.37	1.29
7	Public Debt Repayment	457.05	304.10	152.95	158.04	5.09

2.3.10. Injudicious reappropriation of funds

Reappropriation is transfer of funds within a grant, from one unit of appropriation where savings are anticipated to another unit where additional funds are needed. Before withdrawal of funds from one head, it is to be ensured that there is a definite or reasonable chance of saving under that head and that before additional funds are provided, it is to be ensured that there is likelihood of increased expenditure under that head. Details of 39 cases where withdrawal of funds or additional provision proved excessive by over Rs 25 lakh in each case are mentioned in Appendix-10.

2.3.11. Trend of recoveries and credits

During 1996-97, recoveries to be adjusted in accounts in reduction of expenditure were estimated at Rs 140.43 crore (Revenue Section : Rs 133.60 crore, Capital Section : Rs 6.83 crore)against which the actual recoveries were Rs 142.18 crore (Revenue Section: Rs 127.83 crore, Capital Section : Rs 14.35 crore). In the Revenue Section though there were excess recoveries under 'Public Works' (Rs 3.32 crore) and 'Social Welfare including Harijan Welfare' (Rs 0.15 crore), there were major shortfall under 'Irrigation' (Rs 6.30 crore) and 'Relief on Account of Natural Calamities' (Rs 1.58 crore). In the Capital Section, there was major excess under 'Food' (Rs 6.35 crore).

2.3.12. Failure to furnish reasons for variation

After the close of each financial year, the detailed appropriation accounts showing the final grant/appropriation, the actual expenditure and resultant variation are sent to the controlling officers by the Accountant General (Accounts and Entitlements) for furnishing promptly the reasons for variations in general and those under important sub heads in particular. The number of heads for which reasons were not received as at the end of November 1997 was 540 representing 70 *per cent* of the total number of 769 heads for which explanations for variations were required to be furnished.

2.4. Personal Deposit accounts and Treasury Public accounts

2.4.1. Introduction

Personal Deposit (PD) account forms part of Civil Deposits and is intended mainly to accommodate certain funds like Devaswom Fund, Hindu Religious Charitable Fund, etc. PD accounts are also intended to accommodate caution money collected by Government institutions such as colleges, hostels, agricultural and commercial schools, the public library, etc. Kerala Financial Code (Volume I) (KFC) provides that Government servants in their official capacity may also open personal deposits for specific purposes with specific sanction of Government.

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

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

As on 31 March 1997, there was a total balance of Rs 486.85 crore in 916 PD accounts (Rs 126.72 crore) and in 4356 TP accounts (Rs 360.13 crore) maintained in 146 Treasuries by Government departments, local bodies and autonomous bodies.

Category-wise details are furnished below :

Particulars of account holder	**PD Accounts**		**TP Accounts**	
	Number of accounts	**Balance (Rupees in crore)**	**Number of accounts**	**Balance (Rupees in crore)**
Government Departments	379	31.44	3,290	225.76
Local Bodies	488	87.19	792	26.60
Autonomous Bodies	49	8.09	274	107.77
TOTAL	**916**	**126.72**	**4,356**	**360.13**

District Collectors (14) and District Rural Development Agencies (DRDA) (14) are two major executing agencies of Government schemes. They had together held in PD and TP accounts a balance of Rs 83.71 crore, as of 31 March 1997, which represented unspent balance in respect of 57 schemes implemented by them, 76 *per cent* of which related to funds provided by way of Central assistance as shown below:

Nature of Fund	Unspent balance (Rupees in crore)	Percentage to total balance
Central assistance routed through State budget	39.71	47
Central assistance disbursed directly to implementing agencies	24.21	29
State Plan Schemes	19.79	24
Total	**83.71**	**100**

Substantial balances totalling Rs 53.26 crore were outstanding as on 31 March 1997 in PD/TP accounts relating to 8 departmental officers as detailed below:

Sl. No.	Name of the officer holding the PD/TP account	Balance as on 31 March 1997 (Rupees in crore)
1	Director of Agriculture	26.48
2	Director of Handloom	11.67
3	Director of Fisheries	6.45
4	Director of Public Instruction	4.38
5	Director of Mining and Geology	1.30
6	Director of Social Welfare	1.41
7	Director of Scheduled Castes Development	1.06
8	Director of Tourism	0.51
TOTAL		**53.26**

As per the information received from treasuries, amounts withdrawn from the Consolidated Fund and deposited in PD/TP accounts by Departmental officers during 1996-97 amounted to Rs 182.28 crore (PD : Rs 38.04 crore; TP : Rs 144.24 crore).

2.4.2. Audit findings

A test-check of 9 PD and 39 TP accounts out of 210 accounts maintained in the District treasury, Thiruvananthapuram, Principal Sub-treasury, Thiruvananthapuram and Sub-treasury, Vellayambalam, Thiruvananthapuram relating to Departmental officers whose deposits in PD/TP accounts represented moneys withdrawn from the Consolidated Fund for meeting expenditure on specific items was conducted by Audit during October-November 1997. Important points noticed are mentioned in the following paragraphs.

2.4. 3. Non-closure of PD accounts annually

According to the provisions in KFC, PD accounts administered by Government officers which are created by debiting the Consolidated Fund should be closed at the end of each year by minus debit to the relevant heads in the Consolidated Fund and personal deposits being opened next year again if necessary. This provision was not followed in any of the 9 PD accounts test checked and as a result the PD accounts were continued to be operated as an imprest account even after close of the year.

2.4. 4. Non-reconciliation of balances between treasury accounts and departmental accounts.

As per KFC the balances in the individual PD and TP accounts in the treasury should be reconciled with those as per the departmental accounts. No reconciliation had been done in the following accounts.

Sl. No.	Account Number	Name of the officer holding the PD/TP account	Balance as on 31 March 1997 (in Rupees)	
			Treasury accounts	Departmental accounts
1	TP 1070	Director of Handloom	10,98,36,025	14,70,44,541
2	PD 10156	Director of Handloom	68,38,297	67,59,177
3	TP 1334	Director of Fisheries, Thiruvananthapuram	5,50,05,320	7,96,84,416
4	PD	Govt. Homoeo Medical College, Thiruvananthapuram	NIL	1,16,526
5	PD	Superintendent, General Hospital, Thiruvananthapuram	NIL	7,34,287
6	PD	Director of Fisheries, Thiruvananthapuram	NIL	8,26,539
7	TPA 2522	Govt. Homoeo Medical College, Thiruvananthapuram	40,72,061	24,58,000

2.4. 5. Drawal of funds in advance of requirement and depositing these in PD/TP accounts.

According to KFC, Government servants should not on any account reserve or reappropriate by transfer to a Deposit head any portion of an appropriation remaining unutilised during the year to prevent it from lapsing and use it for expenditure after the end of the year. The rules also provide that no attempt should be made to prevent the lapse of an appropriation by any undue rush of expenditure during March.

(a) In the following cases, funds totalling Rs 38 crore were drawn debiting the Consolidated Fund in March 1997 and kept in 8 TP accounts for utilisation afterwards.

Sl. No.	Name of Department/Authority	Account Number	Date of drawal	Amount drawn (Rupees in lakh)
1	Director of Fisheries	TPA 1334	31 March 1997	412.50
2	Matsyafed	TPA 743	31 March 1997	362.64
3	Director of Handlooms and Textiles	TPA 1070	29 March 1997 31 March 1997	272.00 805.23
4	Director of Public Instruction	TPA 2959	31 March 1997	423.10
5	Social Welfare Department	TPA 3825	24 March 1997	100.00
6	COIRFED	TPA 115	31 March 1997	420.00
7	Hantex	TPA 1130	29 March 1997	103.30
8	Kerala Horticulture Development Programme	TPA 3143	25 March 1997	900.00
	Total			**3798.77**

(b) In the following cases, no amount had been utilised as of October 1997 from the amounts drawn from the Consolidated Fund and deposited in PD/TP accounts during March 1995, March/April 1996 and March 1997.

Sl. No.	Name of Department	PD/TP Account	Amount drawn (Rupees in lakh)	Date of drawal	Purpose for which the amount was withdrawn	Position as on 31 October 1997
1	Social Welfare Department	PD	6.00	30 March 1996	CH Mohammed Koya Memorial Fund.	No amount was utilised
2	- do -	PD	35.04	31 March 1996	For payment to Nirmithi Kendra	No amount was utilised
3	Animal Husbandry Department	TP 1392	5.20	31 March 1995	Construction of a building for Kerala Veterinary Council	No amount was utilised
4	Director of Fisheries	TP 1334	140.00	31 March 1997	100 *percent* Central assistance for water supply scheme to Fishermen villages.	No amount was released.
5	Director of Mining and Geology	TP 880	100.00	16 April 1996	For payment to Government of India on receipt of their demand for remuneration payable to foreign supplier on account of services rendered and equipment supplied in connection with placer gold deposit in Nilambur valley	No amount was utilised.

2.4.6. Central assistance remaining unutilised in PD/TP accounts

Seven departments had received Central assistance totalling Rs 5.11 crore for implementation of Centrally Sponsored Schemes/construction purposes between March 1989 and March 1997. The amounts were deposited in TP accounts and Rs 57.22 lakh only (11 *per cent*) had been utilised as of October 1997. The details were as under :

Sl. No.	Name of department	Date of receipt of Central assistance	Amount	Funds utilised as of October 1997	Purpose for which the funds were received	Remarks
			(Rupees in lakh)			
1	Director of Handlooms and Textiles	1994-95 1995-96	16.80 55.00	8.00 Nil	For Implementing Health Package Scheme for handloom weavers	...
2	Animal Husbandry Department	i) 1996-97	10.30	Nil	For implementation of Animal Husbandry Extension Programme during 1996-97	The amount was drawn without finalising estimate for construction of paddocks and programmes for conducting seminars and workshops.
		ii) March 1995 1996-97	2.04 2.98	Nil Nil	Central share for setting up of Kerala Veterinary Council	Administrative sanction for the construction of the building was accorded in June 1997 only.
3	Government Homoeo Medical College, Thiruvananthapuram	1990-91 1995-96 1996-97	12.50 12.50 17.62	11.38 Nil Nil	For upgradation of departments for post-graduate training and research	Appointment of Lecturer and Lab Technician provided in the scheme had not been made so far.
4	Medical College, Thiruvananthapuram	March 1995	8.81	0.15	For setting up of a Regional Institute of Ophthalmology	No reason for the delay in setting up of the Institute was on record. Rs 0.15 lakh were spent in 1996-97 for providing a telephone connection to Director's Office.

Sl. No.	Name of department	Date of receipt of Central assistance	Amount	Funds utilised as of October 1997	Purpose for which the funds were received	Remarks
			(Rupees in lakh)			
5	Director of Sports & Youth Affairs, Thiruvananthapuram	March 1989	50 (including Rs 6 lakh sanctioned prior to March 1989 for the stadium and sports complex at Kollam)	30.40	For establishment of a Sports Development Project Area at Kollam	Rs 30.40 lakh out of Rs 50 lakh were provided to the Municipal Commissioner, Kollam between January 1991 and June 1993. Rs 20 lakh inclusive of interest earned were retained in a fixed deposit account in SBT, Vellayambalam.
6	14 District Rural Development Agencies	February 1997 March 1997	167.00 14.80	7.29 (Idukki DRDA)	For providing irrigation through exploitation of ground water (bore well & tube well) to individuals and groups of beneficiaries belonging to target groups (Ganga Kalyan Yojana – a sub scheme of Integrated Rural Development Programme).	...
7	Director of Fisheries	1996-97	140.00	Nil	For implementation of water supply scheme to fishermen villages	The scheme was to be implemented by Kerala Water Authority. But the amount had not been transferred to KWA.
	Total		**511.35**	**57.22**		

2.4.7. Drawal of funds in excess of requirement for constituting a Fund

Government ordered in January and March 1995 constitution of a 'Fund' for the welfare of physically handicapped persons with a corpus of Rs 1 crore by debiting the Consolidated Fund. According to Government order, the amount was to be deposited in a fixed deposit in the Treasury and the interest earned on it was to be utilised for the purpose. Accordingly Rs 1 crore were drawn in March 1995 by the Director of Social Welfare and deposited as fixed deposit in the District Treasury, Thiruvananthapuram. A scrutiny of the transactions under this Fund revealed that against the interest accrued in the account, Rs 12 lakh each in 1995-96 and 1996-97, an expenditure of only Rs 1.38 lakh(6 *per cent*) was incurred for the two years ending 31 March 1997 indicating that the initial deposit of Rs 1 crore was excessive. Director of Social Welfare stated (November 1997) that the interest amount could not be utilised due to less number of applicants for financial assistance.

2.4.8. Non-refund/adjustment of unutilised balance

In the following cases, unutilised balances were not refunded to Government or adjusted in the future grant.

(i) Government had been providing grants to Kerala Science and Technology Museum for its working. The grant provided during 1992-93 to 1996-97 amounted to Rs 4.25 crore. The Institute was earning revenue by collection of entrance fees for planetarium which was available for utilisation. The fees realised during the same period was Rs 69 lakh. As against these, the expenditure incurred during the period was only Rs 4.22 crore. The accumulated balance (including the opening balance on 1 April 1992) during 1992-93 to 1996-97 ranged from Rs 1.23 crore in 1992-93 to Rs 1.37 crore in 1996-97. Instead of refunding the balance to Government or adjusting against future grant, the balance was retained in PD account. Rupees 35 lakh out of the balance were deposited in State Bank of Travancore, Thiruvananthapuram during November 1993 to April 1996 at 8 *per cent* interest.

(ii) A PD account had been opened in the District Treasury, Thiruvananthapuram, in the name of Director of Public Instruction in November 1987 for accounting transactions under the Chief Minister's Noon Meal Scheme. The PD account was being used for crediting the amounts drawn from the Consolidated Fund for eventual payment to Kerala State Civil Supplies Corporation towards cost of food materials supplied to schools for the Noon Meal Scheme. The annual balance outstanding from 1992-93 to 1996-97 ranged from Rs 4.61 crore in 1992-93 to Rs 10.51 crore in 1996-97. The accounting procedure was revised in 1997-98 as per which the amount was drawn by debit to Consolidated Fund and paid directly to Kerala State Civil Supplies Corporation without routing it through PD account. Still the balance in the PD account on 31 March 1997 amounting to Rs 10.51 crore was retained without remitting back to Government account.

2.4.9. Diversion of funds

National Watershed Development Programme for rain-fed areas

Additional Director of Agriculture (Soil Conservation), Thiruvananthapuram received Rs 3.30 crore in March 1995 for implementation of the scheme National Watershed Development Programme for rain-fed areas, a hundred *per cent* Centrally assisted programme, and deposited the amount in a TP account in sub-treasury, Vellayambalam on 31 March 1995. According to the guidelines issued by Government of India, 10 *per cent* of the project cost could be spent towards establishment and management cost for engaging full time project workers and all other overhead charges relating to the project were to be met by the State Government. However, the expenditure incurred included Rs 4.96 lakh between March 1996 and September 1997 for meeting expenses on petrol, diesel and repair charges of departmental vehicle (0.55 lakh), air-conditioning of the room of Agricultural Production Commissioner (0.82 lakh), conduct of agricultural fair (Rs 1.75 lakh), etc., which were in no way connected with the management cost of full time project workers.

2.4.10. Other points of interest

(i) India Population Project (IPP)

State Government accorded sanction in March 1990 for opening a TP account in the name of the Director of Health Services (DHS) and to credit Rs 1crore drawn from the Consolidated Fund representing the unspent balance under the Centrally Sponsored IPP. The funds were to be utilised for payment to the Kerala Health Research and Welfare Society (KHRWS) towards the balance works for IPP which were entrusted to the Society. The balance in this account as on 31 March 1997 was Rs 60.05 lakh including Rs 21.35 lakh received by way of interest.

The KHRWS which was being advanced funds by the DHS was to refund an unspent balance of Rs 38.70 lakh lying with them. No action for utilisation of the balance in the PD account as well as the refund of the unspent balance of Rs 38.70 lakh was noticed by Audit. According to the Government direction, the interest was to be credited to Government as Miscellaneous receipts under the relevant head relating to Medical Department. However, this amount had not been credited as of October 1997.

(ii) Unauthorised operation of PD account opened for a specific purpose

Director of Social Welfare (Member Secretary, After Care Association) had opened a PD account for the purpose of effecting payment of financial aid to ex-convicts and probationers for starting small industry, crafts and trade. However, the following amounts were credited to this PD account without any authority.

1	Funds for payment to Nirmithi Kendra for construction of observation home.	1995-96	Rs 35.04 lakh
2	CH Mohammed Koya Memorial State Institute	1995-96	Rs 6.00 lakh

These amounts had not been withdrawn from the PD account as of October 1997.

2.5. Budgetary procedures and control over expenditure

A review of the budgetary procedures and control over expenditure was conducted by Audit in respect of the following grants.

XXII - Urban Development

XXIX - Agriculture

XXXV - Panchayat

XXXVI - Community Development

XL - Ports

Some of the significant irregularities noticed during the review are detailed in the following paragraphs.

2.5.1. Defective/inaccurate budgeting

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

(a) In the following cases provisions made for schemes not sanctioned had resulted in savings of entire grant in two cases and 99 *per cent* in one case.

Sl. No.	Grant	Head of account	Budget provision	Actual expenditure	Savings (percentage)
			(Rupees in lakh)		
1	XXII Urban Development	2217-80-191-95	10.00	Nil	10.00 (100)
2	XXIX Agriculture	6401-00-105-98	400.00	Nil	400.00 (100)
3	- do -	2401-00-104-92	500.00	5.51	494.49 (99)

(b) In the following cases, funds were provided far in excess of requirement resulting in substantial savings ranging from 70 *per cent* to 99 *per cent*.

Sl. No.	Grant	Head of account	Budget provision	Actual expenditure	Savings (percentage)
			(Rupees in lakh)		
1	XXII -Urban Development	6217-60-191-89	500.00	88.80	411.20 (82)
2	XXIX -Agriculture	2401-00-102-92	115.38	35.02	80.36 (70)
3	- do -	2401-00-113-97	54.87	15.48	39.39 (72)
4	- do -	2401-00-107-94	240.00	39.87	200.13 (83)
5	- do -	2702-02-005-82	200.00	9.95	190.05 (95)
6	XL-Ports	5051-02-200-98	77.00	0.23	76.77 (99)

2.5.2. Defective control over expenditure

The Appropriation Act specifies the sums authorised by the Legislature under each grant for meeting expenditure during a financial year. The Government, after considering the proposals of the Chief Controlling Officers and based on the actual expenditure and anticipated expenditure during the rest of the financial year, modify the amounts through Supplementary Grants/Re-appropriations. After final modifications are ordered, which are mostly done on the last working day of the financial year, there should not be wide variations between the final modified grant and actual expenditure. But there had been significant variations (excess or saving) between the final modified grant and actual expenditure indicating that the control over expenditure was inadequate. Few examples are indicated in the table below:

Sl. No.	Grant	Head of account	Final grant	Expenditure	Variation Excess (+) Savings (-)	
			(Rupees in lakh)			
1	XXIX-Agriculture	2401-00-102-88	133.95	150.05	(+)	16.10
2	- do -	2401-00-103-99	331.58	347.20	(+)	15.62
3	- do -	2401-00-104-98	188.39	227.12	(+)	38.73
4	- do -	2401-00-103-88	28.47	11.09	(-)	17.38
5	- do -	2401-00-104-92	100.00	5.51	(-)	94.49
6	- do -	2401-00-107-99	73.04	52.52	(-)	20.52
7	- do -	2401-00-108-98	77.43	55.97	(-)	21.46
8	- do -	2402-00-102-99	328.42	304.24	(-)	24.18
9	- do -	2702-01-800-94	622.31	595.56	(-)	26.75
10	XXXV-Panchayat	2515-00-001-97	312.21	346.05	(+)	33.84
11	XXXVI- Community Development	2505-01-702-94	37.25	71.83	(+)	34.58
12	- do -	2515-00-102-89	250.19	163.17	(-)	87.02

2.5.3. Expenditure incurred without budget provision

According to Financial Rules, no expenditure should be incurred unless authorised by the Appropriation Act. In the following cases expenditure was incurred without any appropriation provided.

Sl. No.	Grant	Head of account	Expenditure (Rupees in lakh)
1	XXII- Urban Development	2217-01-800-99	100.00
2	XXIX- Agriculture	2702-01-800-96	24.50
3	XXXV- Panchayat	2515-00-001-98	5.20
4	- do -	2515-00-001-94	21.42

2.5.4. Injudicious Reappropriation/surrender of funds

(a) In the following cases, reappropriations made were injudicious as either the anticipated saving was not achieved in the unit reduced or the additional provision through reappropriation was not required as the original provision was sufficient to meet the expenditure.

Sl. No.	Grant	Head of account	Original grant	Reappro-priation	Final grant	Actual Expendi-ture	(+) Excess/ (-) Savings
			(Rupees in lakh)				
1	XXIX- Agriculture	2401-00-104-98	195.83	(-) 7.44	188.39	227.12	(+) 38.73
2	- do -	2401-00-103-88	0.01	(+) 28.46	28.47	11.09	(-) 17.38
3	- do -	2401-00-109-97	30.93	(+) 4.59	35.52	26.37	(-) 9.15
4	- do -	2401-00-113-99	43.56	(+) 5.05	48.61	37.04	(-) 11.57

(b) Rules prescribe that the amounts voted by Legislature should be surrendered only when savings under any item are foreseen with reasonable certainty. In the following cases, surrender of funds made without assessing the actual requirement had resulted in actual expenditure exceeding the final grants.

Sl. No.	Grant	Head of account	Total grant	Surren-der	Final grant	Actual expend-iture	Excess over final grant
			(Rupees in lakh)				
1	XXIX Agriculture	2401-00-108-55	7.00	3.25	3.75	5.99	2.24
2	- do -	2401-00-800-75	27.00	27.00	Nil	5.97	5.97
3	XXII Urban Development	2217-05-191-46	1700.00	116.86	1583.14	1674.18	91.04

2.5.5. Delay in sending proposals for reappropriation of funds/resumption of savings

According to Budget Manual, the last date by which proposals for reappropriation of funds and resumption of savings should be received by Government from the Chief Controlling Officers is 15 February. However, in the following cases, the Chief Controlling Officers had sent the proposals to Government during the last week/last working day of the financial year and Government had ordered the reappropriation of funds and resumption of savings even on the last working day of the financial year.

Sl. No.	Grant	Name of controlling officer	Date of sending proposals	Date of order of reappropriation/ resumption
1	XXII Urban Development	Chief Town Planner, Thiruvananthapuram	31 March 1997	31 March 1997
2	XXIX Agriculture	Director of Agriculture, Thiruvananthapuram	31 March 1997	31 March 1997
3	- do -	Director of Agriculture (Soil conservation unit), Thiruvananthapuram	31 March 1997	31 March 1997
4	XXXV Panchayat	Director of Panchayats, Thiruvananthapuram	31 March 1997	31 March 1997
5	XXXVI Community Development	Commissioner of Rural Development, Thiruvananthapuram	29 March 1997	31 March 1997

2.5.6. Non-surrender/belated surrender of savings

All anticipated savings should be surrendered to the Finance Department through the Administrative Department, explaining the reasons therefor, immediately unless these are required to meet anticipated excesses under other units within the grant.

A few instances where savings were not surrendered or surrendered at the fag end of the year are given below:

(a) Savings not surrendered

Sl. No.	Grant	Head of account	Final grant	Savings
			(Rupees in lakh)	
1	XXIX Agriculture	2401-00-102-92	115.38	80.36
2	- do -	2401-00-102-91	57.50	20.03
3	- do -	2401-00-103-88	28.47	17.38
4	- do -	2401-00-104-92	100.00	94.49
5	- do -	2401-00-107-99	73.04	20.52
6	- do -	2401-00-108-98	77.43	21.46
7	- do -	2401-00-113-97	54.87	39.39
8	- do -	2415-01-004-96	122.89	45.49
9	- do -	2402-00-102-99	328.42	24.18

(b) ***Belated surrender***

Sl. No.	Grant	Head of account	Provision	Amount surrendered on 31 March 1997
			(Rupees in lakh)	
1	XXII Urban Development	2217-03-800-99	300.00	81.74
2	- do -	2217-05-191-96-01	100.00	38.27
3	- do -	2217-80-191-95	10.00	10.00
4	- do -	2217-05-191-47	5400.00	201.14
5	- do -	2217-05-191-46	1700.00	116.86
6	XXIX Agriculture	2401-00-800-75	27.00	27.00
7	- do -	6401-00-105-98	400.00	400.00
8	XXXVI Community Development	2501-01-003-99	40.00	40.00
9	- do -	2505-01-702-94	1312.50	1275.25
10	- do -	2515-00-102-68	8.00	8.00
11	- do -	2515-00-191-49	150.00	27.22
12	XL Ports	5051-02-200-98	77.00	76.86

2.5.7. Drawal of funds in advance of requirements

Financial Rules prohibit drawal of funds from the treasury unless it is required for immediate utilisation. In many cases, funds were withdrawn from Government account during the fag end of the year and credited to TP account with a view to avoiding lapse of budget provision. A few such instances are given below:

Sl. No.	Grant	Head of account	Date of drawal	Amount (Rupees in lakh)
1	XXIX Agriculture	2401-00-102-85	25 March 1997	460.00
2	- do -	2435-01-101-98	28 February 1997	999.00
3	- do -	2435-01-101-93	31 March 1997	87.50
4	- do -	2401-00-800-72	31 March 1997	17.76
5	- do -	2401-00-119-99	25 March 1997	900.00
6	- do -	2401-00-119-99	29 March 1997	30.00
7	- do -	2401-00-800-70	24 March 1997	15.00
8	XXXVI Community Development	2515-00-102-65	20 March 1997	67.00
9	- do -	- do -	29 March 1997	380.00

2.6. Inflation of budget estimates

A test check in audit revealed that in 14 cases, shown in Appendix-11, provisions totalling Rs 85.16 crore were made without assessing the actual requirements resulting in resumption/reappropriation of Rs 81.37 crore (96 *per cent*) at the fag end of the financial year. In 6 cases (serial numbers 1 to 6 of Appendix-11) huge amounts were provided in the Budget for schemes financed by Government of India, before receipt of sanction/clearance and as the approval was not received even during the financial year, the entire provisions remained unutilised. In 7 cases (serial numbers 7 to 12 and 14 of Appendix-11) funds provided in the Budget remained either fully or substantially unutilised as the provisions were made far in excess of requirements.

The erroneous provision of Rs 11.10 crore (serial number 13) made under 'XVII-2201-01-101-85, District Primary Education Programme' was to meet the expenditure from the Central share of the scheme. As the Central share was released directly to the Primary Education Development Society from the very beginning of the scheme, there was no necessity to provide funds for the scheme in the State Budget. The fact that during 1995-96 also Rs 19.55 crore were provided erroneously under this head indicated lack of control and vigilance in the preparation of budget estimates.

2.7. Unnecessary supplementary grant

According to the provisions in the Kerala Budget Manual, supplementary grant can be obtained when additional funds are urgently required and the expenditure cannot be postponed to the next financial year in public interest.

A supplementary grant of Rs 1 crore was obtained in March 1997 under the head of account 2235-02-101-85 (Grant No.XXV) for setting up an institute for speech and hearing impaired. The institute was registered under the Travancore-Cochin Literary, Scientific and Charitable Societies Act, 1955 on 19 March 1997on the basis of orders issued by Government on 11 March 1997. Though the supplementary grant was legally available on 27 March 1997 only (the date on which assent of Governor was received to the Appropriation Act) the amount was irregularly drawn by the Director of Social Welfare on 25 March 1997 and the amount was kept in Treasury Public Account. However, no amount was spent during the financial year. The total amount spent till August 1997 was Rs 2.17 lakh only.

Since the institute was registered on 19 March 1997 only, there was no reasonable prospect of utilising the grant of Rs 1 crore during 1996-97. As no expenditure was incurred during 1996-97 and the expenditure up to August 1997 was Rs 2.17 lakh only, the supplementary grant of Rs 1 crore obtained in March 1997 was without proper assessment of the expenditure during the year and hence proved totally unnecessary. Further, drawal of the amount and keeping it in deposit account to avoid lapse of budget provision was violative of the provisions in the Financial Rules.

2.8. Excessive release of funds and its retention in the treasury savings bank account

State Government had accorded administrative sanction (September 1992) for the implementation of a Central Sector Scheme for the economic and social rehabilitation of Scheduled Caste/Scheduled Tribes victims of atrocities as per Section 21(2)(iii) of

Scheduled Caste/Scheduled Tribes Prevention of Atrocities Act, 1989 (Central Act 33/89). The scheme envisaged (i) legal aid to SC/ST victims of atrocities and their supporters (ii) payment of T.A and maintenance allowances to witnesses, victims and escorts of female victims and (iii) relief to victims and dependents for their economic and social rehabilitation.

The District Collectors were vested with the responsibility of sanctioning financial assistance to the victims and also for the implementation of the scheme through Scheduled Caste/Scheduled Tribes Development Departments.

During the period from 1992-93 to 1996-97 an amount of Rs 1.06 crore was released to the 14 District Development Officers for Scheduled Caste Development in the State as shown below:-

Year	Amount released (Rupees in lakh)
1992-93	9.90
1993-94	25.10
1994-95	30.00
1995-96	29.99
1996-97	10.90
Total	**105.89**

These amounts were deposited in the joint Treasury Savings Bank (TSB) account of the District Collectors and District Development Officers as directed by the State Government. Out of the amount so deposited Rs 20.36 lakh only (19 *per cent*) could be expended till March 1997 and Rs 87.60 lakh including accrued interest of Rs 2.07 lakh were remaining in the TSB accounts. Department stated that the non-utilisation of funds was due to shortage of applicants and delay on the part of Police Department in finalisation of reports on atrocities.

The release of funds regularly by the State Government without assessing the actual requirement even when funds released up to 1993-94 could not be spent in full till March 1997, had resulted in accumulation of heavy unspent balance in TSB accounts and thereby blocking of Government money. Further release of excessive funds and its retention in TSB account were violative of the extant provisions of the Financial Rules.

2.9. Contingency Fund

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

The corpus of the Contingency Fund was Rs 25 crore. By virtue of two Ordinances promulgated on 20 January 1996 and 16 February 1996, the corpus stood enhanced to Rs 50 crore on 1 April 1996. Since these Ordinances were not replaced by an Act of the Legislature within the stipulated time, they lapsed on 11 April 1996 and consequently the corpus of the Fund reverted to its earlier level of Rs 25 crore. During the year, though the corpus of the Fund was again enhanced to Rs 50 crore by an Ordinance of 20 August 1996 no bill to replace it was placed in the ensuing session of the Legislature and again the corpus reverted to the level of Rs 25 crore on 15 October 1996.

(i) Advances from the Contingency Fund

Thirty eight sanctions were issued during 1996-97 advancing a total amount of Rs 71.48 crore from the Contingency Fund, out of which one sanction amounting to Rs 9.04 crore could not be debited to Contingency Fund for want of sufficient balance and amounts of another two sanctions were subsequently reduced by Rs 8.92 lakh. Six advances aggregating to Rs 11.48 crore remained unrecouped to the Fund as on

31 March 1997 out of which a sanction for Rs 17.70 lakh was reduced to Rs 14.69 lakh in May 1997.

(ii) Avoidable advances from Contingency fund

Consequent on implementation of directions (July 1994) of the High Court to revise the wages of the temple employees of Malabar area and Kasaragod district Government sanctioned (October 1995) an advance of Rs 1 crore from Contingency Fund. Commissioner, Hindu Religious and Charitable Endowments, Kozhikode drew the amount and deposited it in his Treasury Public (TP) Account. Another advance of Rs 1 crore from the Contingency Fund was sanctioned (January 1997) for 1996-97 and this was also drawn (March 1997) and credited to the above account. Out of Rs 2 crore thus withdrawn from Contingency Fund, amount disbursed till August 1997 was Rs 42.14 lakh only.

Government stated (September 1997) that payment was delayed due to paucity of staff required for pay fixation etc. and the amount was kept in T.P account for ready disbursement. As the Government orders revising the wages of temple employees consequent on implementation of the directions of the High Court, were issued in August 1996 only. necessary funds could have been provided in the budget for 1996-97 or subsequent years and there was no necessity to draw money from Contingency Fund circumventing the vote of legislature and keeping it in TP account.

2.10. Arrears in departmental reconciliation

Departmental figures of expenditure are required to be reconciled every month with those in the books of Accountant General (Accounts and Entitlements) in order to enable the departmental officers to exercise proper control over expenditure and to detect fraud and defalcations, if any, at an early stage. The reconciliation was in arrears in many departments. The number of controlling officers who had not reconciled their expenditure up to the end of 1996-97 and the number of reconciliation certificates due from them as of September 1997 are indicated below:

Year	Number of controlling officers	Number of monthly reconciliation certificates due
1991-92	2	16
1992-93	3	28
1993-94	14	121
1994-95	34	355
1995-96	40	483
1996-97	62	716
Total		**1719**

Of the 1719 certificates in arrears, as many as 185 certificates were due from the Director of Health services.

2.11. Excess of earlier years pending regularisation

In terms of Article 205 of the Constitution of India expenditure in excess of grants/charged appropriations authorised by the Legislature is to be regularised in the manner prescribed by the Constitution. According to the procedure prescribed (February 1982) for the purpose, the notes seeking regularisation of excess expenditure should be furnished to the Committee on Public Accounts, after getting them vetted by Audit, by 31 May of the second succeeding year of accounts or immediately after presentation of the Appropriation Accounts to the Legislature, whichever is later. In view of the persistent and inordinate delay in submission of the explanatory notes, the Public Accounts Committee (1993-95) observed in its 73rd Report presented to the Legislature on 11 February 1994 that the notes should invariably be furnished within the prescribed time limit and that the Finance Department should watch over and keep the momentum in furnishing the notes. However, notes in respect of many cases of excess expenditure which occurred during 1990-91 to 1995-96 were yet to be furnished to Audit.

As of November 1997, Government had not furnished the initial notes for the regularisation of excess expenditure aggregating Rs 1,127.19 crore in 58 voted grants (Rs 233.61 crore) and in 20 charged appropriations (Rs 893.58 crore) pertaining to the years 1983-84, 1985-86 and 1988-89 to 1995-96.

CHAPTER III

CIVIL DEPARTMENTS

FISHERIES AND PORTS DEPARTMENT

3.1. Avoidable expenditure on hiring of boats

> ***Failure of the Department in inviting tenders for hiring of boats resulted in avoidable expenditure of Rs 6.84 lakh.***

The Kerala Marine Fishing Regulation Act, 1980 came into force in 1980 and the State Government had been regularly ordering banning of bottom trawling from 1988 onwards in order to save the traditional fishermen from the ill effects of bottom trawling by mechanised boats. In order to enforce the ban on bottom trawling, the Fisheries Department had been employing patrol boats. Government issued orders (4 June 1994) prohibiting bottom trawling within the territorial waters of Kerala from 15 June 1994 to 29 July 1994. On 4 June 1994, the Department hired 5 patrol boats from a firm in Tamil Nadu without inviting tenders. The rate agreed to was Rs 6000 per day per boat. The action of the Department was later ratified by Government in March 1995 and Rs 13.68 lakh were paid to the firm for 5 patrol boats which had run for a total of 228 days. For the trawl ban period of 1995, the Department took early action in March 1995 and invited quotations for hiring of boats. The lowest quoted rate from two firms was Rs 3000 per day per boat (after negotiations) which was accepted and agreements executed on 23 May 1995.

Thus, failure of the Department in inviting tenders for hiring of boats in 1994 resulted in an avoidable expenditure of Rs 6.84 lakh as compared to the rate obtained during tender in 1995.

Government's contention that usual formalities such as inviting tenders etc., could not be observed due to paucity of time and urgency of the matter was not tenable as banning of bottom trawling had been a regular feature during monsoon since 1988 and as the Department was aware of the non-availability of Government patrol boats, it could have taken early action for hiring of boats observing all the formalities. Further, hiring of boats at Rs 6000 per day in 1994 was not at all justifiable in view of the fact that in the preceding year (1993) the Department could hire boats at lower rates (Rs 5000) even for a very short duration (only 11 days).

FOREST AND WILDLIFE DEPARTMENT

3.2. Extra expenditure on maintenance of plantation

Incorrect payment of maintenance charges of plantation in Forest Department led to extra expenditure of Rs5.08 lakh.

Maintenance charges in Forest Department were regulated on the basis of Forest Schedule of Rates (FSR) prevalent at the time of execution of work. The prescribed rates of labour, expressed as Man Mazdoor (MM) per hectare, for the first, second and third weedings were 29.652, 14.826 and 9.884 respectively for the first year of planting and 9.884, 7.413 and 4.942 respectively for the second year of the planting. Test-check of vouchers relating to December 1996 and January 1997 of 3 territorial divisions and 7 social forestry divisions revealed that the rates adopted were not in conformity with the rates prescribed as shown below:

Stage of weeding and year of planting	Rate allowed (MM/hectare)	Rate admissible (MM/hectare)
First weeding of II year	14.826	9.884
Second weeding of II year	9.884/14.826	7.413
Third weeding of II year	7.413/9.884	4.942
Third weeding of I year	14.826	9.884

The incorrect adoption of rate of labour had resulted in excess payment of Rs 5.08 lakh to the convenors of work in 28 cases.

The matter was referred to Government in April 1997; reply had not been received (October 1997).

GENERAL EDUCATION DEPARTMENT

3.3. Wasteful expenditure due to non-implementation of Government Order

Non-implementation of Government Order for amalgamation of Government High Schools for boys and girls having meagre student strength resulted in wasteful expenditure of Rs 39 lakh.

Government ordered (January 1990) amalgamation of the Government High Schools (GHS) for boys and girls functioning in two independent buildings in the same compound at Kaloor, Ernakulam District as the student strength of both these schools was very low. According to the order, the amalgamated school (*i.e.* Government High School, Kaloor) would function in the building where GHS for boys had been functioning and the Headmaster of GHS for girls was required to hand over all the papers to the Headmaster of GHS, Kaloor. Deputy Director of Education, Ernakulam (DD) was directed by Director of Public Instruction to oversee the process of amalgamation and transfer of records. DD did not carry out the orders of amalgamation issued by Government in 1990, but shifted GHS for girls to the building for GHS for boys with the result that both the Government High Schools for girls and boys continued to function independently in the same building with the level of utilisation reduced from 78 *per cent* in 1990-91 to 40 *per cent* in 1996-97 in Girls High School and from 47 *per cent* in 1990-91 to 24 *per cent* in 1996-97 in the Boys High School. This resulted in retention of staff (teaching staff : 6, non-teaching staff : 4) of GHS for Boys, Kaloor, who could have been deployed to other schools, as the staff attached to GHS for girls was sufficient to run the new school. The pay and allowances incurred on the staff for the period from 1990-91 to 1995-96 worked out to Rs 39 lakh.

Government cancelled (November 1996) its order issued in January 1990 for the amalgamation of these schools, on the ground that the earlier orders had not been implemented. Government decision to cancel its order of January 1990 merely on the ground of its non-implementation by one official was unjustifiable in view of the recurring annual loss of Rs 6.67 lakh on the pay and allowances of the staff of GHS for boys, Kaloor. Also no action was initiated against the officer for non-implementation of the Government orders.

The matter was referred to Government in February 1997; reply had not been received (October 1997).

HEALTH AND FAMILY WELFARE DEPARTMENT

3.4. Functioning of Ayurveda colleges and hospitals

3.4.1. Introduction

There were five Ayurveda Colleges (AVCs)* in the State, established between 1918 and 1992 with the objective of conducting Graduate course in Ayurveda. The annual intake capacity of students was 50 in AVC, Thiruvananthapuram and 30 each in other Ayurveda Colleges. Post Graduate courses in seven specialities were also being conducted in AVC, Thiruvananthapuram and 42 students were being admitted annually with 6 students in each speciality. Ayurveda hospitals were also functioning in these colleges for imparting clinical training to students. Government had also established 108 Ayurveda hospitals with bed strength varying from 4 to 100 and 614 Ayurveda dispensaries as of March 1997 for providing medical facilities in Indian Systems of Medicine (ISM).

3.4.2. Organisational set up

Ayurveda colleges and hospitals/dispensaries were under the administrative control of Health and Family Welfare Department of the State Government. The colleges and college hospitals were headed by the Principals. Ayurveda hospitals and dispensaries were under the direct charge of the District Medical Officer (ISM) and the overall control vested with the Director of Indian Systems of Medicine. The hospital facility to AVC, Kannur was provided by the Director, ISM in the absence of a hospital attached to the college.

3.4.3. Audit coverage

The functioning of AVCs, hospitals and dispensaries was reviewed during October 1996 to January 1997. Records relating to the period from 1991-92 to 1996-97 of the five AVCs and hospitals attached to them, Directorate of ISM and 18 hospitals/dispensaries under it were test-checked. The results of review are brought out in the succeeding paragraphs.

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* Three Government colleges, one each at Thiruvananthapuram, Thrippunithura and Kannur and two private colleges at Ollur and Kottakkal

3.4.4. Highlights

- **Budget estimates were not realistic. Funds provided for Plan schemes were either diverted for other purposes or surrendered at the fag end of the year. Central assistance of Rs 1.13 crore provided for implementation of the scheme, *viz.* Programme for Higher Education, Training and Research in ISM during 1992-93 to 1996-97 was not availed of.**

  (Paragraph 3.4.5)

- **Though the Central Council for Indian Medicines (CCIM) norms required the establishment of 14 independent departments in each AVC, the number of departments in the AVCs ranged from 7 to 9 only. Neither the norms prescribed by the CCIM in respect of number and pattern of teaching staff nor any uniform staff pattern had been adopted by the AVCs. The shortage in the strength of teaching staff ranged from 29 *per cent* to 76 *per cent*.**

  (Paragraph 3.4.6)

- **As against the prescribed teacher-student ratio of 1:1 for Post Graduate courses, the actual ratio varied from 1:1.2 to 1:6 in different specialities in the AVC, Thiruvananthapuram resulting in taking of classes by under-qualified faculties. Twenty four students were admitted to the Post Graduate course in Swasthavritta* from 1993-94 to 1996-97 though it had not been recognised by the CCIM.**

  (Paragraph 3.4.7)

- **For want of minimum infrastructure facilities such as building for college/hospital, full-fledged laboratories, herbal gardens, X-ray unit etc., the Bachelor of Ayurvedic Medicine and Surgery (BAMS) course conducted by AVCs at Kannur and Kottakkal had not been recognised by the CCIM and affiliation from University had also not been**

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* Swasthavritta is a branch of Ayurveda dealing with the principles and practices to be followed for preserving and improving the health of the public

granted. Despite this, 521 students were admitted for this course during the years 1991-92 to 1996-97.

(Paragraph 3.4.8)

- **Owing to insufficiency of funds for the purchase of raw drugs and under-utilisation of manpower and infrastructure, production of medicines in the pharmacies of AVCs at Thiruvananthapuram and Thrippunithura declined drastically by 6 to 100 *per cent* during 1992-93 to 1995-96.**

(Paragraph 3.4.11(a))

- **Drug Testing Laboratory attached to the pharmacy in AVC, Thiruvananthapuram was under-utilised and the objectives were not achieved.**

(Paragraph 3.4.11(b))

- **Drug Standardisation Unit in AVC, Thiruvananthapuram could not evolve any standards due to lack of infrastructure facilities. The expenditure of Rs 74.18 lakh incurred on salaries and contingencies for the period 1986-87 to 1996-97 was by and large unfruitful.**

(Paragraph 3.4.12(a))

- **The performance of the Pharmacognosy Unit attached to the AVC, Thiruvananthapuram in publishing books on Pharmacognosy of Ayurveda Drugs was very poor. No publication was brought out by the Unit after 1986 rendering the expenditure of Rs 71.06 lakh incurred on the Unit from 1986-87 to 1996-97 unjustified.**

(Paragraph 3.4.12(b))

- **Extra expenditure incurred during the period from 1991-92 to 1996-97 by Government on excess non-teaching staff in AVC, Kottakkal due to non-fixing of norms based on work load amounted to Rs 41.43 lakh.**

(Paragraph 3.4.13)

- **Owing to the absence of a well defined system in the Directorate of ISM for proper deployment of medical and paramedical staff, 13 hospitals had excess staff while there was shortage of Medical Officers in 30 hospitals/dispensaries and paramedical staff in 41 dispensaries. Salaries paid to the excess staff during the period from 1991-92 to 1996-97 amounted to Rs 71.89 lakh.**

(Paragraph 3.4.16)

- **Owing to lapses in providing infrastructure facilities, even the sanctioned bed strength was not provided in 14 hospitals; such shortage of beds ranged from 10 to 100 *per cent* during 1991-92 to 1996-97. Though the occupancy rate in Ayurveda College Hospital, Thiruvananthapuram exceeded the sanctioned bed strength by 47 to 59 *per cent* during 1991-92 to 1996-97, leading to over-crowding with many in-patients lying on the floor of wards, the bed strength was not increased to meet the requirement.**

(Paragraph 3.4.17)

- **Procurement of medicines in excess of requirement resulted in retention of 9.90 tonnes of Kashaya choornam, valued at Rs 3.02 lakh in 5 hospitals and one dispensary, which was enough for consumption for periods ranging from 8 to 277 months, notwithstanding the fact that the potency of medicines in powder form would decrease after two months.**

(Paragraph 3.4.18)

- **Though sufficient stock of linen was available in the hospitals at Kannur, Kozhikode and Ottappalam, linen were neither issued nor replaced periodically due to non-availability of funds for meeting washing charges.**

(Paragraph 3.4.19)

- **Though the museum for Rasasastra and Bhaishajyakalpana in Pharmacology Department of AVC, Thiruvananthapuram had not been set up, one post of Artist-cum-Museum Keeper had been operated**

and the idle wages paid during 1991-92 to 1996-97 amounted to Rs 1.07 lakh.

(Paragraph 3.4.21(b))

- **Failure to procure rice through Public Distribution System for supply of diet to the patients in the hospitals under AVC, Thiruvananthapuram resulted in extra expenditure of Rs 6.38 lakh during 1990-91 to 1996-97.**

(Paragraph 3.4.21(c))

3.4.5. Budget provision and expenditure

The budget provision and expenditure of Ayurveda Colleges, hospitals and the department of ISM from 1991-92 to 1996-97 were as under :

Year	Budget provision			Expenditure			Savings (Percentage in brackets)
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	
	(Rupees in crore)						
1991-92	2.13	12.44	14.57	1.93	13.14	15.07	Not applicable
1992-93	2.36	16.42	18.78	1.47	14.64	16.11	2.67 (14.21)
1993-94	1.80	20.60	22.40	1.77	18.70	20.47	1.93 (8.62)
1994-95	1.70	23.33	25.03	1.70	22.77	24.47	0.56 (2.23)
1995-96	4.26	27.07	31.33	3.85	24.82	28.67	2.66 (8.49)
1996-97	3.26	29.99	33.25	2.92	27.27	30.19	3.06 (9.20)

There was shortfall in utilisation of funds under Plan schemes during 1992-93 to 1996-97 which ranged from 20 *per cent* to 64 *per cent* in AVC, Thiruvananthapuram and from 49 to 87 *per cent* in AVC, Thrippunithura as given in Appendix 12.

The major reasons for the non-utilisation of Plan funds were non-creation of posts in connection with development of departments, want of sanctions from Government for purchase of equipment and tardy progress of civil works like construction of staff quarters, hospital building, etc., for the Ayurveda Colleges.

This indicated that the budget estimates were not made realistically and that there was lack of proper planning for the implementation of the Plan schemes with the result that funds provided under Plan schemes were either diverted for other purposes or surrendered at the fag end of the financial year. A few instances were as under:

(i) During 1994-95, provision of Rs 15 lakh was made for starting Post Graduate Research Centre at AVC, Thrippunithura. As no such scheme had been sanctioned for the college, the funds were surrendered at the end of the year.

(ii) An amount of Rs 50 lakh was provided for construction of a 350 bedded hospital at AVC, Thrippunithura during 1994-95 before preparing the plan and estimates. This was subsequently allocated to AVC, Kannur. But only Rs 0.26 lakh could be utilised during that year as the detailed drawings of the hospital building had not been finalised.

(iii) Budget provisions totalling Rs 1.13 crore were made during the years 1992-93 to 1996-97 for implementation of 100 *per cent* Centrally sponsored scheme, 'Programme for Higher Education, Training and Research in ISM' in AVC, Thiruvananthapuram. Rupees 71 lakh were spent during the above period. However, the amount was not reimbursed by Government of India, as the courses for which the expenditure had been incurred had not been approved by the Central Council for Indian Medicines (CCIM). Thus, Central assistance to the tune of Rs 1.13 crore could not be availed of during 1992-93 to 1996-97.

3.4.6. Failure to implement the department system

Central Council for Indian Medicine norms with regard to the establishment of full-fledged department system, number and pattern of teaching staff, etc., were not implemented in any of the Ayurveda Colleges.

According to the norms prescribed by the CCIM, 14 independent departments* were to be formed in each AVC in order to utilise the talents and expertise of faculties in the respective specialities and also to improve the quality of teaching. Government had issued orders in March 1996 for the introduction of full-fledged department system in AVCs, Thiruvananthapuram, Thrippunithura and Kannur.

* Departments of Samhita, Sanskrit and Sidhanta, Rachana Sharir, Kriya Sharir, Dravyaguna, Rasasastra and Bhaishajyakalpana, Rog nidhan, Swasthavritta, Agadha Tantra and Vidhi Ayurved, Prasuti Tantra and Strirog, Kumarbhritya, Kaya Chikitsa and Pancha karma, Shalya Tantra and Shalakya Tantra.

However, this had not been implemented in any of the AVCs. While 9 departments** each were functioning in AVCs, Thiruvananthapuram and Kottakkal, only 8 departments each were functioning in the AVCs, Kannur and Ollur and 7 departments in the AVC at Thrippunithura.

According to the norms prescribed by CCIM, the strength of teaching staff in the colleges as well as hospitals attached to them should be 95. However, these norms were not followed in any of the colleges/college hospitals. The shortfall ranged from 29 to 76 *per cent* as given below:

Name of college	Number of teachers	Shortfall	Percentage of shortfall
AVC, Thiruvananthapuram	67	28	29
AVC, Thrippunithura	44	51	53
AVC, Kannur	22	73	76
AVC, Ollur	44	51	53
AVC, Kottakkal	34	61	64

No norms were prescribed either by the Government or by the Universities.

3.4.7. Post Graduate courses

Post Graduate courses in seven specialities were being conducted in AVC, Thiruvananthapuram as of March 1997. According to the Indian Medicine Central Council (Post Graduate Education) Regulations 1979, as amended in 1995, the teacher-student ratio should be 1:1. It was, however, seen that this ratio had not been maintained in any of the post graduate departments; it ranged between 1:1.2 to 1:6.

As against the teacher-student ratio of 1:1 for PG courses, the ratio ranged from 1:1.2 to 1:6.

In respect of courses, Basic Principles and Prasuti tantra and Strirog, the reasons for non-maintenance of teacher-student ratio was attributed by the department to non-sanctioning of additional posts by Government. As a result,

** Departments of Salyasalakya, Swasthavritta, Prasuti Tantra, Samhita and Sidhanta, Sareera, Pharmacology, Kaya chikitsa (except in AVC Thiruppunithura), Agatha Tantra (except in AVCs, Thriuppunithura and Ollur), Rog nidhan (only in AVCs Thiruvananthapuram and Thrippunithura), Sanskrit (only in AVCs, Kottakkal and Ollur) teaching staff not possessing Post Graduate qualification were deployed for conducting classes, violating prescribed norms. Though the CCIM had not included Swasthavritta in the Post Graduate Regulations, 1979 and had also not prescribed any syllabus, Post Graduate course was started which had not been recognised by CCIM so far (March 1997). However, 24 students were admitted to this unrecognised course during 1993-94 to 1996-97.

3.4.8. Denial of recognition/affiliation for want of facilities

(i) Ayurveda College, Kannur

For want of minimum infrastructure facilities, the BAMS course conducted in AVCs, Kannur and Kottakkal were not recognised by the CCIM. Affiliation to the course was also not granted by the University.

Though it started functioning from January 1992, AVC, Kannur was still functioning in an old school building and the minimum facilities such as buildings for the college and college hospital, full-fledged laboratories, museums, herbal garden, pharmacy, X-ray unit, etc., had not been provided (October 1997). The facilities could not be provided due to the delay in handing over (March 1994) of Government land and delay of 19 months (April 1994 to October 1995) for finalisation of drawing and designs of college building by Chief Architect. Similarly, construction of the hospital building could not be started as the finalisation (December 1996) of detailed drawings by Chief Architect was further delayed by 13 months. In July 1992, the CCIM specifically directed that students should not be admitted to the college as the norms prescribed by them had not been fulfilled. The BAMS course conducted was therefore not recognised by CCIM as of March 1997. The provisional affiliation granted by the University of Calicut was also not extended beyond 1995-96 for want of minimum facilities. However, 305 students were admitted during 1991-92 to 1996-97.

(ii) Ayurveda College, Kottakkal

Provisional affiliation granted to BAMS course conducted in Vaidya Rathnam P.S. Varrier's Ayurveda College, Kottakkal was not extended from 1994-95 onwards due to continued failure to provide infrastructure facilities such as sufficient paramedical staff, X-ray unit, pharmacy, adequate hostel facilities, herbal garden, etc. The approval of CCIM for the course was also not obtained for want of provision of facilities to the minimum standard prescribed. Despite this, 216 students were admitted during 1991-92 to 1996-97.

3.4.9. Student-bed ratio

The student-bed ratio in AVCs, Thrippunithura, Kannur and Ollur was 1:3 as against the CCIM norm of 1:5. No action had been taken by the colleges to increase the bed strength so far (February 1997).

3.4.10. Non-provision of equipment to laboratories

In AVCs, Thiruvananthapuram, Thrippunithura and Kannur, 20 items of equipment required to be provided in the Sareera department, Pharmacology department and Roga Nidhan department as per CCIM norms had not been provided (February 1997).

3.4.11. Production of medicines

(a) Uneconomic functioning of pharmacies

Due to under-utilisation of manpower and infrastructure, expenditure (Rs 2.06 crore) on production of medicines far exceeded the value (Rs74.87 lakh) of medicines produced.

Pharmacies attached to AVCs, Thiruvananthapuram and Thrippunithura were engaged in the manufacture of ayurvedic medicines like arishtam, kashaya choornam, thailam, ghritham, choornam, gulika, etc., for use in the college hospitals. It was seen that production of different medicines had declined during 1992-93 to 1995-96 as compared to that of 1991-92, the decline ranging from 6 to 100 *per cent* in AVC, Thiruvananthapuram and 15 to 100 *per cent* in AVC, Thrippunithura. As a result there was shortfall in supply of medicines indented by the hospitals. A test-check in AVC, Thiruvananthapuram revealed that the shortage in supply of medicines during the period 1991-92 to 1995-96 ranged from 30 to 100 *per cent*.

The reason for the decline in production was attributed to insufficiency of funds for purchase of raw drugs. As against the expenditure of Rs 1.72 crore incurred by the pharmacy at Thiruvananthapuram during 1991-92 to 1995-96, the value of medicines produced was only Rs 63.76 lakh (37 *per cent* of cost of production). Similarly, in the pharmacy at Thrippunithura, value of medicines produced was only Rs 11.11 lakh (32 *per cent*) against the expenditure of Rs 34.41 lakh during the period from 1991-92 to 1994-95. According to the Principal, AVC, Thiruvananthapuram, the reason for the uneconomic functioning of the pharmacy was under-utilisation of infrastructure and manpower by 88 *per cent*.

During 1995-96 production of medicines in the pharmacy attached to AVC, Thrippunithura was stopped due to non-receipt of tenders for supply of raw drugs. Government, therefore, ordered (October 1995) to purchase medicines from Oushadhi, a State Government undertaking. Although Government ordered (December 1996) to resume production of medicines by procuring raw drugs through AVC, Thiruvananthapuram, production started from April 1997 only. The stoppage of works in the pharmacy resulted in idling of 13 staff members*. The idle wages paid for the period 1995-97 worked out to Rs 11.27 lakh.

(b) Drug Testing Laboratory

A Drug Testing Laboratory with staff consisting of 1 Deputy Manager, 1 Scientific Officer, 2 Scientific Assistants and 1 Laboratory Attender was functioning in the AVC, Thiruvananthapuram for testing of samples of raw drugs and prepared medicines, to ensure their quality. Audit scrutiny revealed the following:

(i) Testing of raw drugs

Every year 322 items of raw drugs were procured by the pharmacy. However, 57 samples of 25 drugs only had been tested by the laboratory during the period from July 1992 to October 1996 (1992-93 : 16, 1993-94 : 22, 1994-95 : 6, 1995-96 : 4 and 1996-97 : 9). A test-check of the results of tested samples revealed that in 8 cases (samples of gingely oil, Kacholam gugglu and honey) where the drugs were rejected by the laboratory due to adulteration, no testing was done when these drugs were replaced by the suppliers. The reasons for not testing samples of all drugs were not on record. As the facility provided for testing of drugs remained largely unutilised, the quality of medicines could not be ensured.

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* Chief Medical Officer : 1, Medical Officer : 1, Attenders : 2, Pharmacy Attenders : 8 and Dravya Attender :1

(ii) Prepared medicines

Out of 92 items* of medicines prepared by the pharmacy samples of 24** medicines only were tested on 55 occasions during July 1992 to October 1996. It was noticed that in 3 cases (2 samples of Balarishtam tested in January 1994 and December 1994, 1 sample of Kottamchukkadi Thailam tested in August 1994) even though the quality of medicines was reported to be poor and improvement of quality was suggested, the medicines were issued to the patients without improving the quality. The Drug Testing Laboratory, therefore, failed to achieve its objectives.

3.4.12. Research in Ayurveda

(a) Drugs Standardisation Unit in AVC, Thiruvananthapuram

The Drugs Standardisation Unit could not evolve any final results on standardisation of drugs during the last 10 years. The expenditure of Rs74.18 lakh incurred during the period was largely unfruitful.

A Drugs Standardisation Unit for AVC, Thiruvananthapuram was sanctioned by Government in February 1974 with the objective of evolving methods/techniques to fix pharmacopoeial standards for Ayurvedic medicines which would also meet the requirements of the Drugs Control Act. The staff of the unit consisted of 5 Research Officers, 2 Assistant Research Officers, 3 Research Assistants, 2 Laboratory Technicians, 3 Laboratory Attenders and 1 Clerk. The Expert Committee constituted by Government to guide the activities of the unit had not met since November 1986. No periodicity had also been fixed for the meeting of the committee. It was decided in the meeting held in November 1986 to start standardisation of 21 out of 31 ingredients of Gugguluthikthaka Ghritham. The work which commenced in June 1987 had not been completed even after a period of 10 years. The standardisation of only two drugs had so far been completed (February 1997). The standardisation of 11 other prepared medicines taken up by the unit in 1987 was also not completed. The reasons attributed for non-completion of

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* Thailam :12, Choornam : 13, Arishtasava : 11, Ghritham : 6, Gulikas : 9, Rasayana : 1 and Kashaya Choornam :40.

** Thailam : 8, Choornam : 1, Arishtasava : 5, Ghritham : 1 and Kashaya choornam : 9.

work were non-availability of equipment, want of uninterrupted supply of water and delay in procuring chemicals. However, there was nothing on record to show that timely action had been taken by the unit to procure equipment and to provide uninterrupted water supply. As the unit could not evolve any standards on drugs due to the absence of proper monitoring of its activities, the objectives envisaged could not be achieved. The expenditure of Rs 74.18 lakh incurred towards salaries, contingencies, etc., during the period from 1986-87 to 1996-97 for maintenance of the unit was, therefore, largely unfruitful.

(b) Pharmacognosy unit

The Pharmacognosy Unit could publish only two volumes between 1966 and 1986. As the work turned out by the unit since 1986 was negligible, the expenditure of Rs 71.06 lakh incurred was not justifiable.

The Pharmacognosy unit which was functioning under the University of Kerala was transferred to the AVC, Thiruvananthapuram in March 1966. The objective of the unit was to conduct Pharmacognostic studies of medicinal plants and publish a series of books on 'Pharmacognosy of Ayurveda drugs'. The staff of the unit consisted of Professor of Pharmacognosy : 1, Research Officer : 2, Artist : 1, Assistant to Pharmacognosy Officer : 1, Lower Division Clerk : 2 and Peon/Watcher/Sweeper: 7. While nine volumes of 'Pharmacognosy of Ayurveda drugs' were published prior to the transferring of the unit to AVC, only two volumes were published by the unit between 1966 and 1986. The work of preparation of 12th volume which started in 1986 was not completed even after a period of 10 years. Thus, the only work done by the unit during the last 30 years was the publication of 2 volumes of 'Pharmacognosy of Ayurveda drugs'. The quantum of work involved in the preparation of each volume of the publication was not assessed to fix a time schedule for completion of the work. The expenditure of Rs 71.06 lakh incurred by the unit during the period from 1986-87 to 1996-97 was, therefore, not justifiable.

3.4.13. Extra expenditure incurred on non-teaching staff in Ayurveda College, Kottakkal

Expenditure of Rs 41.43 lakh was incurred by Government during 1991-92 to 1996-97 on excess non-teaching staff in AVC, Kottakkal.

The staff pattern of non-teaching staff (administrative staff) of the private Ayurveda Colleges consequent on the introduction of direct payment system was to be fixed by Government, based on the work load. This had not been done. However, when compared to the sanctioned strength of 11 non-teaching staff in AVC, Kannur with an annual intake of 30 students, the non-teaching staff of 18 each in the private AVCs at Kottakkal and Ollur with the same number of students was found to be excessive. It was also found that 23 employees attached to the Kerala Ayurvedic Studies and Research Society (an educational agency which was managing the AVC, Kottakkal) were deemed as staff attached to AVC, Kottakkal and were also being paid salary from Government funds based on a Government order (February 1985). There was no justification for payment of salary from Government funds to the staff attached to the managing agency of the college especially when the strength of non-teaching staff in AVC, Kottakkal was the same (18) as that in AVC, Ollur. Further no staff members of the management of AVC, Ollur was paid salary from Government funds. The inadmissible salary paid to the 23 employees of the agency for the period from 1991-92 to 1996-97 worked out to Rs 41.43 lakh.

3.4.14. Publication division

Out of 33 manuscripts collected till March 1991, only 6 were edited during 1991-92 to 1996-97. However, no new books were published during the period.

A publication division was sanctioned (February 1974) by Government in AVC, Thiruvananthapuram for publishing rare manuscripts and 'grandhas' on Ayurveda. The staff of the publication division consisted of Professor :1, Assistant Editor (Lecturer) : 1, Record Assistant :1, Scribe : 2 and Upper Division Accountant :1. The expenditure incurred by the division towards salary and allowances of the staff during the period 1991-96 amounted to Rs 12.64 lakh. Out of

33 manuscripts collected by the division till March 1991, only 6 were edited during the period of 6 years from 1991-92 to 1996-97. No new books were published during the above period and only reprinting of 7000 copies of published books was undertaken. The progress of sale of books was also poor compared to the number of copies of books held in stock by the division. Out of 26022 copies of the books available in stock, only 7908 copies (30 *per cent*) were sold during the period from 1991-92 to 1996-97 leaving a closing stock of 18114 valued at Rs 7.15 lakh.

3.4.15. Uneconomic running of college buses

According to the instructions issued by Government in April 1983, the college buses for transportation of students should be operated on a 'No Profit-No Loss' basis. A test-check of records relating to the operation of the buses in AVCs, Thiruvananthapuram and Kannur revealed that the operational costs were far in excess of the revenue realised as indicated below :

Name of college	Period	Expenditure	Revenue realised	Percentage of revenue to expenditure
		(Rupees in lakh)		
AVC, Thiruvananthapuram	1991-92 to 1996-97	5.75	1.98	34
AVC, Kannur	1994-95* to 1996-97	2.15	0.77	36

The Van Rules in respect of AVC, Thiruvananthapuram provided for quarterly review of the operational cost of the bus *vis-a-vis* the rates of fee charged to ensure the economic maintenance of the college bus. It was seen that the last enhancement of bus fees from Rs 10 to Rs 20 per month was effected in August 1992. No further revision of fees was made though there was huge increase in the cost of fuel, spare parts etc., since 1992. The Van Rules in respect of AVC, Kannur had not been approved by Government (October 1997).

* Bus was purchased only in 1994-95.

3.4.16. Retention of excess staff in Ayurveda hospitals

Failure to re-deploy staff as per the prescribed pattern resulted in retention of excess staff in 13 hospitals and dearth of staff in certain hospitals. Expenditure incurred on salary of staff retained in excess of requirement amounted to Rs 71.89 lakh.

The pattern of staff for each Ayurveda hospital was fixed by Government in May 1978 based on the bed strength of the hospital. A test-check of records revealed that in 13 hospitals, staff was retained in excess of the norms prescribed by Government. Salaries paid to the staff retained in excess of approved strength in these hospitals during the period from 1991-92 to 1996-97 worked out to Rs 66.71 lakh. While these hospitals had staff in excess of approved strength, there were hospitals/dispensaries where the posts of medical/paramedical staff remained vacant as shown in Appendix 13. The posts of Medical Officers were vacant in 30 dispensaries/hospitals for periods ranging from 2 to 67 months and the posts of Pharmacists were either not sanctioned or were vacant in 41 dispensaries for periods ranging from 9 to 69 months.

As the AVC, Kannur did not have a hospital of its own, the District Ayurveda Hospital, Kannur (100 beds) was fully transferred to AVC, Kannur from December 1995 and all the treatment sections were brought under the control of the faculties of the college. As such, 6 Medical Officers attached to the District Hospital should have been redeployed by the Director of ISM. However, the staff continued to be retained in the Hospital though they had no specific work to attend to. Idle wages paid to the Medical Officers from December 1995 to March 1997 worked out to Rs 5.18 lakh.

3.4.17. Deficiency of beds in hospitals

In spite of consistent increase in the occupancy rate during 1991-92 to 1996-97 bed strength was not increased in AVC, Thiruvananthapuram.

In 14 hospitals under the Directorate of ISM, the sanctioned bed strength was not provided as shown in Appendix 14. The reason for deficiency in bed strength which ranged from 10 to 100 *per cent* during 1991-92 to 1996-97 was lack of infrastructure facilities such as sufficient building space, cots and beds, etc. The details of action taken to provide the bed strength were awaited from the Department (February 1997).

As against the sanctioned bed strength of 310 (upto 1993-94) and 340 (from 1994-95), the average daily occupancy of patients in the AVC Hospital, Thiruvananthapuram ranged from 460 to 540 during the period from 1991-92 to 1996-97. The excess occupancy rate during these periods ranged from 47 to 59 *per cent*. Admission of patients in excess of actual bed strength necessitated accommodation of patients on the floor of wards. However, it was seen that apart from the marginal increase made in 1994-95, no action had been taken to increase the bed strength taking into account the consistent increase in the occupancy rate during the last six years.

3.4.18. Retention of excess stock of medicines

Procurement of medicines in excess of requirement resulted in retention of 9.90 tonnes of 'Kashaya choornam' (valued at Rs 3.02 lakh) which would be exhausted only over periods of 8 to 277 months.

The medicines required for the hospitals and dispensaries under the control of the department of ISM were procured from Oushadhi on the basis of indents placed by the hospitals/dispensaries subject to allotment of funds. In October 1995, the Department issued instructions to the hospitals/dispensaries to prepare indents for supply of Kashaya choornam and other prepared medicines in the ratio 60:40 without considering the requirement of the hospitals/dispensaries. In 5 out of 9 hospitals and one dispensary test-checked, 9.90 tonnes of 16 varieties of Kashaya choornam valued at Rs 3.02 lakh were held in stock as of December 1996. According to the existing rate of consumption of Kashaya choornam in these hospitals/dispensary, the stock held would be exhausted only over periods ranging from 8 to 277 months. Although the potency of Ayurvedic medicines in powder form would decrease after a period of two months, the Kashaya choornam were being issued to the patients in these hospitals without ensuring their quality.

3.4.19. Linen

In Ayurveda College Hospital, Thiruvananthapuram, one power laundry was installed in November 1986 at a cost of Rs 2.29 lakh. As the power supply available in the hospital was not sufficient to operate the laundry, a sum of Rs 4.65 lakh was placed at the disposal of the Executive Engineer, Special Buildings Division, Thiruvananthapuram in March 1989 for installation of a 300 KVA transformer. However, the transformer had not been installed (October 1997). As a result, the laundry was being operated only partially by working one section only at a time out of 4 sections *viz*., washing machine, hydro extractor, drying tumbler and ironer. The number of linen washed in the laundry had also declined from 0.26 lakh in 1991-92 to 0.12 lakh in 1996-97. As the periodicity of the replacement of linen was not fixed by the hospital, no alternative arrangement was necessitated for washing of soiled linen.

Though sufficient stock of linen was available in the hospitals at Kannur, Kozhikode (each 100 bedded) and Ottappalam (20 bedded), the linen were neither issued nor replaced periodically (in the hospitals at Kannur and Kozhikode from April 1994 and April 1995 respectively and in Ottappalam from July 1992 onwards) due to non-availability of funds for meeting washing charges.

3.4.20. District Ayurveda Medical Store, Palakkad

There was no justification for the retention of District Medical Store, Palakkad.

Of the 3 Medical Stores under the Department, the Central Store at Thiruvananthapuram and District Store at Kottayam were abolished prior to 1991-92 and in 1992-93 respectively. However, the District Store at Palakkad was still functioning (February 1997). Supply of medicines through the district store was made by the suppliers (Oushadhi) during the years 1992-93, 1994-95 and 1996-97 only. During the other periods, Oushadhi was supplying medicines directly to the hospitals/dispensaries for which distribution charges at 4 *per cent* of the cost of medicines were paid to them. The rate of distribution charges paid during the years of supply through District Store was restricted to 2 *per cent* of the cost of medicines. While the distribution charges thus saved by Government were Rs 0.08 lakh only, (2 *per cent* of Rs 4.19 lakh, the cost of medicines supplied during the three years) the expenditure incurred towards salary of the staff of District Store for the period from 1991-92 to 1996-97 (including idle wages of Rs 1.94 lakh for the years 1991-92, 1993-94 and 1995-96) was Rs 4.53 lakh. Thus the avoidable extra expenditure on the maintenance of the District Store was Rs 4.53 lakh.

3.4.21. Other topics of interest

(a) For constructing a 350 bedded hospital for the AVC, Thrippunithura, 9.06 acres of land were acquired in June 1989 at a cost of Rs 46 lakh. Though the plan and sketch designs prepared in April 1991 were approved by the Principal in May 1991, the Chief Architect finalised the design and detailed drawings in December 1994 only. The work had not been started even as of October1997.

In the absence of a museum, the services of the Artist-cum-Museum Keeper could not be utilised and the idle wages paid amounted to Rs 1.07 lakh.

(b) A museum to be set up for the Rasasastra and Bhaishajyakalpana in Pharmacology department had not been provided in AVC, Thiruvananthapuram. However, one post of Artist-cum-Museum Keeper had been sanctioned to this Department. The services of the Artist-cum-Museum Keeper could not be utilised in the absence of a museum and the idle wages paid during 1991-92 to 1996-97 amounted to Rs 1.07 lakh.

Failure to purchase rice through Public Distribution System resulted in extra expenditure of Rs6.38 lakh in Ayurveda College Hospital, Thiruvananthapuram.

(c) The Ayurveda Hospitals were procuring rice through Public Distribution System for supply of 'kanji' diet to the patients. However, in the hospitals under the control of AVC, Thiruvananthapuram rice was purchased from open market. This resulted in incurring of extra expenditure to the tune of Rs 6.38 lakh on the purchase of 173.16 tonnes of rice during the period from 1990-91 to 1996-97.

The points mentioned above were referred to Government in August 1997; reply had not been received (October 1997).

3.5. Unproductive expenditure on salary due to retention of excess staff in homoeo hospitals

Non-functioning of the in-patient wing in 4 homoeo hospitals resulted in unproductive expenditure of Rs 7.80 lakh.

Four Government homoeo hospitals (GHH) established between April 1980 and January 1992 and having a bed strength of 25 each could not admit in-patients for periods varying from 1 ½ to 8 years. The details were as under:

Sl No.	Name of hospital	Period of non-working	Reason
1	GHH, Kalanad, (Kasaragod District)	18 January 1987 to 15 March 1995	The building provided by the local authorities was in a dilapidated condition due to leakage of roof, cracks in the walls and doors destroyed by termites.
2	GHH, Kottanad (Pathanamthitta District)	31 March 1990 to 15 March 1995	Non-availability of sufficient space.
3	GHH, Kayamkulam (Alappuzha District)	1 October 1993 to 15 March 1995	Non-receipt of power connection.
4	GHH, North Parur (Ernakulam District)	5 March 1993 to 15 March 1995	Lack of space in the building provided by local authorities.

However, the staff required (Medical Officer: 1, Nursing Assistant: 2, Nurse: 2, Cook: 1 and Cleaner: 1) had been sanctioned and the posts of Medical Officer (GHH Kalanad), Nursing Assistant (one each in all the 4 hospitals), Nurse (one each in GHH Kalanad and Kayamkulam), Cook (GHH, Kalanad, Kottanad and Kayamkulam) and Cleaner (in all the 4 hospitals) were operated during the period of non-functioning of the in-patient wing in these hospitals. Appointment of staff required for the in-patient wing before suitable building was provided by the local authorities led to idling of staff for long periods. Thus, Rs 7.80 lakh incurred on the pay and allowances of the staff posted in the in-patient wing, while the hospitals did not admit in-patients, was unproductive.

Government stated (July 1997) that the excess staff pointed out in audit had been transferred.

HOME DEPARTMENT

3.6. Avoidable payment on water charges due to non-installation of water meters

Negligence to install separate water meters to family quarters resulted in payment of water charges amounting to Rs 18.74 lakh up to March 1994 by the Department.

Government servants occupying Government quarters are required to pay water charges to Kerala Water Authority (Authority) based on the consumption of water as recorded by water meters installed in the premises of the consumers. The office of the Commandant, First Batallion, Special Armed Police, Thiruvananthapuram had been paying water charges on behalf of its staff occupying 151 family quarters till July 1978. Based on the recommendations of the III Pay Commission, Government sanctioned monthly water charge allowance to the staff from 1 July 1978 and initiated action to effect recovery of water charges from them. In the absence of separate meters for each house, the water charges were decided to be collected equally from each family. However, the action of the Department was challenged by the occupants in Court, on the ground that there were only two water meters for the 151 family quarters and therefore, the exact water charge due from each family was impossible to calculate. The Court held (March 1984) that the complainants were not liable to pay water charges till separate water meters were fitted in all family quarters. The *status quo* therefore continued with Government paying the water charges. Between September 1981 and March 1994, water charges amounting to Rs 18.74 lakh had been paid to Authority. Further, an amount of Rs 9.54 lakh being water charges relating to subsequent period was pending payment (June 1997). The Department stated that though action for installation of separate water meters had been initiated as early as 1970, the installation could not materialise due to paucity of funds. The Department's reply was not tenable as the cost of installation of water meter as per estimate (February 1989) was Rs 1.36 lakh only and the Department had been paying every year substantially higher amounts on water charges.

Had separate meters been installed promptly, the water charges would have been paid by the respective allottees of the quarters and expenditure of Rs 28.28 lakh on water charges for the period from September 1981 to June 1997 could have been reduced to Rs 1.34 lakh being water charge allowance payable to the allottees for the period.

The matter was referred to Government in May 1997; reply had not been received (October 1997).

3.7. Idle investment

Delay in finalisation of project report and non-sanctioning of the project resulted in idle investment of Rs 91.77 lakh.

Government sanctioned (March 1983) acquisition of 60 acres of land at Adoor in Pathanamthitta District for accommodating Kerala Armed Police (KAP) 3rd Battalion which was functioning at State Armed Police (SAP) Campus, Thiruvananthapuram since its formation in March 1979. Accordingly 31.22 acres of land was acquired in October 1986 at a cost of Rs 87.64 lakh.

Though the work had been included in the VIII Finance Commission award (1985-90), it could not be taken up till 1989 due to paucity of funds except for 4 quarters for Sub Inspectors/Assistant Sub Inspectors constructed (1989) at a cost of Rs 4.13 lakh. In August 1989, Government directed the Department to include the work under IX Finance Commission (1990-95) Action Plan. No action, however, was taken by the Department till September 1992 (reasons not recorded, the concerned file had been sent to record) when Kerala Police Housing and Construction Corporation Limited(KPHCC) was approached to put up a project report. The project report prepared (May 1993) by KPHCC for an estimated cost of Rs 6.78 crore was approved by the Department in June 1993 and administrative sanction was issued by Government in May 1995. Subsequently, the estimate was revised to Rs 10.28 crore; however, administrative sanction of Government had not been issued (October 1997).

The 4 quarters constructed in 1989 could also not be allotted (October 1997) as no battalion or any detachment of the battalion was stationed at Adoor or nearby areas.

Failure of the Department in taking timely action for finalisation of the project report and the delay on the part of Government in sanctioning the project resulted in an investment of Rs 91.77 lakh (Rs 87.64 lakh for land acquisition plus Rs 4.13 lakh for construction of quarters) remaining idle for the past four to ten years. The loss of interest on the blocked capital at the borrowing rate of 11 *per cent* worked out to Rs 73.16 lakh for the period up to October 1997.

The matter was referred to Government in May 1997; reply had not been received (October 1997).

3.8. Payment of idle wages to the staff attached to Police Hospital, Kottayam

The medical and paramedical staff required for the functioning of Police Hospitals were posted on deputation basis from Health Services Department.

Non-posting of Assistant Surgeon in the Police Hospital, Kottayam resulted in payment of idle wages amounting to Rs 6.75 lakh up to July 1997 to paramedical staff.

A ten bed Police Hospital at Kottayam was working under the control of the Superintendent of Police, Kottayam and had six medical and paramedical staff (Assistant Surgeon : 1, Pharmacist : 1, Junior Public Health Nurse : 1, Nursing Assistant : 1 and Hospital Attendant : 2). On the expiry of the term of his deputation, the Assistant Surgeon attached with the Hospital was reverted to his parent department in August 1993. According to the Superintendent of Police, Kottayam, the matter was reported to Police Headquarters in November 1993. However, the vacancy had not been filled up as of August 1997. Consequently, the services of the other staff attached to the Hospital could not be utilised. The idle wages paid to the staff during the period August 1993 to July 1997 worked out to Rs 6.75 lakh.

The matter was reported to Government in April 1997; reply had not been received (October 1997).

LABOUR AND REHABILITATION DEPARTMENT

3.9. Working of Factories and Boilers Department

3.9.1. Introduction

The main task of the Factories and Boilers Department (Department) is to administer/implement the various provisions in the Factories Act, 1948, the Indian Boilers Act, 1923 and other enactments* for ensuring occupational safety, health and welfare of the factory workers and safety of neighbouring public.

Factories, where any manufacturing process is being carried on without using power with 20 or more workers, or using power with 10 or more workers and

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* Indian Boiler Regulations 1950, Payment of Wages Act, 1936, Maternity Benefit Act, 1961, Dangerous Machines (Regulation) Act, 1983 and Environment (Protection) Act, 1986.

other establishments notified by Government as factories, come under Sections 2(m) and 85 respectively of the Factories Act.

As part of enforcement of the provisions of the above Acts, the Department attends to registration, licensing, renewal, inspection of factories and boilers and conducts air monitoring studies, medical examination of workers, investigation of complaints and accidents, launching of prosecutions, etc. As of March 1997, 4855 factories coming under Section 2(m) and 11202 factories coming under Section 85 of the Factories Act had been registered with the Department.

The total expenditure incurred by the Department during 1991-92 to 1996-97 was Rs 8.18 crore against budgetary provision of Rs 8.25 crore. The receipts of the Department towards licence fee, fine, boiler inspection fee, etc., during the period were Rs 6.39 crore.

3.9.2. Organisational set-up

The Department is under the administrative control of the Labour and Rehabilitation Department of the State Government. The Director who is in charge, is assisted by the enforcement wing consisting of a Joint Director (Headquarters) and three Joint Directors in charge of the three regions: Thiruvananthapuram, Ernakulam and Kozhikode. There were 21 Factory Divisions each under the Inspector of Factories and Boilers in charge of factories under Section 2(m) and 23 Additional Inspectors of Factories in charge of factories under Section 85. A medical wing and Industrial Hygiene Laboratory functioned under the control of the Joint Director (Medical). Three Safety Cells under the technical control of the Joint Director (Medical) were also functioning in the three regions under the administrative control of the respective Joint Directors.

3.9.3. Audit coverage

Some aspects of the working of the Department had been commented upon in the Report of the Comptroller and Auditor General of India for the year 1982-83 (Civil). The Public Accounts Committee in their 16th Report had made (March 1988) their recommendations. A further review was conducted with reference to the records for the period 1990-91 to 1996-97 in the Secretariat, the Directorate, Industrial Hygiene Laboratory, Thiruvananthapuram, the Regional Offices at Thiruvananthapuram, Ernakulam and Kozhikode and 10 offices each of Inspectors and Additional Inspectors and the Office of the Special Officer, Cashew, Kollam.

3.9.4. Highlights

- **No effective machinery was in position to secure registration of all the units permitted/licensed by other departments, local bodies, etc., as a result of which a large number of units continued to remain outside the purview of the Act.**

(Paragraph 3.9.5)

- **Shortage of personnel led to shortfall in the number of mandatory inspections ranging between 37 and 57 *per cent* during 1991-96. Even the available staff had not achieved the target of inspections, the shortfall being in the range of 13 to 44 *per cent*. The number of supervisory level inspections also fell short of the target by 13 to 99 *per cent* during 1991-95. The defects which led to fatal mishaps were never brought to the notice of the occupiers during previous inspections as required.**

(Paragraph 3.9.6)

- **Systems and procedures for the enforcement of Indian Boilers Act and Regulations were found to be lax compromising the safety of workers.**

(Paragraph 3.9.7)

- **The reports of accidents were not being utilised for analysing the reasons for the accidents, their frequency, the risk prone areas, etc., and for taking remedial measures.**

(Paragraph 3.9.8(i))

- **No rules were framed to implement the Dangerous Machines (Regulation) Act, 1983.**

(Paragraph 3.9.8(iii))

- **There was inordinate delay in appointment of medical officers in the Medical Wing started in 1980 for medical examination of workers engaged in dangerous/hazardous processes. Neither any survey had been conducted to identify units whose workers were required to be medically examined at regular intervals nor there was any programme to conduct the medical examination in identified units. Lack of proper co-ordination between Employees State Insurance medical offices and the Department led to tardy implementation of provisions for safety of workers engaged in dangerous/hazardous jobs.**

(Paragraph 3.9.9)

- **Failure to provide necessary infrastructure facilities like staff, vehicles, equipment, etc., to the Industrial Hygiene Laboratory (IHL) and Safety Cells seriously affected their smooth working. The State Level Co-ordination Committee which was to liaise with all other agencies like State Pollution Control Board etc., had not met since 1989. The Government failed to utilise the funds allocated by Government of India and the proposals submitted by the Department in 1989 were yet to be cleared.**

(Paragraph 3.9.10)

- **The Department failed to ensure submission of stability certificates by the occupiers on completion of factory buildings and also safety of these buildings. Even in cases where registration and licence were granted, it could not be ascertained whether such certificates had been obtained.**

(Paragraphs 3.9.11 and 3.9.12)

- **Delayed Tariff revision of licence fee resulted in loss of revenue of Rs 1.12 crore to Government.**

(Paragraph 3.9.14)

- **The inspections conducted by untrained/unqualified Additional Inspectors were perfunctory. Recommendations of the Public Accounts Committee not to appoint non-technical personnel for inspections of factories had not been implemented. There was no man power planning to cope with the increased work load. Although a large number of chemical factories including Major Accident Hazard Units (MAH) had sprung up in the state, there was no qualified inspecting staff for hazard control in such units.**

(Paragraph 3.9.15)

3.9.5. Registration and licensing of factories

According to the Kerala Factory Rules, 1957, no factory under Section 2(m) and Section 85 of the Factories Act shall function without obtaining a valid registration with and licence from the Director and Joint Director respectively. The licence is to be renewed annually.

Test check of registration records revealed the following:

Owing to lack of liaison with other departments and local bodies, the Department failed to ensure that all the factories had been registered under the Factories Act.

(a) The Department had no system to ensure that all the factories in the State had been registered, owing to lack of liaison with the local bodies, Industries Department, Directorate of Coir Development, etc., with whose permit/sanction/ assistance, the units were started. Though Government had issued instructions in 1980, August 1989 and in November 1990 to the local bodies and the officials concerned in the Industries Department to forward the list of new units for which permits were issued by them, neither these departments had furnished the returns nor the Department of Factories and Boilers had insisted on getting the same. Therefore, the detection of unregistered factories was confined to those detected by the officers during field visits. Though the total number of Small Scale Units (SSI) registered with the Industries Department as of March 1996 was 1.26 lakh, the Department had not identified the number of units to be registered under Section 85 of the Factories Act. Government attributed (September 1997) the shortfall to inadequacy of staff.

(b) Though the notification for inclusion of the coir units under Section 85 of the Act, was issued by Government in January 1996, only 289 units had been registered with the Department as against 462 units engaged in production of coir as of September 1997.

(c) None of the diamond cutting units (around 350) functioning in and around Thrissur district had been registered under the Act.

(d) In the following cases it was noticed that the units had functioned without valid licence for periods ranging from two to nine years:

Name of unit	Year of commencement of functioning	Date of application	Year of granting licence
Johnshaw Containers(P) Ltd.,Palakkad	1993	22 February 1994	August 1995 (with effect from 1993)
Ravi Printers and Publishers, Kollam	1992	18 October 1993	January 1994 (with effect from 1992)
KSRTC Sub-depot, Karunagappally	1987	18 April 1992	July 1996 (with effect from 1989)
- do -, Palode	1984	24 June 1989	September 1991
Laboratory at Chitranjali Studio, Thiruvallam	1981	20 December 1989	June 1991

(e) In Ernakulam Region, a firm engaged in the manufacture of stabilisers was registered under Section 85 of the Act. But the 19 ancillary units supplying finished products to the main unit required to be registered under the Act were functioning without registration (October 1996). The Department stated (August 1997) that 11 units had since been registered, registration in respect of 6 units were still pending and 2 units were under closure.

3.9.6. Inspection of factories

Dearth of inspecting staff resulted in shortfall in inspections which ranged from 37 per cent to 57 per cent.

(a) As per the norms, each Inspector and Additional Inspector of Factories was to be assigned the charge of inspection of 150 and 325 factories respectively and they were to conduct two inspections per factory per year. As against the normative requirement of 32 Inspectors and 34 Additional Inspectors, the actual men in position were only 21 and 23 respectively.

Consequently, the periodicity fixed for the inspection of factories *i.e.* at least 2 inspections in an year could not be achieved during the years 1991 to 1996. The shortfall ranged between 37 *per cent* and 57 *per cent*. Even the available staff had not achieved the target of inspections as per norms during the period 1991 to 1996, the percentage of shortfall being in the range of 13 to 41 *per cent* in respect of Inspectors and 27 to 44 *per cent* in respect of Additional Inspectors *vide* Appendix 15.

In the absence of inspection orders in all cases, the quality of inspections and quantum of work done could not be assessed.

In the absence of detailed checklist of inspection indicating nature and extent of inspections and inspection orders, the quality as well as quantum of work done by the Inspectors could not be assessed. A scrutiny of the reports on fatal accidents prepared by the Inspectors also revealed that the defects leading to the accidents were not pointed out to the occupiers for rectification in any of the inspections conducted prior to the accident as required under the provisions of the Act and Rules.

No calendar of inspections had been drawn up by the Department indicating the time-slot for each inspections planned after taking into account the size of the units, the complexity of the operations involved, etc.

(b) The Joint Directors were to conduct inspection of all those factories which employed five hundred or more workers. However, the targets had not been achieved at any time during the period 1991 to 1995. Out of 296 such factories in the 3 regions, the average number of factories inspected during the period was only 37, the percentage of shortfall being in the range of 13 to 99.

3.9.7. Boilers

Under the Indian Boilers Act, 1923 and Indian Boiler Regulations (IBR), 1950, it is mandatory to register with the Department all the boilers having a water-holding capacity of 22.75 litres or above before use. Further, the owners should offer the boilers for annual inspection and certification by the Inspectors. The certificate is valid for a period of one year or till an accident occurs to the boiler or the boiler undergoes repairs whichever is earlier.

(a) Director of Factories and Boilers was empowered to prohibit use of boilers under certain conditions. There were 739 boilers registered with the Department as of March 1997 of which 129 were prohibited. It was seen that prohibitory orders were issued after lapse of a long time with retrospective effect. Out of 43 prohibitory orders issued during the period September 1986 to June 1994, the delay in issuing orders were in the range of 5 to 96 months. Such long delays in issuing prohibitory orders could lead to unauthorised operation of defective boilers with all its attendant risks.

Orders prohibiting the use of boilers were issued after delay ranging from 5 to 96 months.

(b) There were instances of manipulations by the manufacturers to escape the regulations by providing three compartments to the boiler, *viz*. Economiser, Boiler and Super heater, and keeping the water holding capacity of the boiler chamber to less than 22.75 litres, though all chambers were used for steam production. One such boiler exploded (April 1990) in Kannur district during test run. Bombay High Court in a judgement (November 1980) had directed that overall water holding capacity should be assessed in respect of such boilers to classify them under IBR. Further, according to the code of International Labour Organisation (1954), the capacity of a boiler was determined not on the basis of water holding capacity but on the basis of pressure generated and boilers generating pressure above atmospheric pressure should come under boiler regulations. Government stated (September 1997) that proposals to amend the Boiler Act and the Factories Act were under the consideration of Government of India.

(c) According to the amendment (November 1994) to the Indian Boiler Regulations, the working pressure of boilers after 25 years to 100 years was to be reduced at the rates prescribed. There were 224 boilers above the age of 25 years in the State (March 1997); however, pressure reduction had not been carried out in respect of 214 boilers.

3.9.8. Accidents

(i) Under the provisions of the Act/Rules, all accidents resulting in the death of persons or bodily injury to the worker which prevents him from working for a period of 48 hours or more are to be reported to the Department for further action.

During 1991 to 1996, 24755 non-fatal and 81 fatal accidents had occurred in which 84 workers died. The year-wise details were as below:

Year	Number of Accidents		Total	Number of workers died
	Fatal	Non-fatal		
1991	13	4687	4700	13
1992	11	5136	5147	11
1993	13	5315	5328	13
1994	17	4183	4200	17
1995	17	3654	3671	18
1996	10	1780	1790	12
Total	**81**	**24755**	**24836**	**84**

It was found that the reports on non-fatal accidents were not made use of as management information system for further action by analysing the trend of incidence, their reasons and frequency, etc., in order to take corrective measures including launching of prosecution wherever necessary.

(ii) A scrutiny of 19 fatal accidents (*vide* Appendix 16) which occurred during 1990-96 revealed that five fatal accidents involving death of 6 persons had occurred in a public sector undertaking within the span of five months from July to November 1994. In 6 other cases the cause of accidents was not established, in 3 others even show cause notices were not issued and in 2 others the units were working without any licence. In 3 other cases, the defects leading to the accident were not pointed out in any previous inspections.

(iii) Government of India had proposed that the provisions of the Dangerous Machines (Regulation) Act,1983, a Central Act passed in December 1983 to ensure the safety of the agricultural workers operating power threshers, be implemented from 1985 onwards. Though the Act was adopted by the State Government in July 1988, to be implemented through the Department, it could not be implemented as the draft rules submitted (1989) to Government by the Department were pending as of September 1997.

In the absence of the Rules, though an accident resulting in the amputation of one hand of a worker was reported (March 1992) in Kottayam district no action could be initiated (December 1996). The Department had not conducted any survey of the power threshers manufactured and operated in the State as of December 1996.

3.9.9. Medical Division

According to the provisions of the Factory Rules, workers engaged in 15 dangerous processes/10 hazardous processes should be subjected to medical examination periodically (monthly, quarterly and half yearly) and their fitness certified by certifying Surgeons.

Though the medical wing started functioning from 1980, no medical examination was conducted till 1985-86 as no Medical Officers were appointed. The appointment of Medical Officers sanctioned (November 1987) under the 'SAHARA* ' (Safety Health Accident Reduction Action) Plan launched by Government of India in June 1985 was completed during March 1989 - January 1991, after a delay of 2 to 4 years. Further, as the posts were filled by provisional hands, without any chance for regularisation, the incumbents frequently left the posts resulting in the posts remaining vacant for most of the time. The duration of such vacancies as of September 1997 was 53 and 50 months in Kozhikode and Ernakulam regions respectively.

The deficiencies noticed in the working of the wing were as under:

Medical examination of factory workers fell short of the prescribed scales by 30 to 100 per cent.

(a) Identification of factories requiring periodical medical examination of its workers had not been taken up in Ernakulam Region even as of December 1996. This work was incomplete in Thiruvananthapuram and Kozhikode regions. In respect of factories identified, no programme for medical examination had been drawn up. Medical examination of 5835 workers of 204 factories conducted during 1991-92 to 1996-97 was undertaken based only on remittance of medical examination fee by the occupier and not on the basis of any check list of factories under the relevant provisions of the Act. Out of 204 factories where medical examinations were conducted test-check of 144 cases revealed that the number of factories engaged in hazardous/dangerous process covered was 6 only as against 1113 such factories identified as requiring medical examination as of March 1997.

* SAHARA Plan was the national action plan launched by the Government of India in June 1985 following the Bhopal gas leak tragedy in order to ensure occupational safety and health of workers in and nearby population around hazardous industries.

A scrutiny of these cases further revealed that the examination had not conformed to any periodicity prescribed, the shortfall being in the range of 30 to 100 *per cent*.

The fitness certificate required to be issued by the certifying Surgeon was not seen issued since January 1988.

(b) The occupational Health Centre with mobile laboratory envisaged under the 'SAHARA' Plan had not been sanctioned by Government even as of September 1997.

Equipment costing Rs4.41 lakh could not be put to use due to dearth of trained staff.

For want of Medical Officers and trained staff equipment such as ECG machines (4), spirometers (4) used for diagnosing respiratory diseases, glucometer (1) and audio-meters (3) acquired during February 1990 to March 1996 at a cost of Rs 4.41 lakh could not be put to use. This adversely affected the diagnosis of occupational diseases among workers.

Medical wing of the Department was totally unaware of the occupational diseases prevalent among the factory workers.

(c) A case of Byssionosis (an occupational lung disease in cotton mills) detected in a cotton mill worker in Malappuram District by the Employees State Insurance (ESI) Medical Officer in 1992 and later confirmed by Medical College Hospital, Kozhikode, came to the notice of the Department only in December 1995. No action had been taken to transfer the affected worker to dust free area as of December 1996 and no steps were also taken to conduct medical examination of the other workers in the mill or other cotton mills.

The Factories Act required the ESI Medical Officers to report instances of such diseases to the Department. But there was no such reporting. Fifty cases of Silicosis noticed by the ESI department in 4 districts during April - September 1996 and 58 cases treated in the ESI Hospital, Thiruvananthapuram during 1991 to 1996 which were symptomatic of occupational diseases like Byssionosis and Contact Dermatitis were not reported to the Department. In the absence of any liaison with ESI/Health Services Departments as envisaged, the Medical Wing of the Department was completely in the dark about such occupational diseases prevalent among the workers.

3.9.10. Industrial Hygiene Laboratory and Safety Cells

(a) Inadequate performance

Classification of factories into Major, Medium and Low hazardous groups had not been taken up/completed.

The Industrial Hygiene Laboratory (IHL) was set up (1984) under the International Labour Organisation/United Nations Development Programme Fund, in order to take care of the occupational safety and health of the workers in hazardous chemical factories and nearby population by conducting periodical inspection, air-monitoring studies, and training programmes for industrial workers, management personnel and departmental officers.

The laboratory under the control of the Joint Director(Medical) had only a skeleton staff consisting of a Chemical Inspector and a Chemist till 1987.

A review of the activities of IHL for the period 1990-91 to 1995-96 revealed the following:

(i) The task force appointed by Government under the SAHARA plan had recommended (1987) classification of chemical units in the State under Major, Medium and Low hazardous groups, preparation of on-site* emergency plans by the management and off-site** emergency plans by the District Administration, in respect of Major Accident Hazard (MAH) Units.

The work of classification of hazardous factories had not been taken up by the Safety Cell at Ernakulam as of December 1996. In the other two regions though the work had been taken up it was incomplete (December 1996).

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* On-site emergency plan is an action plan to be drawn up by the management of a factory engaged in hazardous process with the approval of Factories and Boilers Department detailing the emergency safety measures to be taken inside and in the vicinity of the factory in the event of an accident.

** Off-site emergency plan is an action plan to be prepared by the District Administration in respect of a factory engaged in hazardous process in consultation with its employer, Factories and Boilers Department and other connected agencies based on the likely events identified by the employer in the on-site emergency plan which could affect people and the environment outside the factory.

Inspection of hazardous factories fell short of the norms by 93 to 98 per cent.

(ii) The norms laid down by Government of India in March 1987, required inspection of high, medium and low hazardous factories at bi-monthly, quarterly and half-yearly intervals respectively. However, as against 858 inspections due for the period from 1992-93 to 1996-97, the target fixed by the Department was 286 only as shown in Appendix 17. The target fixed was only 33 *per cent* of the requirement and the shortfall in inspection with reference to the approved norms was in the range of 93 *per cent* to 98 *per cent* in respect of the identified units. No priority inspection was conducted in 13 out of the 31 MAH units identified so far (March 1997).

Lack of infrastructure affected the working of IHL and Safety Cells.

(iii) The working of IHL and Safety Cells was hampered by non-creation of infrastructure such as strengthening of IHL and Safety Cells, setting up of occupational Health Centre with mobile laboratory, providing vehicles, etc., as envisaged in the 'SAHARA' Plan/the Report of the Task Force based on objective assessment of the volume and extent of work involved. Delay in the finalisation of the Special Rules for recruitment to the various posts had resulted in the appointments being made on provisional basis/deputation which also affected the performance of these units.

No vehicles were provided to the Cells, even though one Chemical Inspector was required to cover 4 to 5 Districts.

The Safety Cells were not provided with the necessary equipment to conduct air-pollution studies on their own or to collect air-samples independently for the purpose of testing the samples by IHL.

(iv) Air-monitoring studies were to be conducted in 15 of the 31 MAH units. However, only 11 units were covered during the period from 1992-93 to 1996-97 .

(v) In air-monitoring studies undertaken in cotton mills the concentration of cotton dust was to be monitored. It was seen that in a number of reports, the Threshold Limit Value (TLV)* for cotton dust was shown as 0.2 mg/cubic metre but

* Threshold Limit Value is the permissible limit of certain chemical substances in work environment.

the concentration was found to be high in many mills. In a cotton factory in Malappuram District the TLV was shown as 10 mg/cubic metre; however, the mill was declared dust free, notwithstanding the fact that the concentration of specific cotton dust in the work room had not been assessed. The Joint Director (Medical) stated that the specific dust content could not be measured in the absence of 'cyclone', an accessory of Personal Sampler used for air-monitoring studies.

Defects pointed out in earlier inspections persisted even at the time of subsequent inspections, owing to lack of follow up action on Inspection orders.

(vi) There was no system to watch compliance by the occupiers of the recommendations in the Inspection Reports. In respect of 7 reports on priority inspections carried out during December 1993 to October 1996 and forwarded to the occupiers, no compliance report had been received as of December 1996. These Inspection Reports included second round of inspections in respect of two factories where the defects pointed out in the earlier reports persisted even at the time of second inspection indicating absence of follow-up action on the reports. Also no action was initiated for non-compliance of the recommendations in the previous reports. In respect of 9 compliance reports received during the period January 1994 to June 1996 verification was yet to be done (September 1997).

(vii) On-site emergency plans were prepared (September 1996) in respect of 29 MAH units out of a total number of 31 units. None of the 29 plans prepared had been finally approved, pending conduct of mock drills (September 1997). The plans had also not been updated by conducting mock drills or on account of changes, if any, in storage of chemicals, etc., as prescribed.

(viii) Out of the nine Districts in which the 31 MAH units were located, 7 Districts having 9 MAH units were yet to prepare off-site emergency plans . The off-site plan for Ernakulam District prepared in 1991 covering 20 MAH units was not updated as of September 1997. Further, none of the recommendations contained in the off-site plan of 1991 had been implemented as of September 1997.

(ix) The State Level Co-ordination Committee set up in October 1987 to co-ordinate the activities of the nodal agencies (such as Science, Technology and Environment Committee, State Pollution Control Board and Department of Factories and Boilers) on control and prevention of chemical accidents had not met since 1989. According to the Chemical Accidents (Emergency Planning, Preparedness and Response) Rules 1996, the State Government was required to constitute State, District and local level crisis groups for management of chemical accidents within 30 days from the date of commencement of the Rules, *viz*.1 August 1996. But the Committee had not been constituted as of October 1997.

(b) Non-utilisation of funds for development of infrastructure

Lapsing of GOI assistance of Rs17.50 lakh due to non utilisation.

Government of India released (May 1989) an assistance of Rs 3.50 lakh to the State for strengthening the infrastructure to control chemical hazards. This was to be utilised for creation of new posts (Rs 0.84 lakh) and purchase of equipment (Rs 2.66 lakh). The proposals submitted by the Department in April 1989 had not been cleared by the State Government even as of September 1997. Though Government of India intimated (June 1991) the State Government about the continuance of the assistance throughout the VIII Plan period, the assistance could not be availed of due to non-utilisation of the earlier assistance. This resulted in lapsing of Government of India assistance to the tune of Rs 17.50 lakh during the VIII Plan period. The retention of the assistance of Rs 3.50 lakh in non-interest bearing account by Government, contrary to Government of India stipulations, had also resulted in loss of interest to the tune of Rs 1.68 lakh.

3.9.11. Non-insistence on the submission of stability certificates

The occupier of a factory is required to produce the stability certificate of the building after its completion from a competent person approved by the Director.

There was no machinery in the department to watch the receipt of stability certificates, and the certificates received were only filed. Hence it could not also be ascertained whether registration and licences were issued on production of stability certificate.

In respect of 3848 permits for construction of factory buildings issued during the period 1990-91 to 1996-97, the Department did not have information as to the number of buildings constructed, stability certificates received and registration granted without stability certificates.

3.9.12. Failure to ensure the structural safety of existing factory buildings

The Factories Act requires the Inspectors to ensure the structural safety of the existing factory buildings. Failure to enforce the provisions relating to structural safety had led to even fatal accidents as indicated below:

Failure of the Department in ensuring structural safety of old factory buildings led to collapse of old factory buildings resulting in the death of workers.

(a) An old building of tile factory in Kozhikode collapsed (July 1996) resulting in the death of a worker. According to the expert opinion (September 1996) this building had outlived its life and further collapse could not be ruled out. There was no record of any action taken by the Department to assess the safety of the building at any time before.

(b) In June 1994, the wall of the building of a rice mill in Chittoor (Palakkad district) under repair collapsed resulting in the death of a worker. However, there was no record to prove that the stability of the building had been assessed by the Department at any time.

3.9.13. Non-maintenance of records relating to lifts/hoists/pressure vessels

The Department had no information as to the maintenance of lifts/hoists/ pressure vessels etc., operated in a factory.

Under the provisions of the Kerala Factories Rules, 1957 the occupiers of factories were required to get the lifts, hoists, pressure vessels, etc., inspected and certified by a competent person approved by the Department and make available such certificates for inspection.

However, the Department did not maintain any record of lifts, hoists and pressure vessels in the factories and there was no machinery to watch their periodical certification by the competent persons. The operation of these in a factory usually came to the notice of the Department only after the occurrence of accidents.

Following cases were noticed:

(i) In June 1995, the doors of pressure vessel in a Cashew factory in Kozhikode unexpectedly opened while in operation and hit a mechanic causing his death. Prior permission of the Department had not been obtained for installation of the vessel kept in an unsafe and dangerous condition.

(ii) A hoisting machinery (manually operated winch of 5 tonne capacity) in a saw mill in Kozhikode collapsed in October 1995 causing death of one worker and injuries to three others. Though this hoist was certified by the competent person hardly five weeks prior to the accident, the Inspector reported that the support for the platform and rails were not maintained properly indicating that the certificate of competent person did not give a true picture of the hoist. However, no explanation was called for by the Department.

3.9.14. Tariff revision

Delay in issuing notification for revising the tariff of licence fee resulted in a loss of Rs 1.12 crore during 1995-96.

Government directed (March 1995) the Department to revise the licence fee. As the licence is granted for a calendar year and the remittance of licence fee is to be made before 31 October of the preceding calendar year, the final notification should have been issued prior to 1 October 1995 so as to get the additional revenue during the financial year 1995-96 itself. However, as the final notification was issued in February 1996, the revision could be effected only from the calendar year 1997. The delay in issuing the final notification had resulted in a revenue loss of Rs 1.12 crore to the Government during 1995-96.

The fee revision effected by the Central Boiler Board in November 1994 for inspection of pressure valves had not been implemented by the Department (September 1997). The loss sustained by the Department on this account could not be assessed, in the absence of details regarding the number of valves certified by the Department since revision. Details called for were awaited (November 1997).

The inspection fee for the boilers is fixed at par with the registration fee. Though the registration fee was enhanced by the Central Boiler Board in August 1989, the fee for inspection was enhanced in the State only from October 1993. The details of loss of revenue to Government in this regard called for from the Department were awaited (November 1997).

3.9.15. Qualification of Inspectors/Additional Inspectors

According to the provisions of the Factories Act and Rules, the basic qualification for appointment as Factory Inspector is a degree in Mechanical Engineering. Even though a large number of chemical factories including Major Accident Hazard (MAH) units had come up in the State, the Department had not done the requisite man-power planning keeping the objectives of hazard control in view. The effectiveness of the inspection of the chemical factories by mechanical engineers remained unassesed and unensured.

Government stated (September 1997) that it was not possible or practical to have inspectors with different qualifications for each type of factories. However, Government had not considered the necessity of engaging Chemical Inspectors with authority for routine inspection of chemical factories especially in view of the increasing importance assigned to chemical hazard control measures by the Central and State Governments.

Contrary to Rules, persons without experience or training were assigned the work of inspection of boilers.

The qualification and experience of Boiler Inspector stipulated in the Kerala Boilers Rules, 1967, is a degree in Mechanical Engineering with training for 2 years as practical engineer in the design, construction and maintenance of boilers. However, this stipulation was not adhered to and persons with no experience were recruited as Inspectors. There was also no facility in the Department to give training in boilers. The norms for assigning the work of inspection of boilers were changed frequently. Till 1979, the inspection and certification of boilers was assigned to Senior Inspectors (Grade I) only. Since May 1979, the work was assigned to Grade II Inspectors on three occasions contrary to the Central Boiler Board Regulations. From March 1993 onwards, Inspectors who had put in two years service in factory inspections were assigned the work of inspection of boilers as well.

Recommendation of the PAC not to appoint non-technical personnel for inspection of factories had not been implemented.

Neither the Factories Act nor the Kerala Factories Rules provide for the appointment of any person other than one holding a degree in mechanical engineering to the post of Inspector of Factories. However, the factories registered under Section 85 of the Act were inspected by Additional Inspectors, who were non-technical hands promoted from the ministerial staff. They were also not given any training before or after putting them on the job. The Public Accounts Committee (1987-89) in their 16th Report (March 1988) had taken exception to this practice of appointment of non-technical personnel for undertaking work of a technical nature and had recommended that this should be stopped forthwith . But this had not been implemented so far. A work study conducted by the Personnel and Administrative Reforms Department had suggested introduction of a training programme for the Additional Inspectors prior to their induction to the post, which was approved by Government subject to the linking of the training programme with qualification. Though the Department stated (December 1995) that a test had been proposed in the special rules for the promotion to the cadre of Additional Inspectors it had not been incorporated in the special rules published in March 1996. Thus the inspection of factories under Section 85 continued to be done by non-technical and untrained personnel.

3.9.16. Training

Training facilities provided to the staff were negligible.

Inspectors/Additional Inspectors of Factories, responsible for the enforcement of the various provisions of Acts/Rules were also to act as Advisors to the occupiers on matters relating to occupational safety, health and welfare of workers. Therefore, it was necessary to give them advance training in the related areas with provision for periodical upgradation of their skills and knowledge.

A scrutiny of the records relating to training activities of the Department revealed the following:

(a) Joint Director (Medical), four Medical Officers, four Chemical Inspectors, the Chemist and Technical Officer (Chemical) attached to the Industrial Hygiene Laboratory/the Safety System Control Cell had not received any training as of September 1997.

(b) The Inspectors had received only three months Departmental training before they were put in charge of field work.

(c) The Factory Advice Service and Labour Institute (DGFASLI), Mumbai with regional Institutes at Calcutta, Kanpur and Chennai is the only agency in the country imparting training to the Inspectors of Factories and Boilers. These centres offer specialisation courses/refresher courses having duration of one to two weeks on various subjects, apart from giving basic training for one month. Four Inspectors attached to the Safety Cell had not attended any of the training programmes conducted by the Institute.

The Department could not sponsor any officers for the 7 training courses offered by DGFASLI during 1993-94, 1995-96 and 1996-97. It was stated that this was due to the late submission of proposals to Government and the elaborate processes involved in their approval including relaxation of economy orders.

3.9.17. Monitoring and evaluation

Shortfall of check-inspections ranged from 39 to 61 per cent.

Monitoring and evaluation in the Department involved review of work diaries of Inspectors and Additional Inspectors and check inspection to the extent of 10 *per cent* of the inspections carried out by Inspectors and Additional Inspectors by Joint Directors and Senior Inspectors respectively.

The number of check inspections conducted by Joint Directors during 1994 to 1996 was only 693 as against 1434 due, the percentage of shortfall being in the range of 39 to 61.

The Vigilance Wing of the Department constituted by the State Government during 1983 was reconstituted in March 1986 by appointing the Joint Director(HQ) as Vigilance Officer and an Inspector of Factories and Boilers as Assistant Vigilance Officer in order to ensure strict enforcement of the Acts, detection of un-licensed factories and review of the work of Inspectors. However, the wing had not functioned at any time as the officers posted had not been relieved from their parent posts and for want of supporting staff, vehicles, etc.

REVENUE DEPARTMENT

3.10. Irregular appropriation of receipts to meet expenditure

The District Collector, Palakkad utilised interest of Rs13.46 lakh accrued in Treasury Public account without the vote of legislature.

Indian Telephone Industries (ITI), Palakkad, a Government of India undertaking, placed (March 1987) Rs 70.50 lakh with District Collector (DC), Palakkad for meeting expenditure on establishment charges in connection with the acquisition of land at Yakkara.. The amount was initially deposited (March 1987) in State Bank of Travancore and subsequently transferred (July 1987) to Treasury Public account (TP account).

The deposit had earned an interest of Rs 16.19 lakh till March 1994. No interest was permissible thereafter as per Government order. The DC, Palakkad utilised Rs 13.46 lakh of the interest for purchase of vehicles, spare parts and repair charges between January 1996 and February 1997 with the approval (January 1996) of Secretary, Board of Revenue, Thiruvananthapuram. As the interest had accrued on the deposit meant for establishment charges of Land Acquisition staff, it should have been credited to Government account and not utilised for purchase of vehicles, etc.. Moreover, the expenditure was without the vote of legislature and sanction of Government and was therefore irregular.

The balance interest of Rs 2.73 lakh was remaining in the TP account (October 1997).

The matter was referred to Government in July 1997; reply had not been received (October 1997).

3.11. Avoidable expenditure on interest on electricity charges

Failure to remit the electricity charges of two civil stations by the due dates led to avoidable payment of interest of Rs22.20 lakh.

The procedure laid down in Kerala Financial Code (KFC) for payment of electricity charges of buildings occupied by more than one office was revised by Government in July 1982. According to the revised procedure, electricity charges for civil stations would be paid by the concerned District Collectors (DCs) for which necessary funds would be provided by Finance Department by reduction in the budget provision of occupying departments. The Revenue Department was reluctant to follow the revised procedure on the plea that a formal amendment to KFC had not been issued. Meanwhile, the electricity charges for civil stations at Ernakulam and Thrissur remained unpaid from 1985 and 1989 respectively and Kerala State Electricity Board (KSEB) disconnected the power supply to the civil station, Thrissur in November 1995 and issued (December 1995) disconnection notice to civil station, Ernakulam. Between March 1995 and March 1997, Rs 46.12 lakh were remitted to the KSEB by DC, Ernakulam (Rs 28.53 lakh) and DC, Thrissur (Rs 17.59 lakh) against the total demand of Rs 50.53 lakh, which included Rs 22.20 lakh as interest for the late payment.

Failure of the Revenue Department in ensuring the payment of electricity charges as per revised order of the Government in July 1982 led to accumulation of arrears of electricity charges from 1985 onwards and avoidable payment of interest of Rs 22.20 lakh.

Government (Revenue Department) stated (September 1997) that payment of electricity charges was not made in the absence of amendment to KFC. However, the fact remained that payment with interest was later made by Revenue Department even though the formal amendment to KFC had still not been made (September 1997).

TAXES DEPARTMENT

3.12. State Lotteries Department

A test check of the records relating to the period from 1992-93 to 1995-96 of the Directorate of State Lotteries, Thiruvananthapuram revealed the following irregularities.

(i) Irregular payment of compensatory allowance

The officers and staff of the Department were being compensated for extra work done by them as indicated below:

Nature of extra work	Details of compensatory allowance
1) Attending draw duty	An amount equal to one daily allowance over and above the normal allowances admissible as per Travelling Allowance rules.
2) Sealing of tickets	Rs 4 per 1000 tickets sealed.
3) Attending office on holidays	Compensatory leave for one day for each day of holiday duty.

In addition to the above all the officers and staff upto the level of District Lottery Officer were being paid monthly compensatory allowance ranging from Rs 125 to Rs 190 to compensate for the extra work involved in the Department. The expenditure on this account amounted to Rs 7.55 lakh per *annum* for 429 persons.

As all the extra items of work were being specifically compensated, payment of monthly compensatory allowance on a regular basis to the entire staff upto the level of District Lottery Officer was not justified.

(ii) Loss of revenue on the disposal of unsold tickets/counterfoils

Destruction of unsold tickets by burning rather than disposing of it as waste paper resulted in a revenue loss of Rs 10.15 lakh.

The unsold tickets, prize paid tickets, counterfoils of sold tickets and seller's counterfoils left with the department were destroyed by burning. The average expenditure incurred on destruction was Rs 0.26 lakh per *annum*.

Based on the weight of various lottery tickets which ranged from 800 to 1600 gms per 1000 tickets, the weight of unsold tickets, counterfoils and prize paid tickets of the lotteries conducted during the period 1992-93 to 1995-96 worked out to 327.50 tonnes. At the rate at which the trimmings and cutting of the government presses were sold by the Stationery Department (Rs 3100 per tonne), the Department could have obtained an amount of Rs 10.15 lakh if these items were sold instead of being destroyed by burning. It was stated by the Director of State Lotteries that the sending of unsold tickets to the Directorate and the destruction through burning was adopted to prevent any malpractices which could affect the credibility of the Department. This was not tenable as the Department could have prevented such a possibility by defacing/trimming the tickets. Loss of revenue for the period from 1992-93 to 1995-96 was Rs 10.15 lakh.

(iii) Kerala State Lottery Agents' Welfare Fund Scheme

Kerala State Lottery Agents' Welfare Fund Scheme failed to attract beneficiaries.

The Kerala State Lottery Agents' Welfare Fund Scheme was launched by State Government in April 1991 for extending financial assistance to the families of agents in the event of their death or retirement from membership of the scheme after 40 years or on attaining 65 years of age. 31 additional posts (Accounts Officer : 1, Lower Division Typist : 1, Lower Division Clerk : 15 and Peon : 14) were created for the administration of the scheme. According to the scheme, agents purchasing tickets worth Rs 200 per month were eligible for membership for a monthly subscription of Rs 15 or Rs 10 depending on the benefits opted.

Out of total 26661 registered agents upto March 1996, only 3414 agents were enrolled in the scheme. Of these, only 908 agents remitted the monthly subscription till March 1996 and 124 agents later opted out. The subscription received during 1991-92 to 1995-96 was Rs 15.80 lakh against which Rs 4.28 lakh were paid as assistance. However, the administrative expenditure, incurred by Government on the scheme (Rs 41.25 lakh) was disproportionately high. The circumstances under which the scheme was continued to be operated incurring a huge establishment expenditure had not been examined by the Department so far.

The points mentioned above were referred to Government in April 1997; reply had not been received (October 1997).

3.13. Infructuous expenditure and blocking of Government funds on acquiring unsuitable land

Acquisition of an unsuitable site for a sales tax check post even after the post had been shifted to another site rendered the expenditure of Rs 10.43 lakh unfruitful.

A committee consisting of 9 officers including District Collector, Palakkad, Deputy Commissioner of Agricultural Income Tax and Sales Tax, Palakkad (DC) and Executive Engineer, PWD (Buildings), Palakkad identified (December 1990) a site for construction of a sales tax 'out' check post at Walayar in Palakkad district. Government issued (August 1992) sanction for acquisition of 0.96 hectare of land. The land acquisition proceedings were initiated in May 1993.

Subsequently, in October 1995, the then DC wrote to Secretary, Board of Revenue pointing out that the site selected for the 'out' check post was not suitable as it was (1) at a distance of 3 ½ km from the 'in' check post which would create communication problems between the two check posts and (2) at a high level which would require huge expenditure and time for levelling. DC proposed that since the land at the original site had not been acquired it would be better to shift the 'out' check post to another site, belonging to National Highway, and lying near the 'in' check post. Accordingly, Member, Board of Revenue requested Government (December 1995) for approval of construction of the 'out' check post at the new site and not to proceed with the acquisition of the land at the original site. Government approved the proposal to construct the 'out' check post at the new site in March 1996. The work was completed in June 1997.

Meanwhile Secretary, Board of Revenue, had requested (December 1995) District Collector, Palakkad to keep in abeyance the acquisition proceedings for the land at the original site. However, Collector went ahead with the acquisition on the basis of discussions held with the Finance Minister and Member, Board of Revenue, on 30 January 1996 and 8 February 1996. The possession of the land was taken in May 1996 (*i.e.* much after the work on the alternate site had begun) at a cost of Rs 10.43 lakh.

Acquisition of land which was no longer required due to shifting of the check post to a different site resulted in wasteful expenditure of Rs 10.43 lakh.

The matter was referred to Government in February 1997; reply had not been received (October 1997).

3.14. Avoidable loss of Rs 7.30 lakh due to departmental failure to take action against a delinquent official

Inordinate delay in initiating judicial action against an official resulted in loss of revenue of Rs 7.30 lakh.

Following a report (March 1985) from the Deputy Commissioner (Intelligence), Thiruvananthapuram, that the Additional Sales Tax Officer, I Circle, Kozhikode had issued bogus registration certificates in four cases, the Board of Revenue (Board) directed (June 1985) him to send a report on the extent of bogus and unaccounted bills for framing charges against the delinquent official. The Deputy Commissioner failed to furnish the report (June 1990) till the delinquent official retired from service and the Board could not initiate disciplinary action against him. The pensioner was granted provisional pension (October 1990) but his DCRG was withheld.

In February 1991 (67 months after the instructions of the Board) Deputy Commissioner, Agricultural Income Tax and Sales Tax, Kozhikode while concurring with the findings (March 1985) of the Intelligence wing reported that issue of bogus registration certificates by the delinquent official had caused a loss of revenue of Rs 6.16 lakh. Government directed the Board (July 1991 and again in October 1992) to initiate judicial proceedings against the official under the Kerala Service Rules (KSR) for irregular issue of registration certificates. The Board prepared the charge sheet and forwarded it to Government in December 1992, but no reply was received from Government till July 1993. In August 1993 Government directed the Board to release the DCRG to the retired officer.

Meanwhile, the retired official had challenged (February 1992) in the High Court the Government decision to initiate judicial proceedings against him on the plea that under the KSR, Government was not competent to institute departmental or judicial proceedings against a pensioner for a cause of action which had taken place more than 4 years before the institution of proceedings. The Court in their judgement (March 1995) ordered payment of pension and gratuity with 18 *per cent* interest on the ground of inordinate and unexplained delay by Government in taking a decision to initiate judicial proceedings against the official. The Board ordered (October 1995) payment of Rs 1.14 lakh as interest as the legal opinion was not in favour of an appeal.

Thus owing to inaction and inordinate delay on the part of the Deputy Commissioner in preparing the report for framing the charges and on the part of the Department in initiating action against the delinquent official, Government suffered a loss of Rs 7.30 lakh on account of loss of revenue and payment of avoidable interest to the retired official. Government had not taken any action to fix responsibility for the delay.

The matter was referred to Government in April 1997; reply had not been received (October 1997).

GENERAL

3.15. Outstanding Inspection Reports

Audit observations on financial irregularities and defects noticed during local audit but not settled on the spot are reported to the Heads of offices as well as to next higher authorities through Inspection Reports. More important irregularities are reported to the Heads of Departments and Government. Provisions in the Kerala Financial Code enjoin that the reply to the Inspection Reports should be furnished to the Accountant General within four weeks of their receipt.

At the end of June 1997, 43717 paragraphs included in 14031 Inspection Reports issued to various departments up to December 1996 had not been settled. The year-wise break-up of the outstanding Inspection Reports/paragraphs is given below:

Year	Number of Inspection Reports	Number of Paragraphs
Up to 1992-93	6520	16805
1993-94	1517	5113
1994-95	1850	6250
1995-96	2537	8322
1996-97 (up to December 1996)	1607	7227
Total	**14031**	**43717**

For the prompt settlement of audit objections, 75 Audit Committees (38 at Government level and 37 at Department level) were constituted. During the year 1996-97 there were only 22 sittings (Government level : 10, Department level : 12) of the committees as a result of which only 507 paragraphs in 60 Reports were got settled.

A review of the position of Inspection Reports issued to various offices under Technical Education Department and State Lotteries Department revealed the following:

i) Technical Education Department

Of the Inspection Reports issued till the end of December 1996, 97 Reports involving 284 paragraphs remained to be settled at the end of June 1997. Year-wise details of pendency are given below:

Year	Number of Inspection Reports	Number of Paragraphs
Up to 1992-93	42	108
1993-94	16	47
1994-95	10	32
1995-96	21	71
1996-97	8	26
Total	**97**	**284**

Apart from the general observations on inadequate financial control and failure of systems and procedure, 259 paragraphs of the outstanding Inspection Reports contained comments on specific cases of irregularities, the monetary effect of which was Rs 667.53 lakh under the following categories:

Sl. No.	Nature of irregularity	Number of paragraphs	Amount (Rupees in lakh)
1	Advances pending adjustment	32	90.22
2	Want of sanction/Expenditure without authority/Irregular expenditure	8	5.71
3	Non-utilisation of Central assistance	3	23.94
4	Excess expenditure/non-regularisation	2	197.38
5	Establishment matters *viz.* excess drawal of pay and allowances, T.A etc.	52	2.21
6	Idle/Avoidable/Infructuous Expenditure	12	9.09
7	Misappropriation/theft/shortage etc.	24	6.49
8	Arrears pending collection	7	55.32
9	Other objections	119	277.17
	Total	**259**	**667.53**

No audit committee meeting of the Department was held during the year 1996-97.

(ii) State Lotteries Department

As at the end of June 1997, 15 Inspection Reports containing 40 paragraphs issued to the District Lottery Offices and the Directorate of State Lotteries of the Finance Department during 1984-85 to 1996-97 remained to be settled. Year-wise details of the pendency are given below:

Year	Number of Inspection Reports	Number of Paragraphs
Up to 1992-93	3	5
1993-94	-	-
1994-95	2	11
1995-96	4	9
1996-97	6	15
Total	**15**	**40**

Apart from general observations on financial control, failure of systems and procedures, 28 paragraphs of the outstanding Inspection Reports contained comments on specific cases of irregularities, the monetary effect of which was Rs 94.99 lakh as indicated below:

Sl. No.	Nature of irregularity	Number of paragraphs	Amount (Rupees in lakh)
1	Advance pending adjustment	2	0.18
2	Misappropriations/theft/shortage	7	47.27
3	Other objections	19	47.54
	Total	**28**	**94.99**

No audit committee meeting of the Department was held during the year 1996-97.

3.16. Misappropriations, losses, etc.

As reported to Audit, 130 cases of misappropriations, losses etc., involving Government money (Rs 134.19 lakh) which had taken place till the end of March 1997 were pending finalisation at the end of June 1997. This included 4 cases where the monetary value of loss/misappropriation had not been assessed. Department-wise details of the cases are given in Appendix 18. Year-wise details of the outstanding cases are given below:

Year	Number of cases	Amount (Rupees in lakh)
1991-92 and prior years	76	94.56
1992-93	8	1.15
1993-94	20	5.88
1994-95	12	23.14
1995-96	6	2.36
1996-97	8	7.10
Total	**130**	**134.19**

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

	Particulars	Number of cases	Amount (Rupees in lakh)
(i)	Awaiting departmental and criminal investigation	34	19.22
(ii)	Departmental action started but not completed	56	96.77
(iii)	Awaiting order for recovery/write off	25	5.84
(iv)	Pending in courts of law	15	12.36
	Total	**130**	**134.19**

3.17. Writes off and waivers

According to information received by Audit, sanctions for write off of Rs 4.41 lakh in 55 cases and waivers amounting to Rs 2 lakh in 12 cases were issued by various authorities during 1996-97. Department-wise details are given in Appendix 19. Information for 1996-97 sought for in May 1997 had not been received (October 1997) from 23 departments of Government and 24 Heads of departments.

3.18. Follow up action on Audit Reports

According to the instructions issued on the subject, Government have to finalise remedial action on all audit paragraphs within a period of two months of the presentation of the Reports of the Comptroller and Auditor General of India to the Legislature. The Administrative Departments concerned were required to furnish notes explaining the remedial/corrective action taken (ATNs) on the audit paragraphs to the Public Accounts Committee (PAC)/Committee on Public Undertakings (COPU)* as well as to the Accountant General within the prescribed time limit.

The position of pendency, as of November 1997, in furnishing ATNs on paragraphs included in the Reports of the Comptroller and Auditor General of India,

* Paragraphs relating to Kerala Water Authority (KWA) are examined by COPU.

Government of Kerala (Civil) pertaining to the years 1986-87 to 1995-96, was as indicated below:

Reference to Report (year and number)	Number of paragraphs included	Number of paragraphs for which ATNs have been furnished by Government	Number of paragraphs on which ATNs were due from Government
1986-87 (No.3)	52	51	1
1987-88			
(No.5 of 1989)	19	17**	2
(No. 6 of 1989)	29	27	2
1988-89 (No.4)	57	55	2
1989-90 (No.3)	41	38	3
1990-91 (No.3)	38	34	4
1991-92 (No.3)	41	33	8
1992-93 (No.3)	53	30	23
1993-94 (No.2)	73	30	43
1994-95 (No.3)	65	38	27
1995-96 (No.3)	62	3	59
Total	**530**	**356**	**174**

The department-wise details of the ATNs pending have been furnished in Appendix 20.

** 16 paragraphs related to KWA.

CHAPTER IV

WORKS EXPENDITURE

IRRIGATION DEPARTMENT

4.1. Karapuzha Irrigation Project

4.1.1. Introduction

Karapuzha Irrigation Project in Wayanad District was taken up for execution in 1978 for increasing paddy production by 38950 tonnes in Vythiri and Sulthan Bathery taluks by providing irrigation facilities to an ayacut area of 9300 hectares (gross). The project provided for construction of an earthen dam across Karapuzha river at Vazhavatta with a maximum height of 28 metre and length of 625 metre and a storage capacity of 76.50 Mm^3 (2.7 TMC). A concrete gravity dam on the right flank of the main dam, three earthen saddle dams at Pakkam, Cherupetta and Chingeri, Left Bank Main Canal (16.74 km), Right Bank Main Canal (8.805 km) and a network of branch canals and distributaries having a total length of 106.645 km were the other features of the project. The estimated cost of the project approved by Central Water Commission for Rs 7.60 crore in 1978 was revised to Rs 225 crore in July 1997. However, this revised estimate was not submitted to Government pending scrutiny by the Investigation Design and Research Board (IDRB). The expenditure on the project up to March 1997 was Rs 126.12 crore.

4.1.2. Organisational set up

The project was executed by a Division at Kalpetta under the direct supervision of the Superintending Engineer (SE), Project Circle, Kannur. There were four sub divisions and 14 sections under the Division. The overall technical control vested with the Chief Engineer (Project I) (CE), Kozhikode.

4.1.3. Audit coverage

Mention was made in paragraph 4.1.5 of the Report of the Comptroller and Auditor General of India for the year 1984-85 (Civil) of certain points in the implementation of the project. An audit review of the project, conducted during

August 1996 to December 1996 with reference to the records in the Divisional Office, Circle Office and Chief Engineer's Office revealed the following:

4.1.4. Highlights

- **Karapuzha Irrigation Project was taken up for execution in 1978 at an estimated cost of Rs 7.60 crore for increasing paddy cultivation by 38950 tonnes in Wayanad District. The project scheduled for completion during the Fifth Plan period was not completed even after 19 years. The partial commissioning targeted for 1984-85 had also failed to take place. The estimated cost of the project had increased steeply by 2960 *per cent* from the original estimate of Rs 7.60 crore (1978) to Rs 225 crore in 1997 as per the revised estimate prepared by the Irrigation Department.**

(Paragraph 4.1.5)

- **An amount of Rs 54.31 lakh was diverted for purposes not connected with the implementation of the scheme.**

(Paragraph 4.1.6)

- **The ayacut of 4650 hectares (net) estimated originally for paddy cultivation had been reduced to 3500 hectares in the revised project report. The benefit cost ratio had also come down from the originally fixed 2.5 to 1.00 which was below the minimum requirement of 1.5.**

(Paragraphs 4.1.7 & 4.1.8)

- **Ten works estimated to cost Rs 54.13 crore were awarded under 103 piece-work agreements without inviting tenders to two contractors, their relatives and nominees between December 1991 and July 1996.**

(Paragraph 4.1.9)

- **Failure to observe Codal provisions and agreement conditions resulted in conferring of undue benefits to contractors to the tune of Rs 1.12 crore in respect of 19 works contracted between 1986-87 and 1993-94.**

(Paragraph 4.1.10)

- **Payments aggregating to Rs 3.08 crore were made to contractors for shoring even though the contractors were obliged to do it without any additional cost .**

(Paragraph 4.1.11)

- **Inadmissible payments made to contractors for 3 works on bailing out water aggregated to Rs 9.65 lakh.**

(Paragraph 4.1.12)

- **Construction of houses for rehabilitation of 218 *adivasi* families evicted in 1978 from the reservoir area had not started even after 19 years of the starting of the project.**

(Paragraph 4.1.15)

- **Wages amounting to Rs 29.23 lakh paid to the staff of a sub division largely remained unproductive as the sub division had not started effective functioning.**

(Paragraph 4.1.16)

4.1.5. Targets and achievements

(A) Physical

Details of physical progress of work as of March 1997 are indicated below:

Sl. No.	Component	Target	Achievement	Balance work to be completed
i.	Dam	28m	completed	
ii.	Spillway	35m	70 *per cent*	30 *per cent*
iii.	Right Bank Main Canal	8.805 km*	7.165 km	1.640 km
iv.	Left Bank Main Canal	16.740km*	12.417 km	4.323 km
v.	Branches			
	(a) RBC	28.500km	2.82 km	25.68 km
	(b) LBC	20.250km	-	20.250km
vi.	Distributaries			
	(a) RBC	24.845km	-	24.845km
	(b) LBC	33.050km	-	33.050km

The project commenced in 1978 had not even been partially commissioned so far.

The project originally scheduled for completion during Fifth Plan period and later proposed to be commissioned partially by 1984-85 and fully by 1997 had not even been partially commissioned as of October 1997. Major portion of canal works was yet to be completed (October 1997). Delay in acquisition of land and completion of investigation, inadequate provision of funds and changes in the original design of the spillway were the main reasons attributed (September 1997) by Government for the slow progress of work.

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* As per the original project report, the length of Right Bank Main Canal and Left Bank Main Canal were 19 km and 21 km respectively.

(B) Financial

The project cleared by Planning Commission in April 1978 was estimated to cost Rs 7.60 crore. Though the estimate was revised to Rs 225 crore in July 1997, it was not submitted to Government pending clearance from IDRB. The details of original estimate as well as expenditure incurred up to March 1997 were as under:

Sl. No.	Components	Original estimate 1978	Expenditure up to March 1997
		(Rupees in lakh)	
i	Investigation	5	20.17
ii	Land acquisition	95.40	800.92
iii	Building	26.62	217.71
iv	Communication	4.50	153.70
v	Headworks	225.30	6373.46
vi	Canals	337.18	4331.51
vii	Direction & administration	66.00	714.82
Total		**760.00**	**12612.29**

Even after spending Rs 126.12 crore up to March 1997 against the original estimated cost of Rs 7.60 crore, work on the Left Bank Canal (20.250 km), Right Bank Canal distributaries (24.845 km) and Left Bank Canal distributaries (33.050 km) had not been started and about 90 *per cent* of the branches of Right Bank Canal still remained incomplete. Government stated (September 1997) that the slow progress in construction of branch canals was due to the thrust given to the construction of dam and main canals in relation to branch canals.

The State Government availed assistance of Rs 50 crore (Rs 33.60 crore in 1995-96 and Rs 16.40 crore in 1996-97) at 14 *per cent* interest from NABARD under Rural Infrastructure Development Fund for completing the project by 31 March 1997. However, 30 *per cent* work on spillway and major portion of the canal system were still incomplete.

According to the original project report, the masonry spillway was to be constructed in the central portion with earthen dam on either sides. However, this was not found feasible due to soil conditions. Several alternatives were considered and finally, based on the recommendations (May 1993) of the Experts Committee constituted (February 1992) by Government, it was decided to construct a concrete spillway. As of March 1997, 70 *per cent* of the work of the spillway had been completed at a cost of Rs 46.24 crore.

(C) Delay in land acquisition

The Special Land Acquisition staff for the acquisition of land for the project disbanded in December 1988, started refunctioning from March 1993. Out of 250 hectares of land pending acquisition (March 1993), only 33.454 hectares had been acquired till March 1997. The Department attributed the slow progress to the absence of surveyors and chainmen. The progress achieved was far from satisfactory compared to Rs 25.25 lakh spent on land acquisition establishment during the period.

4.1.6. Diversion of Project fund

An amount of Rs 54.31 lakh was diverted and utilised for purposes other than those connected with the project during June 1993 to March 1996. The details were as under:

Sl. No.	Details of works undertaken	Period	Amount (Rupees in lakh)	Remarks
1	Memorial to Pazhassi Raja at Mananthavady	March 1995	2.90	Government clarified(June 1996) that this work was not at all related to the project.
2	Construction of Vellarada – Pothuketty Road from chainage 370 metre to 2000 metre	May 1994	21.00	The road was not part of the project. The construction was undertaken for the development of the area.
3	Transfer of land to Forest Depart ment for compensatory afforestation	June 1993	30.41	The Idamalayar project had to hand over to the Forest Department 65.16 hectares of land for the purpose of compensatory afforestation. Though the land in the Karapuzha Project was transferred for the purpose, the cost of land was not recovered from Idamalayar Project.
Total			**54.31**	

4.1.7. Reduction in area for paddy cultivation

The original Project Report (1978) envisaged only production of paddy in 4650 hectares (net). But, in the revised Project Report, out of the net ayacut area of 5221 hectares, paddy cultivation was limited to 3500 hectares and the balance 1721 hectares was set apart for banana (1621 hectares), ginger and vegetables (100 hectares). The reduction in the area for paddy cultivation was attributed (September 1997) by Government to switching over by the cultivators to more profitable cultivation of cash crops in preference to paddy.

4.1.8. Benefit cost ratio

The benefit cost ratio of the project was worked out as 2.5 in the original cost estimate of Rs 7.60 crore. Based on the revised cost estimate of Rs 225 crore, the benefit cost ratio would be 1. Since the benefit cost ratio was below the minimum requirement of 1.5, the project was not viable.

4.1.9. Execution of works on piece-work arrangement waiving tender system

The Departmental Manual stipulated that when a work was arranged through contract agency, the award of work was normally made through tenders. In case it was decided not to call for tenders, the work had to be got done either departmentally or through negotiations with the contractor, provided the rates offered were not in excess of the estimate rates. The Manual further provided that if rates higher than estimate rates had to be given, the reasons should be properly explained. It was seen that 10 works, with estimated cost of Rs 54.13 crore (revised to Rs 84.45 crore on account of subsequent revision of estimates of 8 works) were awarded, under 103 piece-work agreements and without inviting tenders, to two contractors, their relatives and nominees between December 1991 and July 1996 treating them as piece-work contract. The procedure followed was to prepare a rough cost estimate and award the work at 25 *per cent* to 50 *per cent* above the estimate rates without inviting tenders. The reasons given for arranging the work in this manner bypassing tenders were:

(i) if the works were tendered, the project cost would go up due to the contractors quoting very high rate,

(ii) there would be inordinate delay in completion of the work due to the time required for completing the formalities of tendering and delay on the part of the contractor, and

(iii) there would be substantial income estimated at Rs 30 lakh per annum, by way of hire charges from the contractors for use of departmental tools and plant (T & P).

On a scrutiny of the files, it was found that these arguments were not justified as :

(a) no tender for major works were invited prior to this arrangement to substantiate the apprehension that the rates quoted would be high,

(b) no time limit was prescribed in the agreement as the work was arranged on piece-work basis and

(c) as against the projected receipt of Rs 30 lakh per annum from departmental T & P, the actual receipt was only about Rs 6 lakh per annum.

As the works were awarded without tenders, the benefit of most competitive rates could not be achieved.

Extra items of works were those works which were incidental to the original work and were found to be necessary during the course of execution for the satisfactory completion of the original work. However, the Division followed the practice of awarding fresh works in adjacent reaches as extra items. The estimated cost of works awarded as extra items amounted to Rs 17.22 crore.

4.1.10. Extra payments to contractors due to non-observance of codal provisions and agreement conditions

Payments aggregating to Rs 1.12 crore were made to contractors for 19 works contracted between 1986-87 and 1993-94 in contravention of the provisions in the Departmental Manual and terms of the contract. The details were as under:

Non-observance of codal provisions and agreement conditions resulted in extra payment to the contractors to the tune of Rs 1.12 crore.

(i) According to the terms of contract, for extra items of work, the contractor was eligible for a rate calculated on the basis of the Schedule of Rates (SOR) adopted for the items included in the original tender schedule. In respect of 5 works contracted in 1986-87, the rates included in the tender schedule were based on the SOR effective from 1986. However, payment for extra items was made to the contractors based on the SOR (1990). This rate was higher than the rate admissible as worked out with reference to the SOR 1986. The resultant extra expenditure was Rs 5.23 lakh.

(ii) Separate rate for breaking clods, watering, ramming etc., intended for primary consolidation was not applicable for "earth work excavation in all classes of soil and depositing the spoil in the dump yard". However, in respect of 3 piece-works, rate applicable for breaking clods, watering, ramming, etc., was included in the composite rate for the earth work excavation resulting in estimated extra expenditure of Rs 8 lakh.

(iii) The stretch of Kozhikode-Vythiri-Gudalloor road from Adivaram to Lakkidi in Kozhikode District was not a hilly area as per Kerala Service Rules and hence as per the clarifications issued by CE, Roads and Bridges (R&B) in November 1993, 15 *per cent* increase for labour and conveyance of materials was not admissible for works executed in the area. However, 15 *per cent* increase was paid for conveyance of materials in this stretch of road in respect of six works contracted between November 1993 and March 1996, resulting in unauthorised estimated expenditure of Rs 11.13 lakh.

(iv) The CE (Irrigation) approved common rates for conveyance of cement and steel in August 1991. However, a higher rate was paid to the contractors in January 1996. In addition to this, 15 *per cent* extra, applicable for conveyance in hilly areas, was paid in non-hilly areas as well, resulting in total extra expenditure of Rs 2.49 lakh.

(v) The Public Works Department's SOR provided for an increase up to 50 *per cent* in labour for difficult areas, restricted working hours, etc., subject to approval by the next higher authority of the officer who sanctioned the estimate. No such increase had been provided for materials. In the case of 2 works test-checked, it was seen that 50 *per cent* increase over the rate was given for 45 cm size rubble, on the plea that the rubble was of selected size, resulting in an unauthorised estimated expenditure of Rs 9.23 lakh.

(vi) Provision of 15 *per cent* increase in rates for the conveyance of mild steel angles in the non-hilly areas, additional 25 *per cent* enhancement over the 1982 SOR instead of 1980 SOR for the conveyance of cement and arithmetical inaccuracy in arriving at the rates for cement concrete resulted in an excess payment of Rs 4.98 lakh in a work. On this being pointed out by Audit, the CE intimated (January 1996) that the loss would be made good. Further developments were awaited (October 1997).

(vii) In the case of earth work excavation in all classes of soil and depositing in dump yard, estimate for the work of construction of spillway was prepared reckoning the volume 10 cubic metre of compact earth before excavation as equivalent to 13.33 cubic metre of loose earth and conveyance charge was included accordingly. In Standard Data Book, the rate for earth work excavation did not provide for the increase in the volume of loose earth for conveyance purposes. This fact was confirmed by CE(R&B) in October 1991 as well as the circular instruction of CE(Irrigation) issued in August 1994. As a result of adopting increased volume for loose earth, the department had suffered a loss of Rs 71.27 lakh on 4.29 lakh cubic metre of earth work.

4.1.11. Inadmissible payment for shoring

Rupees 3.08 crore were paid to contractors for 'shoring' though extra payment for shoring was not admissible as per the terms of agreement.

As per the terms of the agreement, the contractor had to provide all scaffolding, shoring and strutting which were incidental to the work and he was not entitled to any separate payment for these items. On a scrutiny of payment made to the contractor in 7 works, an aggregate of Rs 3.08 crore was paid for 'shoring'. Government stated in September 1997 that the rate for 'shoring' was not included in the composite rate for the earth work excavation and was therefore treated as an extra item. The reply of Government was not tenable because of the aforesaid specific provisions in the agreement.

4.1.12. Inadmissible payments to contractors for bailing out water

Inadmissible payments made to contractors for bailing out water aggregated to Rs 9.65 lakh.

(i) The estimate for the works 'Construction of spillway from chainage 184 metre to 219 metre' and 'Foundation excavation including bailing out of water from chainage 184 metre to 203 metre' included 'bailing out water' using pumpsets. Based on the data provided in the SOR, the rates for bailing out water would be Rs 5 per hour for 5 horse power pumpset and Rs 2.90 per hour for 10 horse power pumpset. As per the daily report on bailing out water, the entire quantity of 2.91 lakh hours bailed for up to August 1995 was executed by using 10 horse power pumpset, but the payment was made at the rate of Rs 5 per hour, resulting in undue benefit of Rs 8.25 lakh to the contractor.

(ii) In respect of the work 'Construction of cut and cover from chainage 6345 metre to 6635 metre of right bank canal', tendered rate provided for bailing out water with one 5 horse power and one 10 horse power pumpset. As per the daily report of the bailing out water, the contractor had used one 5 horse power and one 10 horse power pumpset. However, while making payment, the contractor was paid for the entire quantity at the rate applicable for 5 horse power pumpset. The rate for 5 horse power pumpset was worked out by the department as Rs 4.10 per hour and that for 10 horse power pumpset as Rs 2.47. For the estimated quantity of 1.02 lakh hours of bailing out water, the average rate payable would be Rs 3 per hour only. The excess expenditure by way of payment at a higher rate of Rs 4.10 per hour worked out to Rs 1.40 lakh.

4.1.13. Irregular payment for rock blasting

The work 'Karapuzha Project forming left bank canal from chainage 1945 metre to 2640 metre including construction of cut and cover from chainage 1970 metre to 2160 metre' included blasting hard granite rock for a quantity of 6160 cubic metre at the rate of Rs 491.32 per 10 cubic metre. The contractor represented (May 1994) to the Department to provide blasting and protective blasting in wet condition. While endorsing the contractor's representation, the Division recommended protective blasting and blasting in wet condition for 360 metre from chainage 2005 metre to 2275 metre and 2395 to 2500 metre on the ground of proximity of storage buildings, houses, etc. The CE approved (June 1994) a revised rate of Rs 717 per 10 cubic metre for a quantity of 3100 cubic metre of blasting in hard rock in wet condition and Rs 1624.60 per 10 cubic metre for a quantity of 6310 cubic metre of blasting in hard rock in wet condition with protection. Payment at the rate of Rs 1624.60 per 10 cubic metre (total Rs 17.03 lakh) was, however, made for an executed quantity of 10484 cubic metre classifying it as blasting in hard rock in wet condition with protection.

According to the terms and conditions of the contract, any additional protection required for blasting in hard rock as well as blasting in hard rock in wet condition, if found necessary, would have to be done by the contractor at his own cost and no extra amount would be paid. Therefore, payment of Rs 11.66 lakh, (after applying tender premium of 1.39 *per cent*) representing the difference between the agreed rate of Rs 496.32 per 10 cubic metre and Rs 1624.60 per 10 cubic metre to the contractor was irregular.

4.1.14. Non-sale of surplus excavated earth

With a view to bring down the cost of work, Government in April 1993 issued orders either to credit the revenue which could be fetched by the sale of excavated soil in canal works to the estimate of the work itself or to auction the excavated soil and treat the receipts and recoveries under capital head of account. In respect of 7 works executed between April 1994 and September 1996, there was surplus quantity of 5.30 lakh cubic metre of soil. The Department neither auctioned the earth nor gave credit for it in the accounts. Government stated (September 1997) that there was no demand for earth for filling purposes in Wayanad area and, therefore, no provision was made in the estimate for sale of excavated soil. No attempt to assess the requirement of soil in Wayanad area had been made by the Department.

4.1.15. Non-rehabilitation of evicted *adivasis*

Two hundred and eighteen *adivasi* families were evicted in 1978 from the reservoir area of the project. They were to be rehabilitated by constructing houses in the Government land. After a delay of about 16 years, Government approved a scheme for rehabilitation at a total cost of Rs 76.30 lakh at the rate of Rs 35,000 per family. Although only 161 families could be identified as of September 1996, the entire outlay of Rs 76.30 lakh was drawn in March 1996 and kept in the Treasury Public account in the name of District Collector. The drawal of Rs 19.95 lakh for rehabilitation of 57 families not identified was irregular. Government stated (September 1997) that construction of houses would be started soon.

4.1.16. Idling of staff

Wages amounting to Rs 29.23 lakh were paid to the staff of a sub division which had not started effective functioning.

Construction of a mechanical workshop with the T & P shed for undertaking repairs and maintenance of T & P used in dam works was completed in Vazhavatta in 1991-92 at a cost of Rs 7.56 lakh. Though the formation of a mechanical sub division was sanctioned by Government in October 1992, with a complement of staff deployed from the abolished sub division of

Pazhassi Irrigation Project, it started functioning only from October 1993. However, mechanical section which was attending to the repairs of the T & P of the project was brought (June 1995) under the control of the sub division only after a lapse of 20 months of its formation, resulting in payment of idle wages to the staff of sub division for the above period.

The accessories required for the maintenance of the T & P had not been supplied even as of October 1997 and the repair works were got executed through private agencies/Mechanical Division, Malampuzha. Rupees 9.08 lakh were spent till March 1997 on maintenance and repairs of T & P through private agencies since the formation of the Mechanical sub division in March 1993. The overall idle wages paid in respect of the sub division and sections till March 1997 amounted to Rs 29.23 lakh.

The Department stated that work would be given to the sub division and sections only when the fabrication of shutters and steel tunnels were taken and this work could be taken up only after the completion of spillway. This clearly indicated that the creation of the establishment much in advance of its actual requirement had resulted in the non-utilisation of its services and payment of idle wages to the staff.

4.1.17. Tools and Plant

(i) Unnecessary purchase of concrete mixers

The Division was having 3 concrete mixers when 6 more were purchased in December 1995, incurring an expenditure of Rs 7.96 lakh. These were put to use only for 87 days up to June 1996. The purchase of 6 more mixers was not justifiable as 3 concrete mixers already available in the division were used only for 449 days during the five year period from September 1991 to June 1996.

(ii) Non realisation of hire charges

No Demand Collection and Balance statement of hire charges of T & P was maintained by the Division. Scrutiny of hire charges register revealed that hire charges amounting to Rs 4.42 lakh for the period from January 1992 to June 1996 was pending recovery as of June 1996. Government stated (September 1997) that Rs 2.45 lakh had already been recovered and the balance would be recovered as early as possible.

The hire charges recoverable from contractors were computed based on the number of days the departmental T & P were used by the contractors as recorded in the log abstracts. The number of days of working extracted in the hire charges register from the log abstracts, was less than those actually recorded in the log abstracts resulting in short recovery of Rs 5.55 lakh during April 1992 to June 1996.

4.2. Avoidable extra expenditure due to defective preparation of estimate

Defective preparation of estimate and other departmental lapses resulted in unauthorised aid of Rs 70.45 lakh to a contractor.

The work 'Kallada Irrigation and Tree Crop Development Project - Left Bank Canal - formation of Pallimon distributary from Chainage 0 to 7000 metre including cross drainage works' was awarded to a contractor in April 1995 for Rs 4.77 crore at 35 *per cent* above estimate. The estimate of Rs 3.73 crore was revised to Rs 5.13 crore in April 1996 due to increase in quantities of certain items of work and incorporation of some extra items. A scrutiny of the work file revealed the following defects in the preparation of estimate and consequent extra liability to Government:

(i) Mistake in arriving at the rate for earth work excavation

The estimate rate for earth work excavation was arrived at Rs 79 per cubic metre based on the percentage of various classes of soil available at different depths of trial pits having rectangular cross section taken along the alignment of the canal. As the cross section of the canal was in trapezium shape with 1:1 slope and not in rectangular shape, the quantity of soil to be excavated would be more at top layers. If the percentage of ordinary soil, hard soil, ordinary rock and medium rock was calculated correctly from top to bottom on the basis of the soil/rock available in the canal with reference to the shape of the canal cutting (trapezium), it would be 14.05, 31.88, 31.60 and 22.47 and the average rate for earth work excavation would be Rs 74 per cubic metre as against the percentage of 11.97, 26.42, 31.41 and 30.20 respectively adopted by the department for arriving at the rate of Rs 79 per cubic metre. The wrong calculation of percentage of soil/rock and preparation of average rate resulted in an avoidable extra liability of Rs 15.15 lakh including tender excess on execution of 224400 cubic metre earth work. Executive Engineer (EE) while admitting (July 1996) that there was an error in the calculation of percentage of various classes of soil as per trial pits stated that the rates given in the sanctioned estimate were only a base for tendering and being a competitive tender where the lowest tender was accepted, there was no loss to Government due to errors in the rates provided in the tender schedule. This argument was not tenable as the rates would be offered by the contractors only with reference to the quantity of work estimated by the department.

(ii) Excess thickness of canal lining

According to the instructions given by Chief Engineer(CE), Projects, Thiruvananthapuram (October 1976) to the Superintending Engineer (SE), Project Circle, Kottarakkara, the thickness of canal lining with cement concrete 1:4:7 including 9 mm thick plastering with cement mortar 1:3 in respect of canals having a discharge below 15 cubic metre per second should be 75 mm. However, 100 mm thick lining including 9 mm thick plastering was provided in the estimate, though the discharge of the canal was less than 2 cubic metre per second resulting in consumption of excess concrete to the extent of 27 *per cent.* The extra liability to Government in executing the estimated quantity of 2350 cubic metre of concrete lining at the rate of Rs 1686 per cubic metre would come to Rs 14.44 lakh. EE replied that the estimate had been duly sanctioned by CE and better results were obtained with 100 mm lining. The reply was not tenable as extra lining was not required.

(iii) Irregular sanction of higher rate for excavation of ferruginous quartzite

The average estimate rate of Rs 79 per cubic metre provided for earth work excavation included Rs 59.41 per cubic metre for excavation of 53820 cubic metre medium rock and Rs 260.18 per cubic metre for excavation of 5980 cubic metre ferruginous quartzite which was assessed as 10 *per cent* of medium rock. Later, based on the report (November 1995) of the Director of Earth Science Studies (DESS), EE estimated a further quantity of 13970 cubic metre ferruginous quartzite for which excavation charge at the rate of Rs 260.18 per cubic metre was sanctioned separately indicating that the initial investigation by the Department was not proper. The circumstances under which the soil test by DESS assessed further increase of 134 *per cent* over the original estimated quantity based on trial pits were not analysed by the Department. But corresponding deduction in the quantity of medium rock was not made resulting in an extra liability of Rs 11.20 lakh.

(iv) Extra expenditure on protective blasting

While sending revised estimate to SE in January 1996, EE stated that protective blasting was required at several chainages as the alignment passed through heavily built up area in many places and there were dwelling houses and public school very close to the alignment. He, therefore, proposed protective measures at the rate of Rs 187 per cubic metre for blasting of 14725 cubic metre of rock in 9 chainages and SE sanctioned the rate accordingly. But the actual blasting required at these chainages was only 2976 cubic metre and the balance 11749 cubic metre was medium rock requiring stray blasting for which no protection was required at all. According to Madras Detailed Standard Specifications which formed part of the agreement, the protection of adjoining structures was the responsibility of the contractor and therefore he must have quoted his rate after taking into account the requirements at site. The sanction of extra rate for protective blasting gave undue benefit of Rs 29.66 lakh to the contractor.

The total extra liability worked out to Rs 70.45 lakh.

The matter was referred to Government in December 1996; reply had not been received(October 1997).

4.3. Unintended benefit to contractor

Government's decision to pay 80 per cent increase above 1992 Schedule of Rates resulted in undue benefit to the contractor to the extent of Rs 56.16 lakh.

Mention had been made in paragraph 4.1.13 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1995 (Civil) of the excess payment made for the works 'construction of main canal from chainage 600 metre to 1000 metre' and from 'chainage 1000 metre to 1350 metre' of Idamalayar Irrigation Project. The rates of 17.1 *per cent* and 16.2 *per cent* above estimate on 1990 Schedule of Rates (SOR), at which the works were awarded to a contractor in December 1990, were enhanced to 35 *per cent* above estimate on 1992 SOR by Government in August 1994 as recommended by the High Level Committee (HLC) in July 1994 and time of completion was extended up to July 1995.

The contractor again in October 1995 represented that due to frequent side slips, untimely monsoon and heavy surface flow and other adverse situation prevailing in the site, he was not in a position to continue the work without further raising the rates at least by 85 *per cent* over the sanctioned rate of August 1994. The HLC having examined the case in December 1995 constituted a sub-committee to report whether it would be beneficial to retender the work after terminating the present contract or it would be advantageous to execute the work through the present contractor. The sub-committee consisting 4 out of the 7 members of the HLC inspected the works on 5 January 1996, but did not make any specific recommendation on the subject. The HLC reconsidered the matter and recommended (January 1996) to Government to carry out the balance work as per the revised design through the same agency at 80 *per cent* above 1992 SOR after the expiry of the extended time of completion. Government accepted the recommendation of HLC in March 1996. Since the delay in completion of work was not due to any departmental lapse, the contract should have been terminated invoking the provisions in the agreement and the work rearranged at the risk and cost of the contractor. The decision to carry out the balance work through the same agency and payment of enhanced rate to the contractor was against the contractual provisions.

The enhancement as ordered in March 1996 alone would involve an excess expenditure of Rs 30.67 lakh and Rs 25.49 lakh over and above that agreed to in August 1994 in respect of the two works. The works were in progress and up to May 1996, excess payment of Rs 3.65 lakh and Rs 5.94 lakh were made to the contractor.

The matter was referred to Government in May 1996; reply had not been received (October 1997).

4.4. Avoidable expenditure due to inadequate soil investigation

Inadequate soil investigation caused avoidable expenditure of Rs 73.26 lakh in the construction of main canal of Idamalayar Irrigation Project from chainage 300 metre to 625 metre.

The construction of main canal from chainage 300 metre to 625 metre of Idamalayar Irrigation Project (balance works) was awarded to a contractor in October 1994 for Rs 94.98 lakh stipulating completion by 11 January 1996. The main item of work was formation of open canal with ½:1 slope.

While the work was in progress, a portion of the right side slope of the excavated canal between chainage 580 metre and 625 metre slipped into the canal along with the earth dumped on the canal side. Though, according to the trial pit details, the earth was classified as hard soil, ordinary rock and hard rock, on execution the earth was found to be hard laterite at the top followed by weak laterite with a bottom layer of powdery material. The Superintending Engineer (SE) and the Chief Engineer (CE) inspected the site in January 1995 and decided to increase the slope. Accordingly, the slope of the canal on the right side was increased from $^1/_2$:1 to 1:1 at a cost of Rs 6.50 lakh. The slipped earth was also removed at a cost of Rs 6.15 lakh. Even after the slope correction, the right side slope slipped further in May 1995. The left side slope which remained intact also slipped and the canal was flooded with slipped earth and rain water. The SE and CE inspected the site again and were convinced that cut and cover was to be provided from chainage 525 metre to 625 metre.

In order to complete the work, a soil test was arranged with a private consultant in July 1995. The report of the consultant revealed that the soil in the reach consisted of weak laterite up to 3 to 4 metre followed by fine silt up to a depth of 12 to 14 metre. The findings were contrary to the initial findings of the departmental trial pit results which indicated the presence of hard rock at a depth of 7.95 metre and 9.52 metre at chainage 500 metre and chainage 600 metre respectively.

The Department stated that trial pits had been dug at 100 metre intervals from chainage 300 metre to chainage 600 metre and the classification of soil for preparation of estimate was done on visual observations of trial pits and not with reference to the actual soil tests. The reply of the Department that the strata in consolidated form was as hard as ordinary rock and due to seepage and rain, the powdery material loosened and the sides of the canal caved in was not tenable as composition of rock and weak laterite could be clearly identifiable even on visual observation and will not undergo any substantial characteristic change due to rain or seepage. Thus, lack of proper investigation of the soil conditions resulted in avoidable expenditure of Rs 12.65 lakh on slope correction and removal of slipped earth apart from delay in completion of work. Further, removal of silt accumulated by slippage in May 1995 would involve additional expenditure to the tune of Rs 60.61 lakh (approximately).

The matter was referred to Government in April 1997; reply had not been received (October 1997).

4.5. Avoidable payment of interest on electricity charges

Delay in payment of electricity charges resulted in avoidable payment of interest of Rs 37.32 lakh.

Scrutiny of the records of Minor Irrigation (MI) Divisions revealed that Rs 37.32 lakh was paid between June 1995 and January 1997 towards interest for the delay in payment of electricity charges in respect of 45 Lift Irrigation (LI) schemes in MI Divisions, Thrissur (19 LI schemes - Rs 1.36 lakh), Malappuram (15 LI schemes - Rs 34.47 lakh) and Sultan Bathery (11 LI schemes - Rs 1.49 lakh). Besides, non-remittance of electricity charges from November 1993 to March 1996 in respect of 27 LI schemes in MI Divisions, Thrissur (21 LI schemes - Rs 19.39 lakh) and Malappuram (6 LI schemes - Rs 6.68 lakh) would result in payment of interest amounting to Rs 26.07 lakh till December 1996.

The matter was referred to Government in July 1997; reply had not been received (October 1997).

4.6. Loss due to payment outside the terms of contract

Execution of a supplementary agreement for shoring which had already been provided for in the original contract resulted in loss of Rs 24.86 lakh to Government.

The construction of Left Bank Main Canal from chainage 36350 metre to 37100 metre including cut and cover and cross drainage works of Muvattupuzha Valley Irrigation Project was awarded by the Superintending Engineer (SE), Project Circle, Muvattupuzha to a contractor in November 1995 for Rs 253.85 lakh. The schedule of work envisaged construction of cut and cover from chainage 36350 metre to 36800 metre and open canal from chainage 36800 metre to 37100 metre.

According to the Notice Inviting Tender (NIT) forming part of the contract, the rates quoted by the contractor were to include all incidental works such as shoring, bailing, form work, scaffolding, etc., necessary for operations envisaged in the specification and tender schedule. In February 1996, the Executive Engineer (EE) informed the SE that the sides of the canal caved in at many places due to huge inflow of subsoil water from adjacent fields. The SE and Chief Engineer (CE) inspected the work site and it was decided to provide shoring to the sides of the excavated areas. Accordingly, shoring was provided from chainage 36350 metre to 36550 metre and from chainage 36830 metre to 37030 metre. In March 1996, the SE executed a supplementary agreement to regulate the payment treating shoring as an extra item at Rs 1676 per metre for 1150 metres though the quoted rate of the contractor was inclusive of the incidental work 'shoring'. The contractor had executed shoring for 824 metres for which he was paid Rs 13.81 lakh excluding tender excess. Thus, the execution of a supplementary agreement treating shoring as an extra item disregarding the terms of contract would result in avoidable loss to Government to the tune of Rs 24.86 lakh.

When this was pointed out in August 1996, Government stated (November 1996) that the support measures provided as extra item were different from the normal shoring measures envisaged in the agreement. This argument was not acceptable as the supplementary agreement was executed for shoring and the materials used were those required for shoring and the rate of Rs 1676 per metre was arrived at accordingly. In August 1997, Government stated that though the contractor must have inspected the site before tendering, such an extent of excavation problems might not have been anticipated before starting the work. This was also not acceptable as the Department was not liable to compensate for the contractor's lack of appreciation of the work.

4.7. Loss due to arrangement of anti-sea erosion work during off season period

Failure to comply with the departmental instruction in regard to the arrangement of anti-sea erosion work at Mattool in Kannur District cost Government Rs 12.70 lakh.

According to the existing instructions, anti-sea erosion work should be started well ahead of the onset of monsoon and phased in such a manner that the construction of each segment of the work was completed or reached a safe stage during the working season (October to March).

Government accorded administrative sanction in July 1986 for construction of a 400 metre sea wall (from chainage 104.085 km to 104.485 km) at Mattool in Kannur District. The work was split into two reaches of 200 metres each and the first reach (from chainage 104.085 km to 104.285 km) was awarded to a contractor in February 1987 for Rs 12.42 lakh (35 *per cent* above estimate) with November 1987 as the scheduled date of completion. The period of completion was subsequently extended up to May 1988. While the work was in progress, there was a severe sea attack* during September 1987 causing heavy damage to the sea wall under construction.

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* violent wave action of sea over sea shore due to storm.

The contractor expressed his willingness in May 1989 to execute the rectification work at his agreed rate. Due to abnormal delay in the preparation of the estimate for the rectification work, the contractor backed out in December 1989. He was relieved of the work in January 1990 and was paid Rs 12.48 lakh in February 1990. The revised estimate for the work, based on Schedule of Rates 1990 was finally approved by Chief Engineer in June 1992 and was sanctioned by Government in November 1992. The work was awarded to another contractor in April 1993 at 75 *per cent* above estimate and completed in October 1993 at a cost of Rs 12.70 lakh.

Failure to comply with the departmental instruction to programme the anti-sea erosion work during working season resulted in avoidable expenditure of Rs 12.70 lakh on rectification work. Even if the offer of the original contractor to execute the work at the agreed rate had been accepted by the Department, an extra expenditure of Rs 5.49 lakh could have been avoided.

The matter was referred to Government in March 1996; reply had not been received (October 1997).

4.8. Idling of motor and pump sets

Motor and pump sets worth Rs 9.96 lakh procured for Lift Irrigation Schemes were idling due to departmental lapses.

Under Lift Irrigation Schemes (LIS) implemented throughout the State by the Minor Irrigation (MI) Wing of the Irrigation Department, electric motor and pump sets were used for lifting water from rivers and ponds and feeding the ayacuts through well laid pipes and cut channels. The purchase of motor and pump sets was made by the MI Divisions concerned on the basis of supply orders placed by the Chief Engineer (Mechanical) who determined the design of the motor and pump set required for the scheme taking into account the actual necessity and site condition. It was noticed that due to the failure of the Department in executing agreement/remitting cost of providing High Tension power connection as advance to the Kerala State Electricity Board, the capacity of pump house had to be reduced in Palankara LIS and Moochiparatha LIS in MI

Division, Malappuram resulting in idling of two 50 HP motors costing Rs 1.32 lakh and five 120 HP motors costing Rs 4.69 lakh from June 1987 and July 1984 respectively. In respect of Thanampara LIS under Palakkad MI Division, five 110 HP motors costing Rs 3.95 lakh purchased in 1994 were also idling for which no reasons were on record.

Thus, 12 motor and pump sets worth Rs 9.96 lakh purchased for the above 3 LIS were idling for three to ten years.

The matter was referred to Government in July 1997; reply had not been received (October 1997).

4.9. Payment of inadmissible tender excess

Payment of tender excess over market rate for materials purchased for Kurumassery Lift Irrigation Scheme in Minor Irrigation Division, Ernakulam resulted in extra liability of Rs 6.58 lakh.

Mention was made in paragraph 3.4 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1988 (No.6 of 1989 - Civil) of the delay in completion of the canal work under Kurumassery Lift Irrigation Scheme in Parakkadavu block in Ernakulam District arranged in February 1982 and termination of the contract due to non-supply of pipes by the Department. The balance work was rearranged for Rs 5.07 lakh in February 1990 without procuring/ensuring the availability of required pipes. In September 1990, supply order was placed with Premo Pipe Factory, Chavara (a State Government Undertaking) for procuring the available size of pipes and the design of the distributary system was changed accordingly. During execution, 450 mm diameter premo pipe was changed to 315 mm diameter Poly Vinyl Chloride (PVC) pipe in certain reaches due to non-availability of premo pipe. In arriving at the rates for this extra item of work, the then market rate of PVC pipe (Rs 830.05 per metre) was taken into account. Though tender excess was not admissible over market rate, the contractor was paid 53 *per cent* tender excess over and above the market rate. The extra liability in purchasing 1495 metres of PVC pipe was Rs 6.58 lakh. The work which commenced in February 1982 remained incomplete (March 1997) due to failure on the part of the Department to supply the balance quantity of 265 metres of pipe and the expenditure of Rs 38.81 lakh incurred on the scheme remained idle.

The matter was referred to Government in July 1997; reply had not been received (October 1997).

PUBLIC WORKS AND TRANSPORT DEPARTMENT

4.10. Undue benefit to a contractor due to departmental lapse

Departmental lapse in non-incorporation of prescribed number of load tests in the agreement resulted in undue benefit of Rs 56.88 lakh to a contractor.

The work 'Construction of link road NH 47 A - Phase II, connecting Willingdon Island and Cochin bypass from Chainage 3750 metre to 5920 metre' was awarded to a contractor firm in December 1992 for a lumpsum amount of Rs 35.58 crore. The work consisting of two bridges, viaducts and approach slabs stipulated to be completed by December 1996 was in progress (June 1997).

According to 'Specifications for Road and Bridge Works' of Ministry of Surface Transport (MOST) which formed part of the agreement, there were two categories of tests *viz.*, initial and routine load tests for ascertaining the strength of piles. Though the agreement dated 16 December 1992 provided for one initial load test, MOST in January and May 1994 directed to carry out two more initial load tests, one on pile at pier 25 and the other on pile at pier 29 and to carry out changes, if any, required on account of the test results without any extra cost. But the firm in May 1994 informed the Chief Engineer (CE), National Highways (NH) that additional test over and above the one provided in the agreement constituted extra item of work and demanded extra payment. Both the Superintending Engineer (SE), NH and CE, NH in June and August 1994, respectively informed the firm that any alterations, additions, etc., to the work had to be done without variation in the lumpsum quoted amount and as such, the firm was bound to do the additional initial load tests without any extra claim. Executive Engineer (EE), however, recommended payment on 6 October 1995 and accordingly two supplementary agreements were executed by SE to regulate payment for the additional initial load tests on piles at piers 25 and 29 costing Rs 19.76 lakh and Rs 19.12 lakh respectively. Thus non-observance of MOST's direction and the decision of SE resulted in undue benefit of Rs 38.88 lakh to the firm.

Further, according to the Specifications for Road and Bridge Works, routine load test should not be less than 1 *per cent* of the total piles with a minimum of one load test per one pile group. As there were 128 piles in 24 groups, minimum 24 routine load tests should have been conducted. However, the firm conducted only 6 tests (Rs 1 lakh per test) as only 6 tests had been provided in the agreement. Had the 24 routine load tests as required in the specifications been provided in the agreement, the firm would have been bound to do all the tests without any extra cost, as the contract was a lumpsum one. The departmental lapse to provide for the routine load tests in the agreement as per specifications resulted in undue benefit of Rs 18 lakh to the firm. SE, NH contended that 6 tests conducted were well above the required 1 *per cent* and that the stipulation of one routine test for each group was not practical since each test would take one month for completion and also that EE had the discretion to dispense with such tests if found unnecessary. This contention was not acceptable as the Specifications for Road and Bridge Works did not give any discretion to the engineers to reduce the minimum number of routine tests and also in view of the fact that the revised edition of the Specifications for Road and Bridge works issued in 1995 had doubled the number of routine tests.

The total undue benefit derived by the firm would come to Rs 56.88 lakh.

The matter was referred to Government in August 1996; reply had not been received (October 1997).

4.11. Delay in acceptance of tender

Extra expenditure of Rs 13.66 lakh due to delay and other departmental omissions in the acceptance of tenders were noticed in four cases as detailed below:

Extra expenditure of Rs 13.66 lakh due to delay and other departmental omissions in the acceptance of tenders.

(i) Tenders for the work 'Extension of Civil Engineering Laboratory, Government Engineering College, Thrissur' estimated to cost Rs 18.29 lakh were invited in March 1991. As there was no response, the Superintending Engineer (SE), Buildings and Local Works (Central Circle), Thrissur retendered the work in May 1992. The single tender received from contractor firm (a Government Company) at 63.5 *per cent* above estimate (based on Schedule of Rates (SOR) 1990) was recommended (3 June 1992) by SE for acceptance. However, the tender was not accepted by the Chief Engineer (CE) within the validity period (6 September 1992). The estimate was revised based on SOR 1992 and the single tender received from the same firm in February 1994 at 52.6 *per cent* above estimate (Rs 32.86 lakh) was accepted. The work was awarded in July 1994 and was in progress. The non-acceptance of original offer of the firm in 1992 resulted in extra liability of Rs 6.03 lakh.

(ii) Tenders for the work 'Construction of Quarters for District Collector and other Senior Officers' estimated to cost Rs 24.50 lakh were invited in June 1991 and the lowest offer received was 33.95 *per cent* above estimate which was rejected as the tenderer did not furnish valid preliminary agreement. The next lowest offer of 42 *per cent* above estimate with validity period up to 18 October 1991, was recommended on 24 July 1991 by SE for acceptance. The CE directed the SE on 4 September 1991 to get the rate of the contractor reduced to 33.95 *per cent*. But the contractor refused to reduce the rate and hence the offer was rejected by the department. The work was retendered in November 1991 and awarded to another contractor at 59 *per cent* above estimate. The work was completed in June 1995 at a cost of Rs 29.42 lakh. The non-acceptance of the favourable offer in 1991 resulted in additional liability of Rs 2.66 lakh.

(iii) Tenders were invited in December 1993 for the work 'Construction of three storeyed building for Government High School, Irimbliyam in Malappuram District' estimated to cost Rs 12.07 lakh. Since there was no response, the work was retendered in February 1994 and the lowest offer of 43.9 *per cent* above estimate was recommended by SE for acceptance. Though the SE on 9 June 1994 brought to the notice of CE that the firm period of the tender would expire on 16 June 1994, CE communicated the decision dated 2 June 1994 of the Government Tender Committee (GTC) regarding acceptance of the tender to SE on 22 June 1994. As the contractor was not willing to extend the firm period, the work was retendered again on 11 October 1994 and the lowest offer of 64 *per cent* above estimate was accepted and the work arranged accordingly. The delay in communicating the decision of the acceptance of the tender before the expiry of the validity period resulted in extra liability of Rs 2.43 lakh.

(iv) The balance work of 'Construction of a building for Junior Technical School, Kuttippuram' estimated to cost Rs 8.88 lakh was tendered after revising the estimate as per SOR 1992. The single tender of 53 *per cent* above estimate valid up to 31 March 1994 received from Kerala State Construction Corporation Ltd. (KSCC) was forwarded by SE to CE on 22 December 1993. The tender was considered by GTC on 23 February 1994 and the acceptance of the tender was conveyed by the CE to SE as per letter dated 16 March 1994. However, the letter was despatched from the CE's office only on 30 March 1994 and was received by SE on 5 April 1994, after the expiry of the validity period. Since the KSCC expressed its inability to undertake the work, the work was retendered and awarded in October 1994 to another contractor. The work was not completed as of September 1996. Thus, delay in despatch of the CE's letter communicating the acceptance of the tender had resulted in estimated extra expenditure of Rs 2.04 lakh. Rupees 0.50 lakh was also incurred for alternative accommodation of the school from November 1991 to April 1996. Though Government stated in September 1997 that there was no inordinate or intentional delay in processing the tender, the reasons for the delay of 14 days in despatching CE's letter dated 16 March 1994 had not been clarified by Government.

FISHERIES AND PORTS DEPARTMENT

4.12. Extra expenditure due to departmental lapses

> ***Government's decision to pay enhanced rate for work done after the due date of completion on account of delay/lapses on the part of the department resulted in extra liability of Rs 60.89 lakh.***

The work 'Fishing Harbour Project - Munambam - Construction of breakwaters at Munambam (Southern and Northern sides)' under 50 *per cent* Centrally Sponsored Scheme with an estimated probable amount of contract of Rs 2.39 crore based on Schedule of Rates (SOR) 1990 was awarded to a contractor firm in June 1992 at 52 *per cent* above estimate. The due date of 2 June 1994 for the completion of the work was extended up to 31 March 1995. The firm stopped work on 12 December 1994 due to non-settlement of work bills amounting to Rs 86.84 lakh which were cleared in March 1995. The non-completion of the work by the due date, according to both the firm and the department was mainly due to the delay in handing over site, providing weigh bridge and approach road to work site, taking decision by the department on laying sand bags into the deeper zone and consequent stoppage of work, delay in making timely payment of work bills and also increase in quantities of various items of work due to improper estimation. The firm in May 1995 demanded 90 *per cent* enhancement over agreed rates for the work done after the original due date of completion, as the non-completion was due to delays/lapses on the part of the department. The Chief Engineer (CE), Harbour Engineering Department, suggested in May 1995 to rearrange the balance work through the existing contractor by giving reasonable increase over his quoted rate, as minimum three months time would be required for retendering and the work could not be completed before March 1996 if retendered. The High Level Committee constituted by Government in July 1995 recommended (September 1995) an increase in rate by 95 *per cent* above 1990 SOR for the balance work amounting to Rs 1.42 crore subject to the condition that the work should be completed by 30 March 1996. Government accepted the recommendations in December 1995. The extra liability to Government in sanctioning higher rate due to the lapses/delays on the part of the department was Rs 60.89 lakh. The work was completed in September 1997.

When this was pointed out to Government in September 1996, they stated (January 1997) that there was delay in making payment for want of budget provision and letter of credit and that it was advantageous to get the balance work amounting to Rs 1.87 crore as per 1992 SOR completed by the existing firm as there was every likelihood of the quoted percentage being above 1992 SOR, if retendered. This was not acceptable as the probable increase in rates on retender over 1992 SOR, according to CE would have been between 20 and 35 *per cent.* If the maximum increase was taken into account the total amount required for the completion of the balance work would be Rs 2.52 crore, whereas the amount to be paid on account of the 95 *per cent* increase on 1990 SOR would be Rs 2.76 crore.

4.13. Departmental lapse in framing tender conditions

The departmental failure in specifically excluding the arbitration clause from the agreement resulted in avoidable expenditure of Rs 18.19 lakh.

The work 'Replenishment of seaward and leeward breakwaters at Vizhinjam' was awarded to a firm in November 1984 for Rs 16.47 lakh at 66.5 *per cent* above estimate. The work consisting of replenishment of seaward breakwater (estimate cost: Rs 1.44 lakh) and leeward breakwater (estimate cost: Rs 10.81 lakh) was to be completed within 18 months from the date of agreement. Due to paucity of funds, the contractor was asked to carry out work of leeward breakwater only and he completed this work (March 1985) at a cost of Rs 20.54 lakh.

After one year from the date of completion of the work, the firm demanded extra claims on various grounds and on rejection filed a suit in Sub Court, Thiruvananthapuram in October 1986 for appointment of an Arbitrator. The Court appointed an Arbitrator in October 1986. On the basis of general directions of Government in May 1978, the department had scored off the arbitration clause from the agreement. However, the deletion was not properly authenticated. The Court was of the opinion that the department should have specifically mentioned their intention to exclude the arbitration clause in the agreement itself. The Arbitrator admitted the claims of establishment and overhead charges due to advancement of completion of the work by 13 months (Rs 7.60 lakh), cost of undersized stones (Rs 90,000) and charges for blasting of stone (Rs 2 lakh) and awarded Rs 10.50 lakh in December 1988 with 12 *per cent* interest per annum from the date of filing the suit to the date of payment. The Sub Court admitted the award in April 1991 and the decision was upheld by the High Court. Accordingly the Department deposited Rs 18.19 lakh including interest of Rs 7.69 lakh between January 1992 and March 1995.

The arbitration and the resultant loss could have been avoided had the Department specifically done away with the provision of arbitration by providing suitable clause in the agreement itself.

The matter was referred to Government in March 1996; reply had not been received (October 1997).

CHAPTER V

STORES AND STOCK

HEALTH AND FAMILY WELFARE DEPARTMENT

5.1. Sanction, procurement and utilisation of vehicles in Health Services Department

5.1.1. Introduction

The main functions of the Health Services Department were delivery of primary health care, preventive and promotive health care in addition to curative service. For efficient implementation of various health schemes, the Health Services Department had been provided with a number of vehicles free of cost by Government of India (GOI) as part of their assistance. As the number of vehicles under the Department was quite large, a separate Health Transport Organisation (HTO) was functioning from 1962 onwards in the Department for efficient control and management of those vehicles and the vehicles attached to the Medical College Hospitals in the State.

5.1.2. Organisational set up

HTO was under the direct control of a Health Transport Officer and under the overall control of the Director of Health Services (DHS). There was a Central Workshop and Central Store at Thiruvananthapuram under the control of a Chargeman and Store Superintendent respectively. There were two Regional workshops, one at Thrissur and the other at Kozhikode and eleven workshops functioning in eleven* Districts.

5.1.3. Audit coverage

The Report of the Comptroller and Auditor General of India for the year 1985-86 (Civil) had commented on the stores and stock of the HTO. The Committee on Public Accounts (1991-93) had discussed the matter and its recommendations were included in the fourteenth report. It was noticed that most of the recommendations relating to the maintenance of vehicles had not been implemented. A further review of

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* Alappuzha, Ernakulam, Idukki, Kannur, Kasaragod, Kollam, Kottayam, Malappuram, Palakkad, Pathanamthitta and Wayanad.

the management of the vehicles conducted during the period from April to June 1997 with reference to the records maintained in the HTO, Central Stores, Central Workshop and in the offices of the ten Medical Officers of Health (Alapuzha, Ernakulam, Kannur, Kollam, Kottayam, Kozhikode, Malappuram, Palakkad, Thiruvananthapuram and Wayanad) covering the period from 1992-93 to 1996-97 revealed the following:

5.1.4. Highlights

- **Thirty five vehicles allotted by Government of India and taken possession between May 1996 and January 1997 had not been put to use due to delay in registration for want of sufficient funds.**

(Paragraph 5.1.6(ii))

- **Five chassis purchased in July 1995 at a cost of Rs 18.05 lakh were idling as of November 1997 due to delay in body building.**

(Paragraph 5.1.6(iii))

- **Fifty three vehicles costing Rs 62.24 lakh were condemned prematurely before expiry of the life period prescribed by Government.**

(Paragraph 5.1.6(v))

- **Building constructed at a cost of Rs 43.00 lakh for housing Regional Workshop at Thrissur and machinery and equipment purchased at a cost of Rs 15.00 lakh during 1991 were lying idle, pending posting of the required staff.**

(Paragraph 5.1.7(i))

- **Rupees 6.85 lakh spent on the establishment of two car washer units remained unfruitful since 1992.**

(Paragraph 5.1.7(ii))

5.1.5. Allotment and expenditure

The allotment and expenditure relating to the purchase and maintenance of vehicles for the period 1992-93 to 1996-97 were as follows:

Year	Allotment	Expenditure	Percentage of expenditure
	(Rupees in lakh)		
1992-93	84.44	30.76	36.43
1993-94	65.31	53.13	81.35
1994-95	141.41	86.54	61.20
1995-96	161.96	174.60	107.80
1996-97	112.00	96.91	86.53

Reasons for the shortfall/excess of expenditure over allotment called for from the Department were awaited.

5.1.6. Vehicles

(i) Register of vehicles

The register of vehicles maintained in the HTO was incomplete. Details such as registration number, type of vehicle, institution to which allotted, whether off road/condemned etc., were wanting in the register in a large number of cases. Hence, the total number of vehicles under the Department could not be ascertained. As per the details collected from the district offices, there were 1258 vehicles in the Department as of June 1997 out of which 517 were under condemnation, 59 off road for periods ranging from 3 to 9 years due to delay in repairs and 35 awaiting registration. 641 vehicles were used for implementation of various health programmes and six vehicles were allotted to other agencies and put to use for purposes not connected with the health programme.

(ii) Delay in taking delivery of vehicles allotted by GOI

During 1994-95 to 1996-97, 70 vehicles costing Rs 3.48 crore were allotted to the Health department by GOI. There was inordinate delay ranging from 5 to 34 months in taking delivery of the vehicles by the Department. Out of these, 35 vehicles whose delivery had been taken during May 1996 to January 1997, had not been registered as of June 1997. The reason attributed by the Department for the delay was introduction of entry tax on vehicles (12 *per cent* of cost of vehicle) by the State

Government. The State Government exempted the vehicles allotted by GOI from entry tax in March 1997. However, the registration of the vehicles was pending as of June 1997 for want of sufficient funds to meet fee for registration, insurance, etc.

(iii) Idling of chassis

The State Government in March 1995 accorded sanction to purchase five Swaraj Mazda closed lorries for the distribution of medicines. As closed lorries of the particular make were not available under Director General of Supplies and Disposals (DGSD) rate contract, the Department purchased five Swaraj Mazda chassis in July 1995 at a cost of Rs 18.05 lakh. The lowest quotation of Rs 4.99 lakh received in September 1996 for constructing aluminium body to those chassis was not accepted by Government as it was limited tender. Fresh tenders were invited giving wide publicity and 6 tenders received (September 1997) were forwarded to Government for sanction. The orders of Government were still awaited (November 1997). Those chassis were kept in the open yard in the premises of the Central Workshop, Thiruvananthapuram since July 1995. In March 1996, the Department purchased three closed lorries of another make at DGSD rate at a cost of Rs 14.64 lakh for distribution of medicines. The purchase of chassis in July 1995 instead of closed lorries resulted in idle investment of Rs 18.05 lakh for the last 28 months.

(iv) Delay in undertaking repairs

HTO was to carry out preventive repairs with a view to reduce repair costs. Government had issued instructions to arrange timely repairs of vehicles to avoid idling for long periods leading to condemnation of vehicles. In respect of 12 cases test-checked, there were inordinate delay ranging from 9 to 60 months in arranging repairs of vehicles.

(v) Condemnation of vehicles

The State Government and GOI had prescribed norms for condemnation of vehicles. It was noticed that out of 155 vehicles for which orders for condemnation were obtained, 53 vehicles costing Rs 62.24 lakh were condemned prematurely before the expiry of the life period. The reasons for premature condemnation called for from the Department were awaited.

Out of 130 vehicles awaiting condemnation as of March 1997, 38 vehicles were off road for periods ranging from 3 to 11 years. The vehicles condemned/awaiting condemnation were kept in open yard for years together which would result in reduction of sale value due to deterioration in their condition.

It was also noticed that out of 332 vehicles allotted to 194 Hospitals/Primary Health Centres, 154 vehicles were kept in open yard exposed to sun and rain.

(vi) Fuel consumption of vehicles

According to the prescribed procedure each vehicle had to be test-checked for fuel consumption by competent authority and the log book closed monthly to ascertain whether the vehicle was giving the tested fuel consumption. For this purpose the distance covered by the vehicle during the month had to be divided by the actual quantity of fuel consumed which would give the actual kilo metres run per litre of fuel. However, it was noticed that this procedure was not being followed. The practice followed by the department was to work out the quantity of fuel consumed during the month by dividing the total distance covered by the tested fuel consumption. Consequently, it could not be ascertained whether the vehicle was giving the tested fuel consumption. Further, the quantity of fuel consumed as worked out by the department would be fictitious as the vehicle would not give the tested fuel consumption always.

5.1.7. Unfruitful investment

(i) Idling of building, machinery and equipment

A building for Regional workshop at Thrissur was constructed at a cost of Rs.43 lakh during 1991. Equipment and machinery costing Rs.14 lakh and service station equipment costing Rs.0.97 lakh were also purchased for the use of the workshop during the same year. Though the building and equipment were ready, necessary staff had not been posted as of November 1997. Hence the workshop was functioning only as a district level maintenance unit undertaking periodical maintenance of vehicles and the investment of Rs.58 lakh had not served the purpose for the last six years.

(ii) Non-functioning of service stations

A building for the installation of car washer unit was constructed at Palakkad in 1991 at a total cost of Rs 4.45 lakh. The washer unit purchased at a cost of Rs 0.90 lakh could not be installed as the building did not have the required height and it was decided to install the unit in the Central Workshop, Thiruvananthapuram. However, the unit had not been installed at Thiruvananthapuram pending completion of the building. Thus the expenditure of Rs 5.35 lakh incurred for the establishment of car washer unit remained unfruitful for the last 6 years.

An existing building at Thrissur was renovated by spending Rs 0.60 lakh and a washer unit was installed in April 1992 at a cost of Rs 0.90 lakh. But it could not be used for want of water connection.

5.1.8. Tyre Account

(i) The Tyre card system was introduced in December 1996 to keep the record of mileage obtained in respect of each tyre before soling and after resoling. However, as necessary details were not recorded in the cards, the performance of the tyres could not be evaluated.

(ii) 190 old tyres valued at Rs 0.95 lakh entrusted to a private firm in October 1994 for retreading had not been received back as of November 1997. The matter was taken up with the Government in October 1995 to proceed against the firm. Orders from Government were awaited.

(iii) A test-check of the records of the District workshop, Alappuzha revealed that there were discrepancies between the issue of tyres, batteries, etc., and those accepted by the various units. The value of items shown as supplied by the District workshop and not accepted by the units during the period from June 1994 to June 1997 worked out to Rs 1.02 lakh.

5.1.9. Stock Account

(i) Consolidated value account of spares in the Central Store, as required under the rules was not maintained and hence it could not be verified whether the value of spares held in stock was within the authorised limit of Rs 3.00 lakh.

(ii) Annual physical verification of stock had not been conducted since 1975.

The points mentioned above were referred to Government in December 1997; reply had not been received (February 1998).

CHAPTER VI

COMMERCIAL ACTIVITIES

6.1. General

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

(*a*) On 31 March 1997, there were 3 departmental commercial undertakings in the State as indicated below:

(i) Text Books Office, Thiruvananthapuram

(ii) State Water Transport Department, Alappuzha

(iii) Kerala State Insurance Department, Thiruvananthapuram.

The extent of arrears as of March 1997 in the preparation of *pro forma* accounts by these undertakings was as under:

Sl. No.	Name of undertaking	Period(s) for which preparation of *pro forma* accounts was in arrears	Remarks
1	Text Books Office, Thiruvananthapuram	1987-88* to 1996-97	The delay in finalisation of the accounts was attributed to: i) lack of trained staff, ii) non-reconciliation of figures, iii) non-maintenance of journals and ledgers and iv) non-receipt of *pro forma* accounts from sub depots.
2	State Water Transport Department, Alappuzha	1988-89 to 1996-97	The delay in non-finalisation of accounts was attributed to lack of trained staff.
3	Kerala State Insurance Department, Thiruvananthapuram	1967 to 1982 and 1991 to 1996	Absence of qualified personnel was the reason for the delay in finalisation of accounts.

* Government in August 1990 dispensed with the preparation of *pro forma* accounts for the years 1975-76 to 1986-87.

(*b*) *Pro forma* accounts of the following trading schemes/activities had also not been received from the departmental officers for the years shown against each:

Name of scheme	Period(s) for which due
Agriculture (Animal Husbandry) Department	
Intensive Poultry Development Block, Muvattupuzha	1990-91 to 1996-97
Intensive Poultry Development Block, Pettah	1991-92 to 1996-97
Poultry Feed Manufacturing and Distribution Scheme, Chengannur	1990-91 to 1996-97
Egg Collection and Marketing Scheme, Chengannur *	1979-80 to June 1983
Livestock and Poultry Feed Compounding Factory, Malampuzha **	1965-66 to 1975-76 and April 1976
Home Department	
Rubber Plantation in the Open Prison, Nettukaltheri	1996-97

A synoptic statement showing the summarised financial results of working of Rubber Plantation in Open Prison, Nettukaltheri for the years 1994-95 and 1995-96 for which *pro forma* accounts had been received and certified in audit is given below:

Period of accounts	Government capital on 31 March	Mean Capital@	Block assets (net)	Depreciation	Loss(-) Profit(+)	Interest charges added back	Total return Column (6)+(7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	(Rupees in lakh)						
1994-95	16.55	16.90	8.71	0.22	+ 9.89	1.12	11.01
1995-96	20.58	18.57	9.03	0.26	+ 7.82	1.08	8.90

* The scheme was wound up from 30 June 1983.

** Transferred to Kerala Livestock Development Board with effect from 1 May 1976.

@ Represents mean of the aggregate of the Government capital at the beginning and close of the year.

CHAPTER VII

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

7.1. General

Autonomous bodies and authorities are set up to discharge generally non-commercial functions of public utility services. These bodies/authorities by and large receive substantial financial assistance from Government. Government also provides substantial financial assistance to other institutions such as those registered under the Kerala Co-operative Societies Act, 1969, Travancore-Cochin Literary, Scientific and Charitable Societies Registration Act, 1955, Companies Act, 1956, etc., to implement certain programmes of the State Government. The grants were intended essentially for maintenance of educational institutions, hospitals, charitable institutions, construction and maintenance of schools and hospital buildings, improvement of roads and other communication facilities under municipalities and local bodies. The salary of the teaching and non-teaching staff of a large number of private educational institutions in the State was also directly paid by Government.

During 1996-97, financial assistance of Rs 1994.32 crore was paid to various autonomous bodies and others broadly grouped as under:

Financial assistance to autonomous bodies

Sl. No.	Name of institutions/groups	Assistance paid (Rupees in crore)
1	Educational institutions (Aided schools, Private colleges, Universities, etc.)	984.07
2	Panchayat Raj institutions	412.38
3	Municipalities, Corporations , etc.	117.24
4	Development Agencies	36.19
5	Hospitals, Charitable institutions, etc.	8.07
6	Other institutions	436.37
	Total	**1994.32**

7.2 . Delay in furnishing utilisation certificates

The financial rules of Government require that where grants are given for specific purposes, certificates of utilisation should be obtained by the departmental officers from the grantees and, after verification, these should be forwarded to the Accountant General (Accounts and Entitlements) within one year from the date of sanction of assistance unless specified otherwise.

As of November 1997, 162 certificates for Rs 61.35 crore paid as grants up to 31 October 1996 were to be received in the Office of the Accountant General (Accounts and Entitlements). Department-wise break-up of outstanding utilisation certificates was as under:

Statement of utilisation certificates due

Sl. No.	Name of Department	Year	Certificates due	
			Number	Amount (Rupees in lakh)
1	Cultural Affairs Department	1991-92	1	0.38
		1993-94	5	14.00
		1994-95	11	32.54
		1995-96	16	24.39
		1996-97	7	4.10
2	General Administration Department	1989-90	1	0.50
3	General Education Department	1996-97	2	10.00
4	Health and Family Welfare Department	1989-90	1	12.00
		1994-95	1	72.25
5	Higher Education Department	1986-87	3	3.18
		1992-93	7	590.27
		1993-94	14	735.93
		1994-95	15	722.18
		1995-96	40	2314.10
		1996-97	20	1478.45
6	Science, Technology and Environment Department	1989-90	4	16.25
		1991-92	11	93.77
		1994-95	1	2.50
		1995-96	2	8.00
	Total		**162**	**6134.79**

7.3. Delay in furnishing copies of accounts

In order to identify the institutions which attract audit under Section 14/15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, Government/Heads of Departments are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose for which assistance was granted and the total expenditure of the institutions. Information for the year 1996-97 called for in April 1997 was awaited as of October 1997 from 13 departments of Government and 15 Heads of Departments. Of the defaulting departments, the following had not furnished information for 1995-96 also.

1. Agriculture Department
2. Cultural Affairs Department
3. Health and Family Welfare Department
4. Higher Education Department
5. Housing Department
6. Planning and Economic Affairs Department
7. Science, Technology and Environment Department

Health and Family Welfare Department had not furnished information for 1994-95 also.

The status of submission of accounts by bodies/authorities and submission of Audit Reports thereon to the State Legislature as on June 1997 is given below:

Sl. No.	Name of body	Year up to which accounts due	Year up to which accounts submitted	Year up to which Audit Reports issued	Reasons for non-finalisation of Audit Report
1	Kerala Khadi and Village Industries Board	1996-97	1994-95	1994-95	Accounts for 1995-96 and 1996-97 not received.
2	Command Area Development Authority	1996-97	1995-96	1994-95	Accounts for 1995-96 received in February 1997. Accounts for 1996-97 not received.
3	Kerala Water Authority	1996-97	1996-97	1995-96	Accounts for 1996-97 received in September 1997.
4	Kerala Institute of Labour and Employment	1996-97	1996-97	1995-96	Accounts for 1996-97 received in January 1998.
5	Kerala State Commission for Backward classes	1996-97	1995-96	Nil	Accounts for 1993-94 to 1995-96 received in May 1997.

The audit of accounts of the following bodies had been entrusted to the Comptroller and Auditor General of India for the periods detailed below:

Sl. No.	Name of body	Period of entrustment	Date of entrustment
1	Kerala Institute of Labour and Employment	up to 2001-02	7 November 1997
2	Kerala Khadi and Village Industries Board	up to 1997-98	21 October 1994
3	Kerala Water Authority	up to 1998-99	9 February 1994
4	Kerala State Commission for Backward classes	up to 1996-97	14 June 1995
5	Command Area Development Authority	up to 1999-2000	13 May 1996

7.4. Audit arrangement

(i) The primary audit of local bodies (Panchayat Raj institutions, Municipalities, etc.), educational/co-operative institutions and others is conducted by the authorities mentioned below:

Sl. No.	Name of institution	Authority conducting primary audit
1	Panchayat Raj institutions and Municipalities	Examiner of Local Fund Accounts
2	Educational institutions	
	(a)Universities	Examiner of Local Fund Accounts
	(b)Other than Universities	Head of the department under which the institution is functioning
3	Co-operative institutions	Registrar of Co-operative societies
4	Others	Chartered Accountants

(ii) Accounts for 1996-97 of all the 1223 institutions coming under Kerala Panchayat Raj Act, 1994/Kerala Muncipalities Act, 1994 were due as of October 1997.

(iii) Against 454 grantee institutions which attracted audit, the audit of 388 institutions were taken up during 1996-97.

FISHERIES AND PORTS DEPARTMENT

7.5. Working of Agency for Development of Aquaculture, Kerala

7.5.1. Introduction

Agency for Development of Aquaculture, Kerala (ADAK) is an autonomous body established in May 1989 by the State Government under the Travancore-Cochin Literary, Scientific and Charitable Societies Registration Act, 1955 for the implementation of Kerala Fisheries Development Project for Prawn Culture (Phase-I) aided by Kuwait Fund[@]. The project was started in April 1993 and proposed to be completed by 31 March 1998. The objectives of the project were:

- development of 1500 hectares of inland water areas for scientific prawn culture,
- establishment of shrimp hatcheries with maximum production capacity of 60 million larvae per hatchery per year,
- establishment of shrimp feed mill with production capacity of 8500 tonnes per year,
- setting up of quality control and applied research laboratory,
- providing requirements of extension system in the form of equipment, vehicles and boats, training and
- providing required foreign technology for the implementation of the project.

7.5.2. Organisational set up

The control, administration and management of the affairs of ADAK were vested in a Governing Body(GB) consisting of 14 members with the Minister for Fisheries as the Chairman. There was also an Executive Committee(EC) consisting of 5 members, the Chairman of which was the Secretary, Fisheries Department. The Director of Fisheries was the Project Director and the Chief Executive was the Executive Director(ED) of ADAK. There were 3 Regional Offices* and 3 Farm Offices** each headed by Regional Executive/Extension Co-ordinator and Farm Manager respectively.

@ Fund intended to assist Arab and other developing countries in their economic development by providing loans necessary for the execution of development programmes and projects.

* Regional Offices at Alappuzha, Ernakulam and Kannur.

** Farm Offices at Poyya and Kadappuram in Thrissur District and Ayiramthengu in Alappuzha District.

7.5.3. Audit coverage

A review of the implementation of the programme covering the period from 1989-90 to 1995-96 was conducted during July-December 1996 with reference to the records maintained at the Headquarters Office at Thiruvananthapuram, 2 Regional Offices at Ernakulam and Kannur and 2 Farm Offices at Poyya and Ayiramthengu.

7.5.4. Highlights

- **Against Rs 25.66 crore drawn by the Director of Fisheries during 1990-97, the expenditure incurred on the project was only Rs 10.21 crore leaving an unspent balance of Rs 15.45 crore lying in Personal Deposit accounts of the Fisheries Department and in Savings Bank accounts of ADAK with treasury and banks.**

(Paragraph 7.5.6(a))

- **While the project was proposed to be completed by 31 March 1998, only 14.50 *per cent* of the funds had been utilised till 31 March 1997 with reference to the estimated project cost. The physical achievement was only 13 *per cent* in the case of construction of ponds. In other components, the achievement was nil.**

(Paragraph 7.5.6)

- **Budget and Annual reports were not prepared by ADAK. Audited accounts for 1989-90 to 1992-93 were not sent to Government and the accounts for 1994-95 and 1996-97 had not been finalised as of October 1997.**

(Paragraph 7.5.6(c))

- **Though the project envisaged setting up of 4 hatcheries having a production capacity of 60 million seeds per hatchery per year, no hatchery had been set up as of October 1997.**

(Paragraph 7.5.7(b))

- **ED sanctioned Rs 10 lakh and incurred an expenditure of Rs 1.77 lakh for supply of equipment to a private hatchery without the approval of EC.**

(Paragraph 7.5.7(c))

- **ED and Senior Extension Co-ordinator sanctioned Rs 2.78 crore to 33 farmers without any authority. Fourteen farmers were paid loans amounting to Rs 13.56 lakh during January 1995 to May 1995 towards operational cost without sanction and agreement.**

(Paragraph 7.5.8(a))

- **A farmer who was paid loan of Rs 11.45 lakh towards development and operational cost, abandoned the farm after failure of two culture operations due to poor quality of feed arranged by ADAK and non-co-operation of technical staff.**

(Paragraph 7.5.8(b))

- **EC sanctioned loan of Rs 3.42 crore to farmers without getting the lands mortgaged as per requirement. Also, no valuation of land was done by ADAK.**

(Paragraph 7.5.8(d))

- **Trial culture in order to gain credibility for scientific prawn culture operation among the farmers conducted in private filtration fields in Palayad, Mannayad and Pinarayi areas ended up in a loss of Rs 5.69 lakh.**

(Paragraph 7.5.9(ii))

- **ADAK incurred loss of Rs 37.48 lakh on culture operations undertaken in two Government farms due to purchase of diseased seeds from Matsyafed, Kannur, despite adverse reports available with them. Also, required mandatory tests to ensure that the seeds were disease free were not undertaken.**

(Paragraph 7.5.10)

- **Excess purchase of 160 pond aerators without assessing the requirement resulted in blocking of funds to the tune of Rs 24.26 lakh.**

(Paragraph 7.5.11(b))

7.5.5. Funding pattern

The total outlay of the project was estimated at Rs 74.94 crore. Of this, Rs 35.22 crore were to be provided by Kuwait Fund by way of loan, based on a loan agreement entered into between Government of India (GOI) and Kuwait Fund on 24 February 1989. The balance amount required for meeting the project cost was to be met as seed capital by the State Government and by way of loan from financial institutions and beneficiaries. The loan received from Kuwait Fund was released by GOI to the State Government by way of additional Central assistance in the form of grants and loans in the ratio 30:70. The loan amount was to be repaid by the State Government in 20 equal annual instalments together with interest stipulated by GOI at the time of releasing the loan.

7.5.6. Financial and physical performance

(a) Financial

Only 14.50 per cent of the estimated cost was spent till March 1997 though the project was to be completed by March 1998.

The amount required for implementation of the project was provided by the State Government in the Budget as loans and grants and the amounts were drawn by the Director of Fisheries and released to ADAK. During the period 1990-91 to 1996-97, the Director of Fisheries withdrew Rs 25.66 crore provided in the Budget of the State Government for the project. However, the amount released to ADAK till 1996-97 was Rs 14.92 crore only leaving a balance of Rs 10.74 crore with the Director of Fisheries. The expenditure incurred by ADAK was Rs 10.87 crore including the fee of Rs 66 lakh paid directly to the consultants by the Kuwait Fund. Hence the net expenditure incurred by ADAK was only Rs 10.21 crore leaving a balance of Rs 4.71 crore. The total amount of unspent balance lying in the Personal Deposit account of the Department of Fisheries and in Treasury Savings Bank account and in Savings Bank accounts of ADAK in different banks was Rs 15.45 crore (31 March 1997).

The expenditure incurred by ADAK till 31 March 1997 constituted only 14.50 *per cent* of the estimated project cost though the project was targeted for completion by March 1998. The slow progress in the implementation of the project would result in lapsing of major portion of loan sanctioned by Kuwait Fund. The reasons attributed for the slow progress of implementation were: (i) the difficulties experienced in attracting new farmers, (ii) non-availability of seeds in time, (iii) shortage of field staff and (iv) postponement of consultancy in July 1994.

(b) Physical

Physical performance of the project as of March 1997 was as under:

Activity	Target	Achievement	Percentage of achievement	Remarks
1. Construction of ponds, inlets, etc.	1500 hectares	197.96 hectares Government farm: 37.73 hectares Private farm: 160.23 hectares	13	Though 160.23 hectares of private land was reported as fully developed , only 18.44 hectares had actually been developed.
2. Hatchery	4	Nil	Nil	The Governing Body decided (October 1996) to set up only two hatcheries. The land required for setting up one hatchery only was acquired and taken in possession till March 1997.
3. Feed production unit	1	Nil	Nil	Proposal dropped.
4. Laboratories and subsidiaries	1	Nil	Nil	Subsequently increased to two.

The reasons attributed by ADAK for the shortfall in achievement were: (i) delay in getting the land identified for the project work, (ii) non-availability of seed, (iii) spread of disease in prawn fields, (iv) shortage of field staff and technical consultants, etc.

(c) Accounts

(i) Budget and Audit

The following requirements under the rules and regulations of ADAK regarding Budget and Audit were not fulfilled:

- No Budget and Annual reports had been prepared.
- Audited accounts for the years 1989-90 to 1992-93 were not sent to Government.
- Accounts for 1994-95 and 1996-97 had not been finalised.

(ii) Quarterly progress reports

ADAK had to furnish quarterly progress reports in respect of the implementation of scheme to GOI for onward transmission to Kuwait Fund. However, no quarterly reports were sent to GOI since the quarter ended March 1994. The reason attributed by ADAK was that there was not much progress in the implementation of schemes since March 1994.

7.5.7. Hatcheries

(a) Postponement of consultancy services

The project report of ADAK envisaged appointment of technical experts specialised in the field of aquaculture for transfer of modern technology for scientific prawn farming, providing technological services for the operation connected with the design, lay out and plans for ponds, training of staff, etc., and giving advice on technical problems. Messrs Aquatic Farms, USA were appointed as consultants in December 1992. The period of services of the consultants was fixed as 60 months commencing from April 1993. The consultancy fee was US dollars 5 lakh equivalent to Rs 1.27 crore (based on the exchange rate prevailing at that time) including inception payment[@] of US dollars one lakh. The consultants commenced their work in April 1993 and completed 3 items of work (Milestone).

@ Initial payment to be made to foreign consultants before commencement of their services.

The milestone payment due to the consultants for completed work amounted to US dollars 1.10 lakh (equivalent to Rs 34.98 lakh). The amount was paid to the consultants during May 1994 to February 1995. Though the consultants had not completed their commitments for the implementation of the programme, the consultancy was postponed till further orders by the ED in July 1994. The decision on the postponement taken by the ED without obtaining prior approval of the GB was not in order. The intention of the ED was to arrange for another consultancy. The GB decided (June 1996) to conduct an enquiry in the matter. Further developments were awaited (October 1997).

Due to discontinuance of consultancy services in July 1994, the progress of implementation of the project was hampered.

Due to discontinuance of consultancy services, the progress in the implementation of the programme was hampered as many milestones of the project were not completed by the consultants.

(b) Delay in setting up of hatcheries

According to the original project report, 4 hatcheries having production capacity of 60 million larvae per hatchery per year were to be set up. Based on the studies and tests conducted by the foreign consultants, 4 sites *viz.,* Pozhiyoor and Odayam in Thiruvananthapuram District and Uduma and Uppala in Kasaragod District were selected to start the hatcheries. Hatchery planning reports were prepared in June 1993 by the consultants in respect of the 4 sites and they were paid US dollars 35,000 in May 1994. However, GB decided (October 1996) to set up only two hatcheries at Odayam and Uppala. Even though advance possession of 2.23 hectares of land was taken in Odayam in May 1996 and Rs 81 lakh were paid to the Revenue Department towards the cost of acquisition of land, the hatchery had not been set up till October 1997 pending resumption of work by foreign consultants. The delay in setting up of hatcheries had resulted in non-achievement of target for production of shrimps as envisaged in the project report.

Four hatcheries envisaged in the project report had not been set up. The delay in setting up of hatcheries had resulted in non-achievement of target for production of shrimps.

(c) Irregular sanction of loan to a private hatchery

The ED sanctioned Rs 10 lakh to a private hatchery without the approval of the EC.

Based on the proposal of ED for payment of assistance to private hatcheries, EC directed (October 1994) ED to prepare detailed project report for each case separately and place them before the committee for consideration. ED without obtaining the approval of EC sanctioned (December 1994) the payment of a loan of Rs 10 lakh to a private hatchery in Alappuzha District towards financial and technical assistance. Based on the supply orders placed by ED, the private hatchery purchased machinery costing Rs 7.74 lakh and Rs 1.77 lakh were paid by ED to the supplier during December 1994 to February 1995. EC in their meeting held in August 1995, however, stayed the payment of balance amount to the supplier as the action of ED in sanctioning the loan to the private hatchery was against the decision of the committee. Further developments were awaited (June 1997).

7.5.8. Farm development and culture operations in private farms

(a) Financial assistance to private farms

The ED and the Senior Extension Co-ordinator sanctioned Rs 2.78 crore without any authority.

According to the memorandum of association, EC was empowered to select beneficiaries and grant loans for construction of farms. The norms for the payment of loans to private farms were finalised by EC only in August 1995 and approved by the GB in November 1995. ED was delegated powers to sanction loans up to Rs 10 lakh by the EC in October 1995. However, the ED who had been delegated powers to grant assistance in October 1995 only and the Senior Extension Co-ordinator, Ernakulam (who had no power to sanction loan even after framing of the norms) were sanctioning and making payment of loans to farms without any authority. The unauthorised sanction of loan by these officials in 33 cases (till August 1995) amounted to Rs 2.78 crore.

The following further irregularities were noticed in the sanction of the loans:

- No loan ledgers were maintained in respect of loans sanctioned and disbursed.

- During January 1995 to May 1995, loans amounting to Rs 13.56 lakh were paid to 14 farmers towards operation inputs such as feed, seed, etc., without formal sanction and agreement.

- Equipment worth Rs 1.81 lakh were issued to a farmer during May 1994 to December 1994 without sanction and agreement.

- As against the sanctioned amount of Rs 3.10 lakh for development of 2.61 hectares of land in Payyannur village (Kannur District) to be paid in instalments as per agreement executed in February 1994, Rs 3 lakh was paid (March 1994) in lumpsum to a farmer. Further, Rs 0.62 lakh for consultancy and legal charges were also debited to the loan amount of the farmer.

(b) Infructuous expenditure on culture operation

Rupees11.45 lakh released to a farmer during December 1993 to November 1994 had not been repaid as the farm was abandoned due to poor quality of feed arranged by ADAK and non-co-operation of technical staff.

Out of loan amount of Rs 11.91 lakh sanctioned to a farmer in Dharmadom village (Kannur District) towards development and operational cost, Rs 11.45 lakh were released to him during December 1993 to November 1994. The farmer was unable to repay the loan as the two culture operations undertaken by him in his farm ended up in total failure due to poor quality of feed arranged by ADAK and non-co-operation of technical staff. The farm was in an abandoned stage. According to the Regional Executive, Kannur, the complaint of the farmer regarding the poor quality of feed was genuine and there was also dearth of technical staff. The expenditure on the farm had thus become infructuous and an amount of Rs 13.24 lakh towards principal and interest was due from the farmer as of September 1997.

(c) Irregular release of cost of seed direct to the farm

According to the agreement conditions relating to release of loans for operational costs, the cost of supplies such as seed, feed, etc., were to be paid by ADAK directly to the supplier . In January 1995, a farm placed orders with a supplier firm in Pondicherry for supply of 4.5 million seeds costing Rs 32.40 lakh. Contrary to the agreement condition, ADAK released (January 1995) Rs 16.20 lakh (being 50 *per cent* of the cost of seed ordered for supply) by cheque to the farm. The supplier supplied 5 lakh seeds costing Rs 3.60 lakh. As the first batch of seeds showed symptoms of disease the farm did not accept further supplies. The balance amount of the loan (Rs 12.60 lakh) was not utilised by the farm. Had ADAK restricted the payment on the basis of the actual quantity supplied, the excess release of loan could have been avoided.

(d) Failure to mortgage land to ADAK .

In October 1993, the EC sanctioned loan of Rs 3.42 crore to 2 groups of farmers (Ist group of farmers: Rs 0.98 crore, 2nd group of farmers: Rs 2.44 crore). One of the conditions for sanctioning the loan was to mortgage the land to ADAK in which culture operation was undertaken as security towards the loan amount. Audit scrutiny revealed the following:

- The farmers instead of mortgaging their lands deposited the title deeds* with ADAK.
- No valuation of the property had been done to assess whether the area was sufficient security for the loan disbursed.

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* Title deed is a registered document by which a person gets title of possession and ownership of the property.

- The second group of farmers was sanctioned loan for undertaking culture operations on the land taken on lease for a period of 15 years. No repayment of loan with interest (principal : Rs 79.52 lakh, interest : Rs 62.99 lakh) had been made by the farmers as of June 1997 even though as per terms and conditions, the repayment should have been started by November 1994.

- The total amount due for repayment as of June 1997 by the two groups of farmers worked out to Rs 2.10 crore.

7.5.9. Trial culture

(i) With a view to achieve a breakthrough in the implementation of the project, ADAK submitted a proposal to Government for undertaking trial culture in prawn filtration ponds owned by private farmers in Kurichipadom (Ernakulam District). Government accorded sanction to the proposal in June 1992. Accordingly, the GB of ADAK decided (November 1992) to undertake trial culture in two traditional filtration fields of Kurichipadom and Kattachal (Ernakulam District) having an area of 41.54 hectares. The fields owned by the societies of the farm owners were taken up by ADAK on lease for a period of six months (one season) as envisaged in the scheme and Rs 17.77 lakh were spent up to May 1993 for its implementation. The following irregularities were noticed in the implementation of the scheme:

- Rupees 4.90 lakh being the expenditure incurred during January 1993 and May 1993 towards development of the farm were not treated as loan to the societies by ADAK. This was against the agreement executed between the societies and ADAK.

- Though the entire area of 41.54 hectares was taken on lease and developed, the culture operation was restricted to 4.5 hectares. The balance area was utilised for prawn filtration by the societies themselves which appropriated the income derived from the filtration activities. Based on the average yield from filtration, the loss sustained in Kurichipadom was about Rs 5 lakh.

(ii) In order to gain credibility for scientific prawn culture operation among the farmers, the EC decided (August 1993) to conduct trial culture in private filtration fields in Palayad, Mannayad and Pinarayi areas (Kannur District) which were found to be ideal for prawn culture by the consultants. First trial culture was conducted in 22.51 hectares and second trial culture in 2.44 hectares during October 1993 to March 1994. Reasons for limiting the second culture operation in 2.44 hectares were not on record.

Trial culture conducted in private filtration fields ended in loss of Rs 5.69 lakh.

The trial cultures ended in a loss of Rs 5.69 lakh due to low yield and the objective of creating credibility was not achieved.

7.5.10. Purchase of diseased seeds

Based on the offers received in response to a tender notice issued in September 1995 for supply of 603 lakh seeds to the Government farms and private farms financed by ADAK, it was decided (21 December 1995) by the technical committee to purchase seeds from 10 hatcheries which had responded to the tender call. Meanwhile, in a meeting held on 23 November 1995, the top officials of the agency decided to purchase 2.5 million seeds from Kerala State Co-operative Federation for Fisheries Development (Matsyafed), Kannur (which had not responded to the tender call) for seeding operations in Government farm at Poyya on the plea that seeding was to be completed by 21 December 1995. Matsyafed supplied 43.87 lakh seeds to Government farms at Poyya and Ayiramthengu in January 1996. An advance of Rs 24 lakh was paid to Matsyafed in January 1996. Within 40 days of first seeding, the seeds were found infected with disease. Against the expenditure of Rs 38.13 lakh incurred in the culture operation, only Rs 0.65 lakh could be obtained as

Due to purchase of diseased seeds from Matsyafed, the culture operation in the Government farms, ended in loss of Rs 37.48 lakh.

receipt from premature harvesting and sale of shrimps which had survived. The loss could have been avoided, had ADAK considered the report (March 1995) of the Regional Director of ADAK, Kannur regarding the spread of disease among the seeds supplied by the hatcheries in Kannur. It was noticed that seeds procured from hatcheries other than Matsyafed and stocked in the ponds adjacent to Government farms continued to survive. It was also noticed that the seeds procured from Matsyafed were not subjected to stress test, Monodan Buccalo Virus test and Microscopic observations, etc., to ensure that they were disease-free though the technical committee had stressed (December 1995) the need for conducting such tests prior to seeding in the farm. Thus purchase of diseased seeds without following the procedures ended in a loss of Rs 37.48 lakh . ADAK had not fixed any responsibility for the lapses. The possibility of recovery from Matsyafed was remote as there was no contractual agreement between Matsyafed and ADAK.

7.5.11. Inventory control

(a) EC was vested with powers to make purchases, limiting the expenditure within the budget provision. In the absence of preparation of any budget estimate, ADAK did not exercise control over purchases as envisaged in the rules.

ADAK was purchasing equipment and machinery and operational materials for Government as well as private farms. No centralised stock accounting procedure was in vogue. Further, no periodical statements showing the receipts, issues and details of machinery and equipment held in stock were furnished by the Regional Offices/Farm Offices. As a result, the basis on which ADAK was planning its purchases, the details of stores kept in stock, etc., could not be verified.

(b) Accumulation of stock

Following irregularities were noticed:

- Equipment such as diesel engines, pump sets, etc., costing Rs 21.57 lakh purchased during January 1995 to May 1995 were held in stock even as of October 1997.

- Two consignments totalling 240 aerators were received by ADAK in February 1995 (80 numbers) and February 1996 (160 numbers) based on two supply orders placed by ADAK with a Taiwan firm in December 1994 and December 1995 respectively. The total cost of purchase was Rs 33.14 lakh. Of these, 188 aerators costing Rs 26.88 lakh were in stock as of December 1996. This indicated that ADAK resorted to the second purchase of 160 aerators without taking into account the stock position of aerators already imported and the demand from the farmers for this equipment. The excess purchase resulted in blocking of funds to the tune of Rs 24.26 lakh. ADAK stated (December 1996) that the farmers were not conducting scientific culture due to threat of viral disease and hence they were reluctant to purchase the aerators essential for scientific culture.

Purchase of 160 aerators without ascertaining the stock on hand and response from farmers resulted in blocking of capital of Rs 24.26 lakh.

(c) Excess expenditure due to non-acceptance of lowest offer

The rate quoted (October 1994) by a Chennai firm for supply of tea seed cake during October 1994 to March 1995 was Rs 25 per Kg. However, on the basis of purchase orders issued by ED, 7.5 tonnes of tea seed cake were purchased from two other firms in Chennai who quoted higher rates ranging from Rs 33 to Rs 43.25 per Kg. The reasons for ignoring the lowest quotation and purchasing tea seed cake at higher rates were not on record. The extra expenditure on this account amounted to Rs 0.99 lakh.

7.5.12. Other topics of interest

(a) Production incentive to workers and staff

During November 1994 to June 1995, a culture operation was conducted at Government Farm, Poyya and ADAK earned a net profit of Rs 20.10 lakh. EC decided (October 1995) to distribute 10 *per cent* of the profit as incentive ranging between Rs 100 and Rs 14,840 to 68 workers and staff attached to the farm. The payment of incentive amounting to Rs 2.01 lakh to the workers and staff was not in order as the EC was not vested with the powers to take such a decision.

(b) Deposit of funds in banks

According to the Government directions issued during July 1993 and January 1996 moneys deposited in banks were to be withdrawn and deposited in Treasury Savings Bank account /Treasury Public account. It was, however, noticed in audit that ADAK had a balance of Rs 2.08 crore in 13 Savings Bank accounts as of September 1996. Out of this, 4 bank accounts were closed in April 1997. The balances in 9 Savings Bank accounts were Rs 47.57 lakh as of October 1997. Had the funds been deposited in Treasury Savings Bank account as per Government directions, ADAK would have earned more interest than in Savings Bank accounts in commercial banks. The loss of interest in respect of 6 bank accounts from July 1993 to December 1996 worked out to Rs 3 lakh .

7.5.13. Monitoring and evaluation

Director of Fisheries was required to evaluate the project undertaken by ADAK and exercise overall control over the execution of the project. However, no evaluation of the performance of ADAK had been done as of December 1996.

The points mentioned above were referred to Government in July 1997; reply had not been received (October 1997).

7.6. Loss due to retention of surplus fund in Savings Bank account

The Kerala State Fishermen's Welfare Fund Board incurred a loss of interest of Rs 5.79 lakh due to retention of surplus fund in Savings Bank account instead of investing in fixed deposit.

The Kerala Fishermen's Welfare Fund Scheme, 1986 was implemented by Government under the provisions of Kerala Fishermen's Welfare Act, 1985. The Fund was raised through statutory contributions leviable under the Act. The administration of the Fund was vested with the Welfare Fund Board (Board) constituted under the Act. The Welfare Fund Scheme stipulated that the Board was to decide on the mode of deposit of the surplus money in the Fund, subject to Government's general policy in the matter. The Board had not taken a policy decision as of March 1996 regarding investment of its surplus funds in an advantageous manner and the money received by it was credited and retained in Savings Bank account in the State Bank of Travancore, Thrissur. The balance in the Savings Bank account was in the range of Rs 9.52 lakh to Rs 127.29 lakh during the period April 1992 to November 1994. The interest received for the above period was Rs 10.68 lakh. Had the amount been deposited in fixed deposits having a maturity period of 46 days and renewed from time to time, instead of its retention in Savings Bank account during the period April 1992 to November 1994, it would have fetched an additional interest of Rs 16.47 lakh. The failure on the part of the Board to take decision regarding the investment of surplus funds to better financial advantage of the Board, deprived the Fund of an amount of Rs 5.79 lakh by way of interest.

The matter was referred to Government in June 1997; reply had not been received (October 1997).

SCIENCE, TECHNOLOGY AND ENVIRONMENT DEPARTMENT

7.7. Working of Agency for Non-conventional Energy and Rural Technology

7.7.1. Introduction

Agency for Non-conventional Energy and Rural Technology (ANERT) is an autonomous body, registered in January 1986 under the Travancore-Cochin Literary, Scientific and Charitable Societies Registration Act, 1955 with the object of gathering and disseminating knowledge in the fields of non-conventional energy, energy conservation and rural technology.

7.7.2. Organisational set up

The control, administration and management of the affairs of ANERT were vested with a Governing Body consisting of 18 members (12 ex-officio members of State/Central Governments, 6 nominated members - 2 from Central Government, 1 from Khadi and Village Industries Board and 3 non-official members who had long experience in the field of non-conventional energy, energy conservation and/or rural technology). It also had an Executive Committee (EC) consisting of 5 members, nominated from within the Governing Body. The Chief Executive of ANERT was the Director appointed by the State Government. The programmes were implemented in all the 14 districts of the State through 28 Integrated Rural Energy Programme (IREP) Blocks.

7.7.3. Audit coverage

A review of the implementation of 9* out of 10 programmes of ANERT covering the period 1992-93 to 1996-97 was conducted during June 1996 to January 1997 with reference to the records maintained in its Head Office and 17 IREP Blocks. The results of the review are discussed in the succeeding paragraphs.

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* Micro Hydel Programme, Solar Thermal Extension Programme, Solar Photo Voltaic Programme, Energy Conservation Programme, Urjagram, Wind Energy Programme, Rural Technology, National Programme on Improved Chulha and Integrated Rural Energy Programme.

7.7.4. Highlights

- **Preparation of budget on programme implementation was defective leading to huge unspent balance of Rs 11.95 crore for the year ending 1996-97.**

(Paragraph 7.7.5)

- **Expenditure of Rs 18.23 lakh incurred on two completed micro hydel projects had become an idle investment as the projects were not working due to non-maintenance/non-operation by the nominated agencies.**

(Paragraph 7.7.6(i))

- **Out of subsidy amounting to Rs 60.36 lakh released by Government of India for implementation of Solar Thermal Extension Programme, only Rs 39.19 lakh were utilised. Unutilised portion of subsidy of Rs 21.17 lakh had not been refunded to Government of India even after the expiry of the extended period of utilisation.**

(Paragraph 7.7.6(ii)(a))

- **Out of 700 solar power lanterns procured in March 1994 for distribution under Solar Photo Voltaic Programme, 350 lanterns costing Rs 14.02 lakh were found defective.**

(Paragraph 7.7.6(iii)(a))

- **Failure of ANERT to adhere to the guidelines prescribed by the Ministry of Non-conventional Energy Sources of Government of India in procuring domestic lighting system during 1994-95 resulted in non-availment of subsidy of Rs 13.16 lakh.**

(Paragraph 7.7.6(iii)(b))

- **Purchase of solar cookers at a cost of Rs 18.18 lakh without assessing the demand resulted in stock worth Rs 14.16 lakh lying undistributed as of October 1996.**

(Paragraph 7.7.6(iii)(e))

- **Expenditure of Rs 7 lakh incurred for collection of wind data for preparation of Wind Atlas of Kerala had become infructuous as the data collected were found not reliable.**

(Paragraph 7.7.6(v)(a))

- **Wind generator alongwith a solar back-up system installed at a cost of Rs 8.47 lakh during March 1993/March 1994 to provide power supply to 30 houses in tribal settlement in Palakkad District was dismantled in October 1994, being defective, due to frequent failure of the inverter.**

(Paragraph 7.7.6(v)(b))

- **Temporary advances amounting to Rs 84.50 lakh paid to officers during 1989-90 to September 1996 were pending adjustment as of January 1997 in the absence of final bills.**

(Paragraph 7.7.7(i))

- **No physical verification of stores was conducted since inception. As on 31 March 1997, stock worth Rs 5.12 crore were lying in ANERT Head Quarters and in IREP blocks.**

(Paragraph 7.7.7(iv))

7.7.5. Financial management

ANERT was financed by grants released by Central and State Governments and donations/contributions by other financing institutions. The Budget estimates, amount of grants and other receipts and expenditure incurred during 1992-93 to 1996-97 were as under:

Year	Budget estimate	Total funds available	Actual expenditure	Unspent balance	Percentage of actual expenditure to Budget estimate	Percentage of unspent balance to total receipt
	(Rupees in lakh)					
1992-93	416.42	219.90	174.30	45.60	42	21
1993-94	796.82	378.90	317.35	61.55	40	16
1994-95	1506.71	877.11	756.62	120.49	50	14
1995-96**	2393.93	1330.11	993.84	336.27	42	25
1996-97**	4762.72	2538.31	1370.86	1167.45	29	46

As of 31 March 1997, Rs 27.50 lakh remained unutilised in the IREP blocks also. Thus, the total unspent balance retained by ANERT as of March 1997 amounted to Rs 11.95 crore. This indicated that ANERT did not have clear idea of the requirement of funds for the implementation of the schemes. Government stated (September 1997) that the Budget estimates were not prepared realistically considering the availability of funds and possibility of implementing the schemes with the available man power and infrastructure facilities.

** Figures are provisional.

7.7.6. Implementation of schemes

(i) Micro hydel programmes

Eight micro hydel project reports were got prepared and 9 preliminary surveys conducted by the Steel Industries Limited, Kerala (SILK) during the period from June 1989 to August 1996 incurring an expenditure of Rs 3.86 lakh. This expenditure included Rs 50,000 for preparation of the project report for a micro hydel project at Kakkadampoil which was not recommended by the Advisory Committee on micro hydel projects constituted in June 1989.

Two Micro hydel projects on which Rs 18.23 lakh were spent were not functioning.

In August 1991, two projects - one at Sugandhagiri and the other at Pookot - intended to provide power connection to 80 tribal houses were completed at a cost of Rs 18.23 lakh. The projects were entrusted to two nominated agencies, *viz.*, Sugandhagiri Cardamom Project and Pookot Dairy Farm for maintenance as these projects were for the benefit of the workers in the project area. Against the target of 80 tribal houses, only 16 houses were provided with power connection due to failure in extending transmission lines resulting in underutilisation of 80 *per cent* of the installed capacity. From March 1994 onwards, the project at Sugandhagiri was not working due to some mechanical defects. ANERT had not taken any action to repair the machine. The project at Pookot, though in working condition, was not being utilised from April 1994 onwards by the nominated agency. Reasons for non-utilisation of the project were not furnished. Thus there was no monitoring and periodical evaluation of the working of the completed projects by ANERT.

(ii) Solar Thermal Extension Programme

The main objective of Solar Thermal Extension Programme (STEP) was to give wide publicity and popularisation of solar thermal devices making use of freely available solar energy for providing low grade thermal energy primarily aimed at exploiting the enormous opportunities in solar thermal sector and save conventional energy sources like fossil fuels and electricity.

(a) Non-utilisation of subsidy

Subsidy of Rs 21.17 lakh received from GOI was not utilised.

During the period 1987-88 to 1993-94, Government of India (GOI) released subsidy of Rs 60.36 lakh. Of this, Rs 15.47 lakh were not utilised owing to non-implementation of the projects sanctioned by GOI. The unutilised subsidy had not been refunded to GOI as of December 1996. Further, subsidy amounting to Rs 5.70 lakh shown as disbursed in 1991-92 had not actually been disbursed. Thus unutilised portion of subsidy amounting to Rs 21.17 lakh had not been refunded even after the expiry of the extended period of utilisation.

(b) Extra expenditure due to rearrangement of work and non-realisation of mobilisation advance and beneficiary share

ANERT entrusted (March 1988) the work of installation of a Solar Water Heating System (SWHS) of 6000 litres per day (LPD) at Milk Chilling Plant, Chalakudi at a cost of Rs 3.72 lakh to a firm. Mobilisation advance of Rs 0.81 lakh was given to the firm in January 1989. As the firm did not execute the work, it was rearranged in November 1993 through another contractor at a cost of Rs 5.03 lakh. The extra expenditure due to rearrangement of the work amounted to Rs 1.31 lakh. The mobilisation advance of Rs 0.81 lakh given to the first contractor had not been recovered by invoking the bank guarantee for Rs 0.93 lakh furnished by the firm. Further, the beneficiary share of Rs 1.46 lakh had also not been realised from the Milk Chilling Plant though this should have been recovered in advance.

(c) Defective planning and lack of expertise in handling plant installation

Defective planning and lack of expertise resulted in idle investment on equipment costing Rs 4.46 lakh lying without installation since 1993.

In February 1991, ANERT entrusted the work of supply and installation of a SWHS of 10,000 LPD (cost : Rs 9.45 lakh to be shared equally between GOI and the beneficiary) in the Dairy Project, Thiruvananthapuram Regional Co-operative Milk Producers' Union at Ambalathara (Thiruvananthapuram District) to a Bangalore based firm. As the firm did not execute the work, the contract was cancelled in November 1991. Subsequently, EC approved (February 1993) a proposal (January 1993) of the scientist-in-charge of STEP that the work could be executed by ANERT directly subject to the condition that the expenditure should be within the original estimate of Rs 9.45 lakh. Equipment for the SWHS such as control panels, pumps, tank, etc., costing Rs 4.46 lakh were procured by ANERT during 1993. The installation work was again awarded (November 1993) to a firm for Rs 0.99 lakh. The work was, however, not carried out as the dairy changed its requirement of the SWHS to 5000 LPD instead of 10000 LPD as the beneficiary share increased to Rs 8 lakh due to change in subsidy pattern. The equipment purchased by ANERT at the cost of Rs 4.46 lakh were lying idle in the premises of the dairy since 1993.

(iii) Solar Photo Voltaic Programme

In Solar Photo Voltaic (SPV) Programme Technology, sunlight is directly converted into electricity using solar cells. Under the programme ANERT undertook installation of SPV street lighting and domestic lighting systems, distribution of solar lanterns, various types of modules, SPV refrigerators, etc.

(a) Purchase of defective solar lanterns

350 solar power lanterns costing Rs 14.02 lakh were found defective.

ANERT placed (December 1993) orders with a firm Y for supply of 700 solar power lanterns with modules at a cost of Rs 31.15 lakh. The supply was completed in March 1994 against the stipulated date of 20 January 1994. The firm supplied only 350 lanterns and another agency 'X' acting as an interim consignee on behalf of 'Y' supplied the balance 350 lanterns. Though the performance of the lanterns supplied by X was not satisfactory, 90 *per cent* of the cost of supply (Rs 14.02 lakh) was paid in April 1994 to Y. Firm X repaired 290 lanterns in April 1994 and a certificate for the satisfactory performance of the lanterns was issued by the Scientist-in-charge of SPV section in April 1994. The balance 60 lanterns were not made available for repairs. The lanterns supplied by X, however, could not be sold as the defects persisted (June 1997). No action was taken against the firm to recover the cost (Rs 14.02 lakh) of the defective lanterns. Further, the bank guarantee given by the firm for Rs 1.56 lakh which was valid up to 3 February 1995 was also not invoked by ANERT.

(b) Non-availment of subsidy due to irregular purchase

Subsidy of Rs 13.16 lakh was not released by GOI as the purchase of Domestic Lighting System was not in accordance with the guidelines.

Based on the decision (29 November 1994) of EC, ANERT purchased (January 1995 and March 1995) individual components (cost: Rs 26.31 lakh) for installation of 450 Domestic Lighting System (DLS) in anticipation of sanction from the Ministry of Non-conventional Energy Sources (MNES). Though MNES accorded sanction for installation of DLS in October 1995, its contribution amounting to Rs 13.16 lakh was not released on the ground that ANERT had procured individual components of DLS from various suppliers instead of procuring complete units in accordance with the guidelines issued by MNES.

(c) Avoidable extra expenditure on purchase of street lights

In response to the tender call of August 1994 for supply of 165 numbers of PL 11 street light units, Keltron (a Government company) quoted the lowest rate of Rs 1170 per unit. The second lowest offer was for Rs 1200 per unit. Both the offers were rejected on the ground that Keltron did not produce the sample and that the sample produced by the second lowest tenderer required some modification. ANERT purchased 315 street light units from the third tenderer who had quoted Rs 1400 per unit (excluding excise duty and sales tax). It was noticed that Keltron had supplied the same item in March 1994 and the quality was found good. Had ANERT accepted the offer of Keltron subject to the production of sample, extra expenditure of Rs 1.33 lakh could have been avoided.

(d) Idle refrigerators

ANERT purchased 4 SPV refrigerators at the cost of Rs 4.56 lakh in August 1995 for storage of vaccine. Of this, only two refrigerators were supplied to two district hospitals at Alappuzha and Pathanamthitta and the other two refrigerators costing Rs 2.28 lakh were held in stock as of December 1996.

(e) Excessive purchase of solar cookers

During February 1995 to June 1995, ANERT purchased 1130 solar cookers at a cost of Rs 18.18 lakh. Of these, 880 cookers costing Rs 14.16 lakh were held in stock (October 1996). The delay in distribution of the solar cookers indicated that ANERT had not assessed the requirement properly before effecting the purchase. Further, due to delay in making payment, ANERT could not avail the discount of Rs 1.22 lakh offered by the supplier for prompt payment.

(iv) Urjagram

Two projects approved by GOI to set up Urjagram in 2 areas were not implemented.

Urjagram is a village which meets most of its energy needs by making use of locally available sources of energy. The project report to set up Urjagram in 5 areas (Appappara and Pakkom in Wynad District, Chithalvetty and Thenmala in Kollam District and Bommiampadi in Palakkad District) was got prepared by Lal Bahadur Shastri Centre, Thiruvananthapuram at a cost of Rs 25,000. Of this, the proposal for the project in Bommiampadi was rejected by MNES. The share of MNES for implementation of the 3 programmes at Appappara, Chithalvetty and Thenmala was Rs 10.46 lakh.

The first stage of implementation of the programme at Appappara, taken up in October 1989 was completed in February 1990 at a cost of Rs 3.43 lakh. The second stage of the programme was approved by MNES in March 1990 at a cost of Rs 9.54 lakh of which share of MNES was Rs 5.76 lakh. However, ANERT had not taken up the implementation of the second stage even after a lapse of 7 years from the date of approval of the programme, the reasons for which were not furnished.

The project at Chithalvetty was not implemented. Government stated (September 1997) that the houses and colony in Chithalvetty were likely to be electrified under special scheme of the State Government. It was also noticed that though projects were not implemented, ANERT had received from MNES Rs 1 lakh for maintenance of the system and the funds had not been utilised as of September 1997. Due to non-implementation of the projects, the benefits envisaged in the Urjagram could not reach the people living in remote areas.

(v) Wind Energy Programme

Establishment of wind mapping stations at a cost of Rs 7 lakh did not yield the expected results.

(a) MNES sanctioned the Wind Mapping Project in 30 locations in the State in March 1988 at a cost of Rs 6.02 lakh (share of MNES: Rs 5.42 lakh). The expenditure on the project was later enhanced (March 1992) by MNES to Rs 8.35 lakh (share of MNES:Rs 7.52 lakh). An amount of Rs 5.50 lakh was released to ANERT by MNES during 1988-89 to 1991-92. The project was a joint venture of ANERT and Indian Institute of Tropical Meteorology, Bangalore (IITM). ANERT was to collect the data and forward the same to IITM.

The 30 wind mapping stations were commissioned at a cost of Rs 7 lakh by January 1990. The wind data were collected and forwarded to IITM during the period from February 1990 to February 1993 for preparation of Wind Atlas of Kerala. However, no wind map had been prepared as of January 1997, as the data collected by ANERT were found by IITM to be unreliable. The expenditure of Rs 7 lakh on wind mapping stations had become infructuous.

(b) In March 1993, a 3 KW wind electric generator was got installed by ANERT at Karayoor in Palakkad District through a Bhopal based private firm at a cost of Rs 5.67 lakh for providing electricity to 30 tribal houses. A solar back up system was also installed during March 1994 at a cost of Rs 2.80 lakh to provide electricity during the months March - April when the wind speed became insufficient to generate power. However, the whole system became defective due to frequent failure of the inverter and was dismantled in October 1994.

(vi) Rural Technology Programme

The primary object of Rural Technology Programme was to meet local needs based on utilisation of raw materials, energy sources and skills. The programme also aimed at identifying, formulating, implementing and demonstration of rural technologies and to provide technical/financial assistance for extension of rural technologies. It was noticed that ANERT had sponsored 9 training programmes proposed by various voluntary organisations on various subjects, such as food processing, tailoring and embroidery, home-nursing, book-binding, etc., not connected with energy conservation during the period from 1993-94 to 1996-97. The expenditure of Rs 2.21 lakh on these 9 training programmes was not in conformity with the objectives of ANERT.

(vii) National Programme on Improved Chulha

ANERT was selected as nodal agency for implementing the National Programme on Improved Chulha (NPIC) introduced in 1985 with the objective of fuel conservation, removal/reduction of smoke from kitchen, check on deforestation, environmental upgradation and generation of employment opportunities to the rural poor. The programme was started in the State from 1986-87 onwards and several voluntary agencies were involved in its implementation.

As per the administrative approvals, at least 20 *per cent* and 10 *per cent* of the Chulhas were to be installed in the houses of Scheduled Castes (SC) and Scheduled Tribes (ST) respectively. However, the coverage of SC/ST houses fell short of the prescribed percentage (except during 1996-97 in the case of SC dwellings) as shown below:

Coverage of SC/ST houses in the installation of chulhas fell short of the prescribed percentage.

Year	Total number of chulhas installed	Installation in		Percentage of installation in	
		SC houses	ST houses	SC houses	ST houses
1992-93	50273	2130	578	4	1
1993-94	43200	392	84	1	0.2
1994-95	60935	8100	15	13	0.02
1995-96	101437	11141	18	11	0.01
1996-97	74234	15223	Nil	21	Nil

No reasons for the shortfall were furnished by ANERT.

7.7.7. Other topics of interest

(i) Non-adjustment of temporary advances

Temporary advances amounting to Rs 84.50 lakh paid to officers on 828 occasions during the period from 1989-90 to September 1996 for conducting seminars, workshops, exhibition, purchase of equipment, etc., were pending adjustment as of January 1997 for want of final bills. Out of 58 officers in the head office against whom Rs 19.74 lakh were outstanding, 33 officers who had not submitted final bills in respect of previous advances had been paid advances subsequently. The advances outstanding against those officers were Rs 17.89 lakh.

(ii) Deposit of money in non-interest bearing accounts

The IREP block offices were authorised to operate bank accounts to deposit amounts received by them. Test-check revealed that IREP block offices had deposited the amounts in non-interest bearing accounts resulting in loss of interest to the tune of Rs 1.71 lakh (calculated at 6 *per cent* per annum) during the period from April 1994 to September 1996.

(iii) Avoidable expenditure on rent

(a) The IREP Office, Athiyannoor was accommodated in the ANERT Headquarters at Thycaud and it was shifted to another hired building at Thycaud in August 1992. In July 1993, ANERT hired another building at Thiruvallam to accommodate the IREP office. The building at Thycaud was handed over to the owner only in September 1997. The amount of rent paid for the building at Thycaud which remained vacant from August 1993 to September 1997 amounted to Rs 1.62 lakh.

(b) In April 1995, the Headquarters office of ANERT was shifted from a rented building at Thycaud to another rented building at Kesavadasapuram. Though the proposal to convert the vacated building at Thycaud as a guest house was dropped in July 1995 the building had not been vacated till April 1997 resulting in avoidable expenditure of Rs 1.27 lakh on rent and wages to watchmen.

(iv) Stock accounts

(a) As of 31 March 1997, stock worth Rs 5.12 crore were in stock account of ANERT (Headquarters : Rs 2.42 crore; IREP blocks : Rs 2.70 crore). No physical verification of stores had been conducted since inception of ANERT. The stock items included various types of batteries (cost : Rs 31.37 lakh) purchased during 1992-93 to 1994-95. Government stated (September 1997) that efforts were being made to utilise the batteries by proposing new projects.

(b) Though damaged stores valued at Rs 14.68 lakh were held (March 1997) in stock in 27 IREP block offices, no action was taken to enquire into the reasons for damages and also for their disposal.

(v) Monitoring and evaluation

ANERT had not conducted any evaluation of the various programmes except NPIC. A State level survey conducted during 1996-97 on the installation of chulhas brought out cases of non-installation of chulhas ranging from 3 *per cent* to 32 *per cent*.

7.8. Centre for Earth Science Studies

Funds earmarked for plan schemes were diverted by CESS mainly for meeting establishment expenditure.

The Centre for Earth Science Studies (CESS) was established by Government in March 1978 as a registered society under the Travancore-Cochin Literary, Scientific and Charitable Societies Registration Act, 1955 with the objective of carrying out basic and applied research in the field of earth science. It is substantially financed by grants from State Government.

(a) The budget of CESS for the years 1991-92 to 1994-95 contained proposals for implementation of core and special programmes. However, CESS had not implemented any of the programmes as of November 1996. CESS diverted grant-in-aid of Rs 3.60 crore received for implementation of plan schemes for meeting 'non-Plan' revenue and capital expenditure. Government stated that CESS was forced to utilise the funds provided under 'Plan' category for payment of salary and establishment costs as the funds allocated under 'non-Plan' category were insufficient.

(b) In May 1989, Government of India enhanced the minimum rate of Employees Provident Fund (EPF) contribution from 8.33 *per cent* to 10 *per cent* of pay in respect of the employees of certain classes of establishment. As scientific research and development establishments were not included in the notification, clarification was sought by CESS from the Regional Commissioner of EPF, who advised (August 1989) CESS to continue the recovery at 8.33 *per cent* as CESS did not come under the category of establishments to which the enhanced rate was applicable. However, the Executive Committee of CESS decided (December 1994) to enhance the EPF contribution to 10 *per cent* with effect from 1 January 1995. The additional liability incurred by CESS due to unauthorised enhancement of employer's share of contribution from the prescribed statutory minimum of 8.33 *per cent* for the period January 1995 to April 1997* would come to Rs 3.20 lakh. Government stated in July 1997 that CESS joined the EPF scheme on voluntary basis from March 1980 and the rate of contribution fixed by the EPF Commissioner from the very beginning was 8 *per cent* when the minimum rate was 6.25 *per cent*. Government also stated that it had therefore become obligatory on the part of CESS to enhance the contribution to 10 *per cent* when Government of India had enhanced the minimum rate from 6.25 *per cent* to 8.33 *per cent* and from 8 *per cent* to 10 *per cent* from June 1989. This argument was not acceptable as the Government notification in May 1989 fixing the rate did not cover scientific, research and development establishments and therefore was not applicable to CESS.

(c) In 1984, CESS printed 1250 copies of 'Resource Atlas of Kerala' at a cost of Rs 5.64 lakh for sale. The Atlas was prepared with the objective of forming a database for planning the developmental activities of the State. Only 376 copies were

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* The minimum rate of contribution of all employees was enhanced to 10 *per cent* by Government of India from 1 May 1997.

sold and 228 copies were distributed as complimentary copies during the 12 years from 1984-85 to 1995-96. The remaining 646 copies valued at Rs 3.87 lakh were held in stock as of November 1996. As the information available in the Atlas was mainly based on 1981-82 data and 1981 census, the Atlas had become outdated.

CULTURAL AFFAIRS DEPARTMENT

7.9. Infructuous expenditure on research projects

Failure on the part of C-DIT to renew the contract for appointment of Research and Development Personnel to facilitate completion of two research schemes resulted in infructuous expenditure of Rs 2.30 crore.

The Centre for Development of Imaging Technology (C-DIT), a society registered under the Travancore Cochin Literary, Scientific and Charitable Societies Registration Act, 1955 and sponsored by Kerala State Film Development Corporation Limited (a Government company) was established in December 1988 with the objective of conducting research and imparting training both in hardware and software technology for electronic media.

Of the five schemes proposed by C-DIT in February and June 1990 for implementation in first phase and sanctioned by Government in November 1990, two schemes, *viz*., Centre for Technology Adaptation and Absorption Scheme (C-TAAS) and Centre for Imaging Technology Application Research (C-ITAR) were taken up in 1990-91 with the stipulated period of completion as January 1993 in the case of C-TAAS and March 1993 in the case of C-ITAR. The scientists and technologists required for the schemes, who had been appointed on contract-basis, left C-DIT *en-masse* on expiry of their contract period of appointment (April 1993) and no action was taken by C-DIT either to renew their contract or to recruit new scientists. The expenditure on these schemes as of March 1996 was Rs 2.30 crore which included Rs 79.75 lakh spent on acquisition of capital assets. As C-DIT had not taken steps to get back from the scientists/technologists the technical data/documents collected and transfer of technology evolved before they left C-DIT, the schemes were abandoned in April 1993.

Although, C-DIT had decided in June 1994 to get the works on C-TAAS project completed by Electronic Research and Development Centre (ER&DC), the latter was not willing to take up the works for want of details of works already done.

Thus, the two schemes did not yield any result mainly due to failure on the part of C-DIT to renew the contracts of appointment of the scientists and technologists already working in the schemes till the completion of the projects or to take steps to get the technical data/documents and transfer of technology in respect of research work already done. Abandonment of the schemes thus resulted in infructuous expenditure of Rs 2.30 crore. The Registrar, C-DIT, while accepting (March/June 1997) that the failure of the management to renew the contract had resulted in stalling of the projects stated that changes in top management personnel after 1991 had slowed down the activities which finally culminated in termination of the contracts of the scientists and technologists in April 1993.

The matter was referred to Government in February 1997; reply had not been received (October 1997).

GENERAL EDUCATION DEPARTMENT

7.10. Blocking of Government funds due to purchase of paper in excess of requirement

Purchase of paper in excess of requirement resulted in blocking of funds to the tune of Rs 18.85 lakh.

The scheme 'Total Literacy Campaign' was being implemented in the State through Kerala Saksharatha Samithi (KSS), a registered society with Chief Minister as Chairman. In October 1993, KSS decided to purchase 100 tonnes of white paper for printing of books for neo-literates. Though necessary formalities for the purchase were completed by 29 March 1994, supply order was placed only on 9 May 1994 due to delay in getting the approval of Secretary of KSS. The delay resulted in extra payment of Rs 1.20 lakh due to enhancement of excise duty with effect from 1 April 1994.

Out of 100.70 tonnes of paper procured, 39.83 tonnes were issued to the printing presses between July 1994 and October 1994 and the remaining 60.87 tonnes of paper valued at Rs 14.70 lakh was still unutilised. The godown rent paid for stocking the unutilised paper for the period from October 1994 to March 1997 amounted to Rs 2.52 lakh. The rent payable for the period from April 1997 to October 1997 was Rs 0.49 lakh.

Further, 17.37 tonnes of paper valued at Rs 4.15 lakh issued for printing was remaining unutilised in the presses. Though the press had in October 1995 requested to lift the unused paper, no action had been taken by KSS (July 1997).

Thus purchase of paper in excess of actual requirement resulted in blocking of funds to the tune of Rs 18.85 lakh for the last 3 years and avoidable extra expenditure of Rs 3.01 lakh on account of rent of godown. The loss of interest on the blocked capital at the borrowing rate of 11 *per cent* for the period from October 1994 to October 1997 worked out to Rs 6.39 lakh.

KSS stated (July 1997) that action was being taken to dispose of the unutilised paper.

The matter was referred to Government in September 1997; reply had not been received (October 1997).

HIGHER EDUCATION DEPARTMENT

COCHIN UNIVERSITY OF SCIENCE AND TECHNOLOGY

7.11. Avoidable expenditure on excess teaching staff

While adopting UGC pay scales, CUSAT did not adopt the norms fixed by UGC for teaching hours which led to 25 teaching staff being in excess of norms.

Cochin University of Science and Technology (CUSAT),established in 1971, is mainly financed by grants from State Government, University Grants Commission (UGC), Government of India and other agencies like Defence Research and Development Organisation, Council of Scientific and Industrial Research, etc.

In March 1990, State Government decided to implement, with retrospective effect from 1 January 1986, the UGC Scheme prescribing, *inter alia,* revision of scales of pay and work load of teachers in Universities and Colleges. In May 1990, the Syndicate of CUSAT also decided to implement the UGC Scheme. According to the guidelines, the work load of teachers in full time employment in Universities in a week should not be less than 40 hours out of which 15 hours should be spent on direct teaching (10 hours for teaching, 1 hour for testing and 4 hours for laboratory/tutorials). The guidelines also stipulated that the teaching responsibility of senior teachers like Readers and Professors should be slightly reduced considering their other activities such as supervision and guidance of students for M.Phil and Ph.D and that no teacher should have significantly reduced work load.

A study of the strength of teaching staff in 5 departments, under CUSAT *viz.*, Electronics, Physics, Marine Biology, Industrial Fisheries and Law with reference to the work load assessed on the basis of time-tables set out for the academic year 1992-93 revealed that the teaching strength of 65 in these departments was in excess by 25 as worked out below:

Department	Direct teaching hours in a week as per time-table	Number of teachers required as per norms fixed by UGC	Number of teachers working	Excess
Electronics	204	14	16	2
Physics	148	10	18	8
Marine Biology	81	6	11	5
Industrial Fisheries	51	4	9	5
Law	79	6	11	5
Total	**563**	**40**	**65**	**25**

Of the 25 teachers, 14 (Electronics:2, Physics:6, Industrial Fisheries:4 and Law:2) were appointed after May 1990, *i.e.*, after the implementation of the UGC Scheme.

On this being pointed out (December 1993), CUSAT stated (March 1994) that the work load of a teacher in a University department would involve, apart from teaching activity, other equally important activities like research, conduct of seminars, self preparation, funded schemes, etc. and could not be subjected to rigid norms. It was also stated that the work load of teachers in the departments in question varied from 48 to 78 hours in a week and that all the 11 teachers in Law Department were engaged in direct teaching hours of 15 each.

The work load of 40 hours a week prescribed by UGC included 25 hours for research, own reading, teaching preparation, etc. In Law Department, the actual work load on direct teaching worked out to 79 hours including 18 hours earmarked for collaborative teaching and 1 hour for teaching Environmental Law in Department of Environmental Studies instead of 165 hours (15 hours each for 11 teachers) claimed by the University. Moreover, since CUSAT had decided to implement the UGC Scheme including work load of teachers, its argument that the work load could not be subjected to strict norms had no basis.

Thus, the appointment of 14 teachers after May 1990, without assessing the work load with reference to UGC Scheme, especially when the teachers in service were already in excess by 11 resulted in incurring of avoidable and permanent liability. The avoidable extra expenditure calculated at the minimum of the pay scale of each cadre for 5 years from 1992-93 to 1996-97 worked out to Rs 42.84 lakh.

Government stated (October 1995) that the UGC guidelines for teaching activities were only suggested guidelines expected to give broad direction to the functioning of the University and very rigorous application of the same without taking into consideration the various other related factors would only prove counter productive. However, the fact remained that out of 65 teachers working in 5 departments of the University 14 teachers were in excess with recurring annual liability of Rs 10.49 lakh with reference to pay drawn in January 1997. This could not be treated as marginal variation from the guidelines.

MAHATMA GANDHI UNIVERSITY

7.12. Irregular payment of campus and outstation allowances

Irregular payment of campus and outstation allowances to the employees without proper sanction from Government, amounted to Rs 49.15 lakh.

Consequent on shifting of the headquarters of Mahatma Gandhi University from Kottayam Town to Athirampuzha Panchayat in October 1987, the University granted campus allowance at the rate of 6 *per cent* of basic pay subject to a minimum of Rs 75 and a maximum of Rs 120 to its employees for a period of one year from the date of shifting in consideration of inadequate basic amenities like transportation, housing, canteen/hotels, etc., in the new place. The employees retained in Kottayam were also sanctioned outstation allowance at the same rate. The allowances were paid up to 8 March 1990 and thereafter merged with basic pay. The payment of these allowances was contrary to the provisions of the University Act, 1985 which provided that no special pay and allowances or other benefits having financial implications should be granted to any officer without prior approval of the Government. Though Government objected (November 1990 and October 1994) to the payment of the allowance and its subsequent merger with pay, it later on approved (August 1995) this as *fait accompli*.

Thus, the payment of campus and outstation allowances without prior sanction of Government led to irregular payment of Rs 49.15 lakh up to 30 September 1994.

The matter was referred to Government in January 1997; reply had not been received (October 1997).

7.13. Extra expenditure due to non-acceptance of tender within validity period

Non-acceptance of the tender received initially by Mahatma Gandhi University within its validity period resulted in extra expenditure of Rs 3.48 lakh on retender.

The University Engineer of Mahatma Gandhi University, Kottayam invited tenders in November 1992, for supply of Poly Vinyl Chloride (PVC) pipes of various sizes (estimated cost : Rs 5.34 lakh) for use in the campus water supply projects, fixing the last date of receipt of tenders as November 1992. Of the seven tenders received which were valid up to 24 February 1993, the lowest offer was not considered as the tenderer had quoted rates only for some of the items tendered. After negotiation with the next three lower tenderers, the University Engineer forwarded the negotiated rate of 50.56 *per cent* above estimate (Rs 8.04 lakh) of firm A to the Registrar on 10 February 1993 for acceptance. Meanwhile, at the instance of the University Engineer, firm A extended the validity period up to 28 February 1993. Though the Syndicate met on 15 February 1993 and 27 February 1993, the tender was placed before the Syndicate only on 20 March 1993, *i.e.* 19 days after expiry of the validity period. The Syndicate accepted (20 March 1993) the tender submitted by firm A and issued supply order in April 1993. However, the firm declined to honour the supply order on the ground that the validity period was over and that the prices of PVC pipes had gone up. On the basis of retender (August 1993) supply order was placed with another firm for Rs 11.52 lakh which was 115.67 *per cent* above estimate. The firm completed the supply in January 1994.

Thus non-acceptance of the tender received initially within its validity period resulted in extra expenditure of Rs 3.48 lakh.

Government stated (October 1996) that due to procedural formalities the supply order could not be placed before the deadline set by the firm. Government had, however, not explained the reasons for not placing the tender before the Syndicate at its meetings held on 15 February 1993 and 27 February 1993.

IRRIGATION (WATER SUPPLY) DEPARTMENT

KERALA WATER AUTHORITY

7.14. Delay in settling final bills of contractors

Due to delay in settling the final bills of contractors, the net amount of Rs 1.28 crore recoverable from the contractors in 43 cases remained unrealised.

According to the provisions of Kerala Public Works Account Code (Code), the accounts of works were to be closed as soon as possible on their completion and surplus materials at site were to be disposed of without delay.

A review of non-settlement of final bills in 17 Public Health Divisions revealed the following:

(i) The divisions had not maintained properly the relevant records such as Work register, Material at site account, Contractor's ledger, Bill register relating to the settlement of final bills, etc., as prescribed in the Code. As a result, the exact number of final bills pending settlement was not available.

(ii) In respect of the works which were completed between 1978-79 and 1994-95, in 87 cases the bills of the contractors were pending finalisation according to the assessment made by Audit based on the records made available. Of these, in 43 cases Rs 1.47 crore towards the cost of departmental materials were recoverable from the contractors whereas the Authority owed only Rs 18.86 lakh to the contractors by way of retention amount/security deposit/work done. Thus, the net amount recoverable from the contractors was Rs 1.28 crore. The Authority had not taken any action to close the bills and recover the amount outstanding against the contractors.

The matter was referred to Government in February 1997; reply had not been received (October 1997).

7.15. Non-recovery of dues from contractors

Kerala Water Authority failed to assess and recover the liabilities of defaulting contractors amounting to Rs 1.37 crore in respect of 20 works, terminated between 1980-81 and 1995-96.

According to the general instructions issued by State Government in December 1972, when a work awarded to a contractor was cancelled by the department at his risk and cost, the liability of the defaulting contractor should be determined and recovered within one year from the date of arrangement of the balance work through fresh contracts. The records of the 18 divisions of the Kerala Water Authority (Authority) revealed that this time limit of one year was not observed rendering recovery of dues from the contractors difficult.

In 23 test checked works which were terminated between 1980-81 and 1995-96, the liabilities of the contractors were neither assessed nor recovered by the Authority. According to the figures compiled by Audit based on the records of the Authority, in 13 cases, Rs 96.58 lakh were outstanding towards extra expenditure and cost of materials and in 7 cases Rs 40.67 lakh were outstanding towards cost of materials alone. In the remaining 3 cases the contractors' liability towards cost of materials or extra expenditure could not be assessed in audit for want of complete records. Thus the total amount due to the Authority from contractors in 20 cases worked out to Rs 1.37 crore.

The matter was referred to Government in January 1997; reply had not been received (October 1997).

7.16. Extra expenditure due to adoption of higher rates for excavation in medium rock

Adoption of higher rates for excavation in medium rock by 3 divisions of the Kerala Water Authority resulted in extra expenditure of Rs 23.93 lakh in respect of 31 works arranged between 1992-93 and 1994-95.

According to the Technical circular issued (November 1991) by the Kerala Water Authority (Authority), item 53(a) of Standard Data Book with an allowance of 10 *per cent* extra for labour charges was to be adopted for arriving at the rate for earth work excavation in medium rock for trenches for laying pipes. Accordingly, the rate for 10 cubic metres of medium rock excavation ranged between Rs 689.13 and Rs 859.39 for the periods from 1992-93 to 1994-95. It was, however, seen in audit that three divisions of the Authority under Public Health Circle, Kozhikode *viz.*, Public Health Divisions, Edappal, Mattannur and Malappuram adopted rates ranging from Rs 992.26 to Rs 1165.45 for 31 excavation works arranged between 1992-93 and 1994-95 which were higher than those stipulated in the Technical circular. The additional payment made to contractors on this account worked out to Rs 23.93 lakh as of January 1997.

The divisions stated that the labour provided in the Standard Data Book was not sufficient and that they had followed the direction of the Chief Engineer (CE)/Superintending Engineer(SE), Kozhikode. The reply was not tenable as the CE/SE were not empowered to overrule the Technical circular which was issued by the Authority after taking into account all the aspects of the case.

The matter was referred to Government in January 1997; reply had not been received (October 1997).

7.17. Hidden benefit to contractor

Failure of Kerala Water Authority to reduce the contractual amount consequent on reduction of road restoration cost, afforded unintended benefit of Rs 41.18 lakh to the contractor.

According to the practice followed by Kerala Water Authority (Authority) for works involving cutting open the roads for laying pipes, the road restoration charges were remitted directly to Public Works Department (PWD)/local body in advance and such charges were not taken into account for arriving at the rate for laying pipes and hence not included in the contract.

Chief Engineer (Southern Region) of the Authority entrusted to two contractors on turn key* basis two works comprising supply of 700mm and 500 mm dia Asbestos Cement pipes and laying transmission mains for water supply to Changanassery and Thiruvalla municipalities for Rs 3.97 crore and Rs 1.67 crore in November and December 1991 respectively. The rates, in this case, however, were inclusive of road restoration charges. The Authority also separately remitted (March 1991) Rs 40.34 lakh in advance to the PWD (Rs 39.23 lakh) and to Thiruvalla municipality (Rs 1.11 lakh) on account of the road restoration charges, on lumpsum basis.

While executing the work, most of the pipes were laid along the earthen portion of the road and therefore , road restoration work for Rs 7.32 lakh only was necessitated. In the original estimate (Rs 3.85 crore) of the works Rs 33.04 lakh had been provided for the road restoration charges which worked out to 8.6 *per cent* of original estimate. On this basis the proportionate cost of restoration work in the lump-sum contract value of Rs 5.64 crore would be Rs 48.50 lakh. Recovery effected from the contractor towards cost of road restoration work was only Rs 7.32 lakh.

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* The contract involves completion of all works connected with the scheme including its commissioning and a specified guarantee period from the date of commissioning.

Consequently, the contractor had derived a hidden and unjustified benefit of Rs 41.18 lakh on this component of the work.

In addition, the failure of the Authority in assessing the actual expenditure towards road restoration resulted in remittance of excess amount of Rs 33.02 lakh to the PWD and Thiruvalla Municipality. Loss of interest to the Authority on the outstanding advance at their borrowing rate of 18 *per cent* per annum for the period March 1991 to March 1997 amounted to Rs 35.66 lakh.

The matter was referred to Government in March 1997; reply had not been received (October 1997).

7.18. Delay in adjustment of temporary advances

Temporary advances amounting to Rs 17.36 lakh paid to 8 Assistant Engineers including two retired engineers were pending adjustment, for over six years.

According to the Kerala Public Works Account Code, the accounts of temporary advances granted to subordinate officers to enable them to make petty payments on muster rolls or other vouchers which had already been passed for payment should be closed as soon as possible and the unspent balances should be remitted back to the disbursing officer after three months. The Codal provisions further stipulated that reasons for the delay in clearing temporary advances outstanding in the cash accounts of the second preceding month were to be given by the Divisional Officers in the 'Certificate of Cash Balance' furnished along with monthly account. A test-check of the records of the Public Health Division, Thiruvananthapuram of the Kerala Water Authority, revealed that these provisions for the timely adjustment of advances and proper maintenance of registers were not adhered to. As a result, temporary advances amounting to Rs 17.36 lakh paid to 8 Assistant Engineers(AEs) from 1991 onwards were pending adjustment. Of this, Rs 15.13 lakh were pending against 2 AEs who had already retired (May 1991 and May 1995) from service. Though the Death-cum-Retirement Gratuity (Rs 0.86 lakh) of the retired AEs had been withheld, no action was taken to recover the balance (Rs 14.27 lakh) due from them and also that outstanding against other officials

The matter was referred to Government in July 1997; reply had not been received (October 1997).

7.19. Excess payment due to wrong fixation of pay

Wrong fixation of pay of 42 officers consequent on their promotion to higher posts/grade promotions on implementation of pay revision sanctioned by Government cost Rs 6.11 lakh to Kerala Water Authority.

The pay and allowances and other conditions of service of the staff of Kerala Water Authority (Authority) are regulated according to the provisions contained in Kerala Service Rules and orders issued by Government from time to time.

Test-check of Service Books and connected records of officers of the Authority conducted between April 1997 and June 1997 revealed incorrect fixation of pay consequent on their promotion to higher posts/grade promotion on implementation of pay revision sanctioned by Government with effect from 1 March 1992. Excess payment involved in 42 cases worked out to Rs 6.11 lakh.

The matter was referred to Government in June 1997; reply had not been received (October 1997).

INDUSTRIES DEPARTMENT

7.20. Non-recovery of penal interest

Deviating from the procedure relating to recovery of penal interest laid down by Khadi and Village Industries Commission, Kerala Khadi and Village Industries Board waived penal interest amounting to Rs 16.55 lakh due from a society.

Mention was made in paragraph 8.13.11 of the Report of the Comptroller and Auditor General of India for the year 1986-87 (Civil) of the misutilisation of loans granted to a charitable society in Thiruvananthapuram District and initiation of recovery proceedings of outstanding loans and advances aggregating Rs 20.58 lakh. The loans and advances were granted by Kerala Khadi and Village Industries Board (KKVIB) between October 1978 and July 1984. While the revenue recovery proceedings were under-way, the society proposed to KKVIB in November 1994 to remit the principal amount of loan/advance together with simple interest up to March 1985, the date on which KKVIB addressed the revenue authorities for recovery of the outstanding dues. KKVIB resolved in January 1995 to refer the proposal to the Khadi and Village Industries Commission (KVIC). In March 1995, KVIC agreed to the recovery proposals recommended by KKVIB and accordingly, the society remitted Rs 25.03 lakh (loans and advances : Rs 19.44 lakh , interest on over due instalments as of March 1985: Rs 4.07 lakh , other dues : Rs 1.52 lakh) in March 1995. However, in regard to recovery of penal interest, KVIC advised KKVIB to follow the procedure laid down in the Commission's circular dated 19 February 1990 according to which levy of penal interest was mandatory in cases where loan was misutilised and/or diverted and that levy of penal interest once decided upon should not be reconsidered. As KKVIB had demanded penal interest also from the society in February 1985, the option regarding waiving of penal interest stood foreclosed. Thus, without obtaining proper authority from KVIC, the waiver of penal interest by KKVIB from the society resulted in loss amounting to Rs 16.55 lakh.

Government stated (May 1996) that since KVIC had given permission not to levy simple interest beyond 31 March 1985 (*i.e.* the date on which revenue recovery action was initiated), it followed that KVIC was agreeable for the waiver of penal interest as well. Government also pointed out that in respect of levy of penal interest, KKVIB had been directed by KVIC to adhere to the procedure prescribed in February 1990. As the Commission had specifically asked KKVIB to follow the prescribed procedure laid down in February 1990 in regard to recovery of penal interest, the contention that non-levy of penal interest had the tacit approval of the Commission was untenable. Specific sanction for the waiver of the penal interest had not been received from KVIC even till August 1997.

LOCAL ADMINISTRATION DEPARTMENT

7.21. Unauthorised retention of funds of Centrally Sponsored Scheme for over 4 years without implementing a scheme

Even before identifying prospective beneficiaries and drawing up an action plan to implement SHASU, Thiruvananthapuram Development Authority drew Rs 1.15 crore from KUDFC and utilised bulk of the assistance to discharge its earlier loan liabilities.

Scheme for employment through Housing and Shelter Upgradation (SHASU), a component Scheme of Nehru Rozgar Yojana, was intended to provide financial assistance to economically weaker sections to construct simple dwellings or upgrade their dwellings. The assistance was Rs 4000 of which Rs 3000 were in the form of loan to be provided by Housing and Urban Development Corporation (HUDCO) through Kerala Urban Development Finance Corporation (KUDFC) and the balance Rs 1000 as subsidy to be shared by Government of India and State Government in the ratio 80:20 up to 1991-92 and 60:40 from 1992-93 onwards.

The State Government in April 1993 issued sanction in favour of Thiruvananthapuram Development Authority (TRIDA) for implementing the scheme in 15 panchayats. TRIDA drew the entire amount of Rs 1.15 crore from KUDFC in April 1993, even before drawing/finalising the Scheme and utilised bulk of the assistance (Rs 65.32 lakh) in discharging its earlier outstanding loan liabilities. In

September 1995, TRIDA abandoned the Scheme without giving assistance to a single beneficiary on the ground that there was poor demand from the public. As of August 1997, TRIDA had refunded only Rs 55.22 lakh.

Drawal of the assistance by TRIDA even before identifying the prospective beneficiaries and drawing up an action plan to implement the scheme resulted in blocking of funds for more than 4 years. The liability of interest/penal interest for default in repayment of principal/payment of interest worked out to Rs 3.10 lakh as of September 1997.

The matter was referred to Government in February 1997; reply had not been received (October 1997).

Thiruvananthapuram,
The

(M.DEENA DAYALAN)
Accountant General (Audit), Kerala.

Countersigned

V. K. Shunglu

New Delhi,
The

(V.K.SHUNGLU)
Comptroller and Auditor General of India.

APPENDICES

APPENDIX 1

List of Statutory corporations and Government companies having accumulated loss and investment in them by Government

(Reference : Paragraph 1.6.4; Page 37)

Sl. No.	Name of concern	Government investment as of 31 March 1997	Accumulated loss	Period up to which accounts were finalised
		(Rupees in crore)		
1	Kerala State Warehousing Corporation	3.00	0.49	1995-96
2	Kerala State Road Transport Corporation	54.77	293.74	1995-96
3	Kerala Industrial Infrastructure Development Corporation	69.24	0.45	1995-96
4	The Kerala Fisheries Corporation Limited	4.85	11.05 (*)	1984-85
5	Kerala Tourism Development Corporation Limited	16.51	8.43	1993-94
6	Kerala State Industrial Development Corporation Limited	152.28	3.36	1995-96
7	Kerala Construction Components Limited	0.28	0.76	1988-89
8	Traco Cable Company Limited	12.82	4.87	1995-96
9	The Kerala Premo Pipe Factory Limited	1.31	1.11 (*) (p)	1992-93
10	The Kerala Ceramics Limited	2.97	20.86 (p)	1996-97
11	The Kerala Agro-Industries Corporation Limited	3.05	4.95	1994-95
12	Trivandrum Spinning Mills Limited	4.64	9.39	1995-96
13	Kerala Electrical and Allied Engineering Company Limited	12.15	28.06	1995-96
14	Kerala Soaps and Oils Limited	2.59	20.03	1990-91
15	Travancore Plywood Industries Limited	0.49	12.57	1995-96
16	Trivandrum Rubber Works Limited	2.75	14.61	1989-90
17	Kerala State Handloom Development Corporation Limited	9.82	5.73 (p)	1995-96
18	Handicrafts Development Corporation of Kerala Limited	1.84	1.75	1991-92
19	The Kerala State Cashew Development Corporation Limited	30.67	146.54 (p)	1996-97
20	Chalakudy Refractories Limited	3.47	3.36 (*)	1989-90

(*) Under liquidation

(p) Provisional figure

(*) Under liquidation

APPENDIX 1 – *Contd.*

Sl. No.	Name of concern	Government investment as of 31 March 1997	Accumulated loss	Period up to which accounts were finalised
		(Rupees in crore)		
21	Kerala State Coir Corporation Limited	4.50	2.86(p)	1996-97
22	Kerala State Drugs and Pharmaceuticals Limited	0.26	22.19	1992-93
23	Sitaram Textiles Limited	4.20	17.80(p)	1995-96
24	Kerala State Textile Corporation Limited	11.33	5.85	1992-93
25	The Kerala Land Development Corporation Limited	6.71	30.54	1994-95
26	Kerala State Industrial Enterprises Limited	43.60	0.02	1994-95
27	Kerala State Electronics Development Corporation Limited	86.49	83.73	1994-95
28	The Travancore Sugars and Chemicals Limited	0.26	3.67	1995-96
29	The Kerala State Civil Supplies Corporation Limited	8.56	25.79	1990-91
30	The Kerala Forest Development Corporation Limited	4.19	0.81	1990-91
31	Scooters Kerala Limited	2.20	4.93(p)	1996-97
32	Kerala Automobiles Limited	2.73	15.51	1995-96
33	Steel Industrials Kerala Limited	26.73	9.97	1995-96
34	Kerala State Construction Corporation Limited	0.88	6.11	1992-93
35	Kerala State Film Development Corporation Limited	11.52	11.35	1994-95
36	Kerala Livestock Development Board Limited	3.54	1.99(p)	1995-96
37	The Pharmaceutical Corporation (Indian Medicines) Kerala Limited	0.92	0.76	1994-95
38	Kerala State Coconut Development Corporation Limited	2.85	8.41	1990-91
39	Kerala Small Industries Development Corporation Limited	6.98	14.38	1994-95
40	Overseas Development and Employment Promotion Consultants Limited	0.52	0.25	1995-96
41	Kerala Fishermen's Welfare Corporation Limited	0.42	1.00(*)	1982-83
42	Kerala State Engineering Works Limited	0.19	1.51(*)	1991-92

(p) Provisional figure

(*) Under liquidation

APPENDIX 1 – *Concld.*

Sl. No.	Name of concern	Government investment as of 31 March 1997	Accumulated loss	Period up to which accounts were finalised
		(Rupees in crore)		
43	Metropolitan Engineering Company Limited	2.41	4.32	1992-93
44	The Kerala State Handicapped Persons' Welfare Corporation Limited	1.47	0.44	1987-88
45	Kerala Artisans' Development Corporation Limited	0.68	0.63	1991-92
46	Kerala State Development Corporation for Christian Converts from Scheduled Castes and the Recommended Communities Limited	3.28	0.20	1988-89
47	Transformers and Electricals Kerala Limited	11.20	33.14	1994-95
48	The Metal Industries Limited	0.38	0.40	1995-96
49	Meat Products of India Limited	0.98	2.41	1994-95
50	Kerala State Palmyrah Products Development and Workers' Welfare Corporation Limited	0.75	0.12	1994-95
51	Kerala State Women's Development Corporation Limited	1.80	0.06	1990-91
52	Kerala State Horticultural Products Development Corporation Limited	0.83	0.47	1992-93
53	Kunnathara Textiles Limited	1.71	4.49	1988-89
54	Kerala Hitech Industries Limited	13.00	9.37	1995-96
55	Kerala School Teachers and Non-teaching Staff Welfare Corporation Limited	0.50	0.16	1991-92
56	Steel Complex Limited	3.00	23.10	1995-96
	Total	**661.07**	**940.85**	

(Source : Statement No. 14 of Finance Accounts 1996-97)

APPENDIX 2

Extent of arrears in finalisation of annual accounts by Government companies

(Reference : Paragraph 1.6.5; Page 37)

Sl. No.	Name of Government company	Year from which accounts are in arrears	Number of annual accounts in arrears
1	The Kerala State Handicapped Persons' Welfare Corporation Limited	1988-89	9
2	The Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited	1989-90	8
3	Kerala State Development Corporation for Christian Converts from Scheduled Castes and the Recommended Communities Limited	1989-90	8
4	Kerala Construction Components Limited	1990-91	7
5	Trivandrum Rubber Works Limited	1990-91	7
6	Kerala State Handloom Development Corporation Limited	1990-91	7
7	Kerala Soaps and Oils Limited	1991-92	6
8	The Kerala State Civil Supplies Corporation Limited	1991-92	6
9	Kerala State Coconut Development Corporation Limited	1991-92	6
10	Kerala State Women's Development Corporation Limited	1991-92	6
11	Handicrafts Development Corporation of Kerala Limited	1992-93	5
12	The Kerala Forest Development Corporation Limited	1992-93	5
13	Kerala Artisans' Development Corporation Limited	1992-93	5

APPENDIX 2 – *Contd.*

Sl. No.	Name of Government company	Year from which accounts are in arrears	Number of annual accounts in arrears
14	Kerala School Teachers and Non-teaching Staff Welfare Corporation Limited	1992-93	5
15	Kerala State Drugs and Pharmaceuticals Limited	1993-94	4
16	Sitaram Textiles Limited	1993-94	4
17	Kerala State Textile Corporation Limited	1993-94	4
18	Kerala State Construction Corporation Limited	1993-94	4
19	Kerala Livestock Development Board Limited	1993-94	4
20	Metropolitan Engineering Company Limited	1993-94	4
21	Kerala State Horticultural Products Limited	1993-94	4
22	Steel Complex Limited.	1993-94	4
23	Kerala Tourism Development Corporation Limited	1994-95	3
24	The State Farming Corporation of Kerala Limited	1994-95	3
25	The Kerala Land Development Corporation Limited	1994-95	3
26	Kerala State Poultry Development Corporation Limited	1994-95	3
27	The Kerala Agro-Industries Corporation Limited	1995-96	2
28	The Kerala State Financial Enterprises Limited	1995-96	2
29	Kerala State Electronics Development Corporation Limited.	1995-96	2

APPENDIX 2 – *Contd.*

Sl. No.	Name of Government company	Year from which accounts are in arrears	Number of annual accounts in arrears
30	Kerala State Bamboo Corporation Limited	1995-96	2
31	The Pharmaceutical Corporation (Indian Medicines) Kerala Limited	1995-96	2
32	Kerala Small Industries Development Corporation Limited	1995-96	2
33	Meat Products of India Limited	1995-96	2
34	Kerala State Palmyrah Products Development and Welfare Corporation Limited	1995-96	2
35	Transformers and Electricals Kerala Limited	1995-96	2
36	Kerala State Backward Classes' Development Corporation	1995-96	2
37	Forest Industries (Travancore) Limited	1996-97	1
38	Kerala State Industrial Development Corporation Limited	1996-97	1
39	Traco Cable Company Limited.	1996-97	1
40	The Plantation Corporation of Kerala Limited	1996-97	1
41	Trivandrum Spinning Mills Limited	1996-97	1
42	Kerala Electrical and Allied Engineering Company Limited	1996-97	1
43	Travancore Plywood Industries Limited	1996-97	1
44	United Electrical Industries Limited	1996-97	1
45	Kerala Urban Development and Finance Corporation Limited	1996-97	1

APPENDIX 2 – *Concld.*

Sl. No.	Name of Government company	Year from which accounts are in arrears	Number of annual accounts in arrears
46	Kerala State Industrial Enterprises Limited	1996-97	1
47	Kerala Automobiles Limited	1996-97	1
48	Steel Industrials Kerala Limited	1996-97	1
49	Kerala State Film Development Corporation Limited	1996-97	1
50	Kerala Shipping and Inland Navigation Corporation Limited	1996-97	1
51	Overseas Development and Employment Promotion Consultants Limited	1996-97	1
52	Malabar Cements Limited	1996-97	1
53	Kerala State Beverages (Manufacturing and Marketing) Corporation Limited	1996-97	1
54	The Metal Industries Limited	1996-97	1
55	Kerala Hitech Industries Limited	1996-97	1
56	The Travancore Cements Limited	1996-97	1
57	Kerala Police Housing and Construction Corporation Limited	1996-97	1
58	Kerala Transport Development Finance Corporation Limited	1996-97	1

APPENDIX 3

Panoramic view of the transactions under 'Other obligations' during 1992-97

(Reference : Paragraph 1.8.3; Page 45)

(Rupees in crore)

Sl. No.	Particulars	1992-93	1993-94	1994-95	1995-96	1996-97	Total
Small Savings							
1	Additions	1268.78	1629.29	1880.90	1887.17	1988.28	8654.42
2	Disbursements	1142.05	1504.39	1581.54	1824.76	1809.58	7862.32
3	Net addition (1-2)	126.73	124.90	299.36	62.41	178.70	792.10
4	Interest paid	40.19	45.79	103.26	64.62	62.46	316.32
5	Debt obligation discharged (2+4) and its percentage to additions	1182.24 93	1550.18 95	1684.80 90	1889.38 100	1872.04 94	8178.64 95
State Provident Funds							
6	Additions	405.07	692.14	773.16	800.90	880.11	3551.38
7	Disbursements	337.98	368.82	428.20	513.36	636.32	2284.68
8	Net addition (6-7)	67.09	323.32	344.96	287.54	243.79	1266.70
9	Interest paid	101.92	174.13	159.33	176.04	214.66	826.08
10	Debt obligation discharged (7+9) and its percentage to additions	439.90 109	542.95 78	587.53 76	689.40 86	850.98 97	3110.76 88

APPENDIX 3 - *Contd.*

Sl. No.	Particulars	1992-93	1993-94	1994-95	1995-96	1996-97	Total
Trusts, Endowments and Insurance and Pension Funds							
11	Additions	27.22	29.04	31.50	34.63	38.84	161.23
12	Disburse-ments	7.42	9.44	10.08	11.08	12.82	50.84
13	Net addition (11-12)	19.80	19.60	21.42	23.55	26.02	110.39
14	Interest paid	7.74	8.10	9.89	11.70	13.94	51.37
15	Debt obligation discharged (12+14) and its percentage to additions	15.16 56	17.54 60	19.97 63	22.78 66	26.76 69	102.21 63
Reserve Funds							
16	Additions	50.91	20.28	37.01	89.62	49.57	247.39
17	Disburse-ments	59.30	16.50	31.83	49.20	55.22	212.05
18	Net addition (16-17)	(-)8.39	3.78	5.18	40.42	(-)5.65	35.34
19	Interest paid	0.07	0.08	0.08	0.09	0.11	0.43
20	Debt obligation discharged (17+19) and its percentage to addition	59.37 117	16.58 82	31.91 86	49.29 55	55.33 112	212.48 86
Deposits							
21	Addition	825.69	927.67	1070.89	1309.69	1768.47	5902.41
22	Disburse-ments	762.70	918.94	1058.92	1191.29	1374.88	5306.73

APPENDIX 3 – *Concld.*

Sl. No.	Particulars	1992-93	1993-94	1994-95	1995-96	1996-97	Total
23	Net addition (21-22) (percentage of disburse-ments to addition)	62.99 92	8.73 99	11.97 99	118.40 91	393.59 78	595.68 90
Grand Total							
24	Additions	2577.67	3298.42	3793.46	4122.01	4725.27	18516.83
25	Disburse-ments	2309.45	2818.09	3110.57	3589.69	3888.82	15716.62
26	Net addition (24-25)	268.22	480.33	682.89	532.32	836.45	2800.21
27	Interest paid	149.92	228.10	272.56	252.45	291.17	1194.20
28	Debt obligation discharged (25+27) and its percentage to addition	2459.37 95	3046.19 92	3383.13 89	3842.14 93	4179.99 88	16910.82 91

APPENDIX 4

Cases of unnecessary supplementary grants/appropriations

(Reference : Paragraph 2.3.2; Page 56)

Sl. No.	Number and name of grant	Original grant	Supplementary grant	Actual expenditure	Savings	Supplementary grant obtained in March 1997
		(Rupees in crore)				
	REVENUE (VOTED) SECTION					
1	I - State Legislature	7.87	0.19	7.15	0.91	0.19
2	II - Heads of States, Ministers and Headquarters staff	43.99	4.03	40.52	7.50	3.74
3	III - Administration of Justice	47.00	0.09	44.78	2.31	0.09
4	V - Agricultural Income Tax and Sales Tax	32.11	0.39	29.48	3.02	0.39
5	VIII - Excise	28.08	0.06	22.98	5.16	0.06
6	X - Treasury and Accounts	26.85	1.43	26.65	1.63	1.28
7	XI - District Administration and Miscellaneous	64.99	3.42	62.66	5.75	3.42
8	XIII - Jails	13.39	0.01	12.49	0.91	0.01
9	XIV - Stationery and Printing and other Administrative Services	50.07	0.67	46.28	4.46	0.36
10	XV - Public Works	223.78	15.57	219.63	19.72	15.57
11	XVII - Education, Sports, Art and Culture	1868.57	27.11	1643.98	251.70	23.65
12	XVIII - Medical and Public Health	436.93	1.82	368.32	70.43	1.82

APPENDIX 4 – *Contd.*

Sl. No.	Number and name of grant	Original grant	Supplementary grant	Actual expenditure	Savings	Supplementary grant obtained in March 1997
		(Rupees in crore)				
13	XX - Water Supply and Sanitation	105.12	0.37	103.11	2.38	0.37
14	XXII - Urban Development	85.19	4.00	83.81	5.38	4.00
15	XXIII - Information and Publicity	6.84	0.07	6.32	0.59	0.07
16	XXIV - Labour and Labour Welfare	59.06	3.17	54.44	7.79	3.12
17	XXV - Social Welfare including Harijan Welfare	321.04	17.17	317.26	20.95	16.83
18	XXVII - Co-operation	36.73	1.00	31.37	6.36	1.00
19	XXVIII - Miscellaneous Economic Services	29.34	1.45	25.24	5.55	1.35
20	XXIX - Agriculture	368.28	12.59	347.17	33.70	9.75
21	XXX - Food	17.25	73.16	67.86	22.55	0.16
22	XXXI - Animal Husbandry	55.73	2.83	54.52	4.04	2.83
23	XXXIII - Fisheries	41.30	1.10	31.52	10.88	0.16
24	XXXIV - Forest	103.06	0.16	88.26	14.96	0.16
25	XXXVI - Community Development	118.43	7.28	89.89	35.82	7.28
26	XXXVIII- Irrigation	76.10	10.15	77.67	8.58	2.15
27	XL - Ports	5.42	0.06	4.29	1.19	0.06
REVENUE (CHARGED) SECTION						
28	II - Heads of States, Ministers and Headquarters staff	10.97	0.74	10.76	0.95	0.74
29	XV - Public Works	0.19	0.12	0.17	0.14	0.12

APPENDIX 4 – *Concld.*

Sl. No.	Number and name of grant	Original grant	Supplementary grant	Actual expenditure	Savings	Supplementary grant obtained in March 1997
		(Rupees in crore)				
CAPITAL (VOTED) SECTION						
30	XVII - Education, Sports, Art and Culture	31.29	0.06	28.68	2.67	0.06
31	XX - Water Supply and Sanitation	52.20	2.06	37.72	16.54	2.06
32	XXIX - Agriculture	32.26	1.05	22.12	11.19	1.05
33	XXXIII - Fisheries	45.58	0.30	25.57	20.31	0.30
34	XXXVIII - Irrigation	168.85	9.17	163.93	14.09	9.17
35	XLI - Transport	18.88	0.57	11.89	7.56	0.57
36	XLV - Miscellaneous Loans and Advances	27.13	3.12	29.94	0.31	0.12
CAPITAL (CHARGED) SECTION						
37	XV - Public Works	0.73	0.04	0.42	0.35	0.04
	Total	**4660.60**	**206.58**	**4238.85**	**628.33**	**114.10**

APPENDIX 5

Cases of excessive supplementary grants/appropriations

(Reference : Paragraph 2.3.2; Page 56)

Sl. No.	Number and name of grant	Original grant	Supple-mentary grant	Actual expendi-ture	Savings	Supple-mentary grant obtained in March 1997
		(Rupees in crore)				
	REVENUE (VOTED) SECTION					
1	XVI - Pensions and Miscellaneous	822.74	62.64	848.15	37.23	62.64
2	XXI - Housing	29.16	7.52	34.35	2.33	7.51
3	XXXII - Dairy	13.33	1.04	13.56	0.81	1.04
4	XXXV - Panchayat	168.99	22.02	186.42	4.59	22.02
5	XXXVII - Industries	129.19	35.22	146.98	17.43	35.22
6	XLII - Tourism	23.63	3.65	26.53	0.75	3.65
	CAPITAL (VOTED) SECTION					
7	XV - Public Works	143.15	13.87	155.23	1.79	13.87
8	XXX - Food	26.13	15.16	39.50	1.79	15.16
9	XXXVII - Industries	224.38	24.80	233.89	15.29	16.17
10	XLII - Tourism	9.22	2.00	10.76	0.46	2.00
	Total	**1589.92**	**187.92**	**1695.37**	**82.47**	**179.28**

APPENDIX 6

Cases of inadequate supplementary grants

(Reference : Paragraph 2.3.2; Page 56)

Sl. No.	Number and name of grant	Original grant	Supplementary grant in March 1997	Actual expenditure	Excess
		(Rupees in crore)			
	CAPITAL (VOTED) SECTION				
1	XVIII - Medical and Public Health	17.26	1.70	19.34	0.38
2	XXXIV - Forest	6.32	0.02	6.71	0.37
	Total	**23.58**	**1.72**	**26.05**	**0.75**

APPENDIX 7

Significant cases of savings in Plan expenditure

(Reference : Paragraph 2.3.4;Page 62)

Sl. No.	Number and name of grant	Name of scheme	Amount of savings(Rs. in crore and percentage of savings)
REVENUE (VOTED) SECTION			
1	II - Heads of States, Ministers and Headquarters staff	Preparation of area plan and conducting of surveys and studies (50 % CSS)	2.64 (67)
2	XV - Public Works	i) - Assistance to village panchayat	12.91 (81)
		ii) - Assistance to District panchayats	10.61 (100)
		iii) - Public Works	2.30 (19)
3	XVII - Education, Sports, Art and Culture	i) - Assistance to Local Bodies etc. Assistance to Village Panchayats under Kerala Panchayat Raj Act, 1994	2.30 (34)
		ii) - - do - Assistance to District Panchayats under Kerala Panchayat Raj Act, 1994	1.58 (49)
		iii) - Construction of work sheds in schools for conducting vocational courses (CSS)	1.58 (79)
4	XVIII - Medical and Public Health	Allopathy – Medical College, College Hospital, College Hostel, Trichur – Land acquisition and buildings	1.43 (73)
5	XIX - Family Welfare	(i) - Rural Family Welfare Services – Rural Family Welfare Planning Centres (100% CSS)	2.48 (6)
		(ii) - do - Expansion of ICDS Programme (100% CSS)	1.53 (48)

APPENDIX 7 – *Contd.*

Sl. No.	Number and name of grant	Name of scheme	Amount of savings(Rs. in crore and percentage of savings)
6	XXI - Housing	Assistance to Local Bodies etc. – Assistance to Village panchayats under Kerala Panchayat Raj Act 1994	1.18 (59)
7	XXII - Urban Development	Assistance to Local Bodies, Corporations, Urban Development authorities, Town Improvement Boards, etc. – Assistance to Corporations	1.00 (100)
8	XXV - Social Welfare including Harijan Welfare	i) - Special Central Assistance for Scheduled Caste Component Plan – Economic Development Schemes for Scheduled castes utilising Special Central Assistance	1.49 (25)
		ii) - Other expenditure – Employment assurance to Rural poor (SCP) (CSS 80% CA)	6.41 (54)
		iii) - Other expenditure – TRYSEM(SCP) (CSS 50% CA)	1.28 (78)
9	XXIX - Agriculture	i) - Assistance to Local Bodies, Corporations, Urban Development Authorities, Town Improvement Boards etc., - Assistance to Village panchayat under Kerala Panchayat Raj Act 1994	20.86 (42)
		ii) - Assistance to Local Bodies, Corporations, Urban Development Authorities, Town Improvement Boards, etc. – Assistance to Municipalities under Kerala Municipalities Act, 1994	3.06 (81)

APPENDIX 7 – *Contd.*

Sl. No.	Number and name of grant	Name of scheme	Amount of savings(Rs. in crore and percentage of savings)
10	XXXIV - Forest	Waste land Development – Integrated Waste Land Development Project (100% CSS)	1.00 (100)
11	XXXV - Panchayat	Assistance to Local Bodies – Assistance to Block Panchayats under Kerala Panchayat Raj Act, 1994	5.58 (31)
12	XXXVI - Community Development	Assistance to Local Bodies – Assistance to village panchayats under Kerala Panchayat Raj Act, 1994 – Block Grant for Revenue Expenditure	1.21 (60)
13	XXXIX - Power	Loans for Power Projects – Market Borrowings	2.5 (24)
	CAPITAL (VOTED) SECTION		
14	XX - Water Supply and Sanitation	Capital outlay on Water Supply and Sanitation – Investment in Public sector and other undertakings – Kuttanad water supply project	2.06 (100)
15	XXI - Housing	Other Housing – Upgradation of standards of Administration under the tenth Finance Commission Award	2.06 (100)

APPENDIX 7 – *Concld.*

Sl. No.	Number and name of grant	Name of scheme	Amount of savings(Rs. in crore and percentage of savings)
16	XXIX - Agriculture	Capital outlay on Minor Irrigation – Surface Water – EEC Aided Schemes	4.46 (99)
17	XXXVII- Industries	i) - Capital Outlay on Chemical and Pharmaceutical Industries – Drugs and Pharmaceutical Industries – Kerala State Drugs and Pharmaceuticals Limited; Investments	1.00 (100)
		ii) - Other Capital Outlay on Industries and Minerals – Other Expenditure – Industrial Rehabilitation Scheme	6.5 (93)
18	XXXVIII- Irrigation	i) - Capital Outlay on Major and Medium Irrigation – Major Irrigation (Non-Commercial) – Kallada Irrigation Project – Direction and Administration	4.09 (27)
		ii) - Capital Outlay on Flood Control projects – civil works – Improvement of Kanoly canal	1.63 (99)
19	XLI - Transport	i) - Capital Outlay on Inland Water Transport – Inland Navigation Corporation – Investments	1.05 (100)
		ii) - Equity Participation by Government in the Cochin International Airport Limited.	5.00 (100)

APPENDIX 8

Significant cases of savings in non-Plan expenditure

(Reference : Paragraph 2.3.5; Page 62)

Sl. No.	Number and name of grant	Name of activity	Amount of savings (Rupees in crore and percentage of savings)
REVENUE (VOTED) SECTION			
1	VI - Land Revenue	i) Collection charges – village establishment	6.91 (17)
		ii) Special staff for assignment of Government lands	1.04 (42)
		iii) Preparation of land records for the implementation of land reforms – Resurvey of areas where the records are in bad condition (cadastral survey)	5.01 (20)
		iv) Preparation of land records from Resurvey records	4.56 (57)
2	VIII - Excise	State Excise – Direction and Administration – Superintendence	5.96 (59)
3	XI - District Administration and Miscellaneous	i) Special Land Assignment Limits for the regularisation of occupation of forest land prior to 1 January 1977	1.18 (57)
		ii) Other establishments – Taluk Offices	2.14 (12)
4	XV - Public Works	i) Direction and Administration. – Execution	11.74 (36)
		ii) Deduct – Amount creditable under issues to revenue heads within the grant	1.80 (58)

APPENDIX 8 – *Contd.*

Sl. No.	Number and name of grant	Name of activity	Amount of savings (Rupees in crore and percentage of savings)
		iii) National Highways – Direction and Administration – Supervision & Execution	1.22 (10)
		iv) General – Direction and Administration – Execution	4.59 (14)
		v) Suspense – Stock	3.64 (45)
5	XVI - Pensions and Miscellaneous	i) Commuted value of pensions – Payments in India	29.45 (29)
		ii) State Lotteries – distribution of prizes	5.37 (11)
6	XVII - Education, Sports, Art and Culture	i) General Education – Elementary Education – Lower Primary Schools	47.25 (26)
		ii) Upper Primary Schools	38.71 (23)
		iii) Assistance to non-Government Primary Schools – Teaching grant	47.78 (10)
		iv) Inspection	1.27 (11)
		v) Assistance to Municipalities under Kerala Municipality Act 1994	1.60 (47)
		vi) Government Secondary Schools	42.45 (21)
		vii) Introduction of Vocational courses in selected secondary schools and upgrading them as higher secondary schools	2.05 (41)
		viii) Grant to non- Government special schools	1.52 (25)

APPENDIX 8 – *Contd.*

Sl. No.	Number and name of grant	Name of activity	Amount of savings (Rupees in crore and percentage of savings)
7	XVIII - Medical and Public Health	i) Hospitals and Dispensaries	17.91 (20)
		ii) Primary Health units and health centres	10.18 (31)
		iii) Hospitals and Dispensaries – Except General/District/Taluk hospitals	9.84 (22)
		iv) Prevention and control of diseases – Malaria eradication	2.82 (37)
		v) Filariasis control (CSS – 50 *per cent*)	1.49 (41)
		vi) Leprosy Control Schemes	2.41 (44)
8	XXV - Social Welfare including Harijan Welfare	i) Special pension scheme for the physically handicapped and disabled and mentally retarded persons	8.47 (69)
		ii) Assistance to District panchayats under Kerala Panchayat Raj Act 1994	7.45 (23)
9	XXVI - Relief on account of natural calamities	i) Drought – supply of seeds, fertilizers and agricultural implements	2.26 (100)
		ii) Food and clothing	3.10 (100)
		iii) Floods, cyclones etc. – food and clothing	12.67 (97)
		iv) Repairs and restoration of damaged Government office buildings	1.59 (80)
		v) Calamity Relief Fund – Transfer to Reserve Fund Deposit accounts	27.70 (50)

APPENDIX 8 – *Concld.*

Sl. No.	Number and name of grant	Name of activity	Amount of savings (Rupees in crore and percentage of savings)
10	XXVII - Co-operation	i) Direction and Administration – District Administration	1.29 (14)
		Ii) Audit of Co-operatives – General	2.23 (18)
11	XXIX - Agriculture	i) Strengthening of Agricultural administration and introduction of training and visiting system of extension	7.66 (21)
		Ii) Free supply of electricity to small and marginal paddy growers	3.00 (100)
12	XXXI - Animal Husbandry	i) Veterinary services and animal health – Hospitals and Dispensaries	3.03 (18)
		ii) Intensive cattle development projects	1.29 (12)
13	XXXIV - Forests	Forestry – Direction and Administration – District offices	3.07 (21)
14	XXXV - Panchayat	Assistance to Local Bodies – Assistance to Block Panchayats under Kerala Panchayat Raj Act 1994	1.52 (27)
15	XXXVI - Community Development	Direction and Administration – Recurring expenditure on personnel retained on NES pattern	6.46 (27)
16	XLIII - Compensation and Assignments	Taxes on vehicles – Compensation to Local Bodies	10.66 (25)
REVENUE (CHARGED) SECTION			
17	Debt charges	i) Interest on loans from the Rural infrastructural Development Fund of the NABARD	8.11 (63)
		ii) Interest on Small Savings, Provident Funds etc. – Interest on savings Deposits – Savings Bank Deposits	4.63 (19)

APPENDIX 9

Persistent savings

(Reference: Paragraph 2.3.6; Page 62)

Sl. No.	Number and name of grant/appropriation		Amount of savings (Rupees in crore)		
			1994-95	1995-96	1996-97
REVENUE (VOTED) SECTION					
1	I -	State Legislature	0.77	0.42	0.91
2	II -	Heads of States, Ministers and Headquarters staff	3.23	1.33	7.50
3	III -	Administration of Justice	1.01	0.82	2.31
4	IV -	Election	6.80	18.69	6.15
5	VI -	Land Revenue	6.33	5.91	19.06
6	VIII -	Excise	0.44	1.41	5.16
7	XI -	District Administration and Miscellaneous	1.34	2.14	5.75
8	XII -	Police	24.83	21.34	27.99
9	XIII -	Jails	1.31	0.51	0.91
10	XV -	Public Works	6.46	2.38	19.72
11	XVII -	Education, Sports, Art and Culture	30.00	189.04	251.70
12	XVIII -	Medical and Public Health	38.80	58.99	70.43
13	XXI -	Housing	4.48	10.46	2.33
14	XXII -	Urban Development	1.58	3.63	5.38
15	XXIII -	Information and Publicity	0.52	0.37	0.59
16	XXIV -	Labour and Labour Welfare	10.76	5.97	7.79
17	XXV -	Social Welfare including Harijan Welfare	5.31	20.07	20.95
18	XXVIII-	Miscellaneous Economic Services	5.72	4.12	5.55
19	XXIX -	Agriculture	9.69	2.77	33.70
20	XXXI -	Animal Husbandry	6.66	4.98	4.04

APPENDIX – 9 – *Concld.*

Sl. No.	Number and name of grant/appropriation		Amount of savings (Rupees in crore)		
			1994-95	1995-96	1996-97
21	XXXII -	Dairy	0.47	0.43	0.81
22	XXXIV-	Forest	6.11	13.22	14.96
23	XXXVI-	Community Development	37.68	23.91	35.82
24	XL -	Ports	0.60	0.34	1.19
REVENUE (CHARGED) SECTION					
25	II -	Heads of States, Ministers and HeadQuarters staff	0.50	0.51	0.95
26	XVI -	Pensions and Miscellaneous	0.27	0.41	6.93
27	XXXVII-	Industries	0.61	0.60	0.59
CAPITAL (VOTED) SECTION					
28	XVII -	Education, Sports, Art and Culture	1.72	6.21	2.67
29	XIX -	Family Welfare	8.51	0.83	0.32
30	XXI -	Housing	0.57	0.67	2.32
31	XXVII -	Co-operation	2.66	20.73	1.40
32	XXIX -	Agriculture	9.21	9.38	11.19
33	XXXIII-	Fisheries	0.78	1.99	20.31
34	XXXVII-	Industries	13.82	13.55	15.29
35	XL -	Port	1.89	0.40	1.77
36	XLII -	Tourism	0.50	0.46	0.46
CAPITAL (CHARGED) SECTION					
37	XV -	Public Works	1.03	0.45	0.35
38	XXXVIII	- Irrigation	0.36	2.75	1.41
39		Public Debt Repayment	860.50	506.29	152.95

APPENDIX 10

Injudicious reappropriation of funds

(Reference: Paragraph 2.3.10, Page 65)

Sl. No.	Number and name of grant, Head of account and purpose	Provision (Original plus Supplementary)	Reappropriation	Final grant	Actual expenditure	Excess(+) Savings(-)
		(Rupees in lakh)				
1	IV Elections 2015-00-104-99 Election to Lok Sabha and Legislative Assembly simultaneously	384.06	(+) 647.90	1031.96	999.97	(-) 31.99
2	VIII Excise 2039-00-001-98 Range Offices	1020.80	(+) 409.61	1430.41	1106.67	(-) 323.74
3	XII Police 2055-00-101-99 Criminal investigation branch	1398.93	(+) 278.87	1677.80	1379.41	(-) 298.39
4	XII Police 2055-00-109-98 Upgradation of standards of Administration recommended by VIII Finance Commission	444.33	(+) 107.90	552.23	521.54	(-) 30.69
5	XV Public Works 4059-01-051-86 Public Works	407.34	(+) 171.56	578.90	498.73	(-) 80.17

APPENDIX 10 – *Contd.*

Sl. No.	Number and name of grant, Head of account and purpose	Provision (Original plus Supplementary)	Reappropriation	Final grant	Actual expenditure	Excess(+) Savings(-)
		(Rupees in lakh)				
6	XVII Education, Sports, Art and Culture 2203-00-104-97 Private Polytechnics Grant-in-aid	260.00	(+) 60.00	320.00	267.16	(-) 52.84
7	XVIII Medical and Public Health 2210-01-110-94 Allopathy Medical College Hospital, Thrissur	470.53	(+) 49.12	519.65	474.42	(-) 45.23
8	XXV Social Welfare including Harijan Welfare 2225-01-191-48 Assistance to District Panchayat under Kerala Panchayat Raj Act 1994	25.50	(+) 90.00	115.50	69.21	(-) 46.29
9	XXV Social Welfare including Harijan Welfare 2225-02-191-48 Assistance to District Panchayats under Kerala Panchayat Raj Act, 1994	32.00	(+) 48.00	80.00	31.71	(-) 48.29

APPENDIX 10 – *Contd.*

Sl. No.	Number and name of grant, Head of account and purpose	Provision (Original plus Supplementary)	Reappropriation	Final grant	Actual expenditure	Excess(+) Savings(-)
		(Rupees in lakh)				
10	XXV Social Welfare including Harijan Welfare 2235-60-191-48 Assistance to District Panchayats under Kerala Panchayat Raj Act, 1994	3260.30	(+) 32.83	3293.13	2514.87	(-) 778.26
11	XXVI Relief on account of Natural Calamities 2245-02-106-99 Repairs and Restoration of damaged roads and bridges	2474.00	(+) 265.08	2739.08	2690.23	(-) 48.85
12	XXIX Agriculture 2401-00-191-47(P) Assistance to Municipalities under Kerala Municipalities Act, 1994	Nil	(+) 377.00	377.00	71.46	(-) 305.54
13	XXXVIII Irrigation 4701-02-103-98 (Plan charged) Major Works	75.00	(+) 71.00	146.00	79.69	(-) 66.31
14	XI District Administration and Miscellaneous 2047-00-103-93 Incentives to agents, individuals and institutions	2500.00	(-) 45.52	2454.48	2528.10	(+) 73.62

APPENDIX 10 – *Contd.*

Sl. No.	Number and name of grant, Head of account and purpose	Provision (Original plus Supplementary)	Reappropriation	Final grant	Actual expenditure	Excess(+) Savings(-)
		(Rupees in lakh)				
15	XII Police 2055-00-104-99 Armed police	4387.36	(-) 1294.78	3092.58	3164.88	(+) 72.30
16	XII Police 2055-00-109-99 District force	18279.86	(-) 1783.37	16496.49	16859.38	(+) 362.89
17	XII Police 2055-00-114-99 Wireless unit	622.28	(-) 182.74	439.54	469.77	(+) 30.23
18	XV Public Works 3054-80-191-50 Assistance to Village Panchayat	871.18	(-) 573.65	297.53	365.65	(+) 68.12
19	XV Public Works 3054-80-800-99 Ordinary repairs	2637.01	(-) 207.31	2429.70	2527.79	(+) 98.09
20	XV Public Works 3054-80-800-96 Flood damage repairs	583.70	(-) 175.16	408.54	451.71	(+) 43.17
21	XVII Education, Sports, Arts and Culture 2202-02-800-87 Introduction of Vocational Courses in selected Secondary Schools and upgrading them as higher secondary schools	352.00	(-) 52.89	299.11	787.59	(+) 488.48

APPENDIX 10 – *Contd.*

Sl. No.	Number and name of grant, Head of account and purpose	Provision (Original plus Supplementary)	Reappropriation	Final grant	Actual expenditure	Excess(+) Savings(-)
		(Rupees in lakh)				
22	XVIII Medical and Public Health 2210-03-103-96 Strengthening of Public Health Centres and Sub-centres, Opening of new PH Centres and Sub-centres (D.P.P)	210.00	(-) 66.85	143.15	359.10	(+) 215.95
23	XVIII Medical and Public Health 2210-06-101-99 National Malaria Eradication Programme (CSS 50%)	100.00	(-) 42.57	57.43	119.85	(+) 62.42
24	XVIII Medical and Public Health 2210-06-101-64 NACP STD Clinics (100% CSS)	70.00	(-) 54.32	15.68	52.31	(+) 36.63
25	XVIII Medical and Public Health 2210-06-101-59 National T.B. Control Programme (100% CSS)	150.00	(-) 129.22	20.78	132.07	(+) 111.29

APPENDIX 10 – *Contd.*

Sl. No.	Number and name of grant, Head of account and purpose	Provision (Original plus Supplementary)	Reappropriation	Final grant	Actual expenditure	Excess(+) Savings(-)
		(Rupees in lakh)				
26	XXI Housing 4216-01-106-99 Direction and Administration, Establishment charges transferred on percentage basis from 2059 Public Works	82.36	(-) 30.34	52.02	81.93	(+) 29.91
27	XXII Urban Development 2217-05-191-46 Assistance to Corporations under KPR Act, 1994	1700.00	(-) 116.86	1583.14	1674.18	(+) 91.04
28	XXV Social Welfare including Harijan Welfare 2225-02-800-64 Pooled Fund for Tribal Sub-plan	1134.00	(-) 50.00	1084.00	1138.00	(+) 54.00
29	XXV Social Welfare including Harijan Welfare 2235-02-191-48	765.10	(-) 597.06	168.04	249.22	(+) 81.18
30	XXVI Relief on account of Natural Calamities 2245-02-101-99 Cash Doles	60.00	(-) 60.00	Nil	38.20	(+) 38.20

APPENDIX 10 – *Contd.*

Sl. No.	Number and name of grant, Head of account and purpose	Provision (Original plus Supplementary)	Reappropriation	Final grant	Actual expenditure	Excess(+) Savings(-)
		(Rupees in lakh)				
31	XXIX Agriculture 2702-02-005-99 Ground Water Investigation and Development	435.00	(-) 34.71	400.29	428.21	(+) 27.92
32	XXX Food 4408-01-101-99 Grain Supply Scheme	653.85	(-) 50.50	603.35	630.02	(+) 26.67
33	XXXVI Community Development 2505-01-702-99 Jawahar Rozgar Yojana (80% CA)	5375.00	(-) 2012.23	3362.77	3538.05	(+) 175.28
34	XXXVI Community Development 2505-01-702-94 Employment Assurance Scheme to the Rural Poor (CSS-80% CA)	1312.50	(-) 1275.25	37.25	71.83	(+) 34.58
35	XXXVI Community Development 2515-00-191-49(NP) Assistance to Block Panchayats under Kerala Panchayat Raj Act, 1994	150.00	(-) 27.22	122.78	787.36	(+) 664.58

APPENDIX 10 – *Concld.*

Sl. No.	Number and name of grant, Head of account and purpose	Provision (Original plus Supplementary)	Reappropriation	Final grant	Actual expenditure	Excess(+) Savings(-)
		(Rupees in lakh)				
36	XXXVIII Irrigation 2701-80-001-99 Direction, Chief Engineer, Irrigation (NP)	303.26	(-) 80.00	223.26	248.85	(+) 25.59
37	XXXVIII Irrigation 4701-80-800-94 Investigation of Major Irrigation Schemes	400.00	(-) 386.00	14.00	175.70	(+) 161.70
38	Public Debt Repayment 6003-00-110-97(NP) Shortfall in cash balances	120.00	(-) 120.00	Nil	60.00	(+) 60.00
39	Public Debt Repayment 6003-00-110-96 (NP-charged) Overdrafts	10000.00	(-)10000.00	Nil	445.58	(+) 445.58

APPENDIX 11

Inflation of Budget estimates

(Reference : Paragraph 2.6;Page 83)

Sl. No.	Grant number	Head of account, Scheme	Budget provision	Savings	Reason given for saving
			(Rupees in crore)		
1	XXIX	6401-105-98 Loans to cultivators for short term credit	4.00	4.00	Schemes not sanctioned
2	XXXIII	2405-800-66 Better housing for fishermen	6.00	6.00	- do -
3	XXXIII	4405-800-92 Fisheries Roads	2.60	2.60	- do -
4	XXXIV	2406-02-110-73 Establishment of an international centre for bio-diversity studies	2.73	2.73	- do -
5	XXXIV	2406-02-110-70 Eco tourism in wild life sanctuaries and National Parks	1.20	1.20	- do -
6	XXXVII	2851-102-67 Tool room at Kalamassery	15.00	15.00	- do -
7	XXII	6217-60-191-89 Cochin Urban Poverty Reduction Scheme	5.00	4.11	Requirement of funds not properly assessed
8	XXIX	2702-02-005-82 National Hydrology Project	2.00	1.90	- do -

APPENDIX 11 *Concld.*

Sl. No.	Grant number	Head of account, Scheme	Budget provision	Savings	Reason given for saving
			(Rupees in crore)		
9	XXXIII	4405-103-96 Assistance for purchase of speed boats for marine enforcement wing	6.00	4.24	Administrative sanction for purchase not received
10	XXXIV	2406-02-110-69 Eco development Global environmental facilities	5.00	4.68	Administrative reason
11	XXXVII	2851-107-99 Formation of department for sericulture industry	4.00	4.00	Based on actual expenditure
12	XLI	7055-190-96 Loans to Kerala Transport Development Finance Corporation	7.40	7.40	Non-requirement of funds by the company.
13	XVII	2202-01-101-85 District Primary Education Programme	11.10	11.10	Erroneous provision
14	XXXVI	2505-01-702-94 Employment Assurance Scheme	13.13	12.41	Less receipt of central share
		Total	85.16	81.37	

APPENDIX 12

Details of shortfall in utilisation of Plan funds

(Reference : Paragraph 3.4.5; Page 96)

Year	Ayurveda College, Thiruvananthapuram			Ayurveda College, Thrippunithura		
	Allotment	Expend-iture	Percentage of shortfall	Allotment	Expend-iture	Percentage of shortfall
	(Rupees in lakh)			(Rupees in lakh)		
1992-93	98.00	53.69	45	43.00	7.94	82
1993-94	77.00	31.42	59	43.00	6.83	84
1994-95	78.00	27.84	64	110.00	17.79	84
1995-96	81.85	43.45	47	121.83	15.46	87
1996-97	90.40	72.37	20	28.00	14.39	49

APPENDIX 13

Statement showing vacancy position of medical/paramedical staff in hospitals/dispensaries

(Reference : Paragraph 3.4.16; Page 106)

Sl. No.	Name of hospital/dispensary		Period of vacancy
(a)	*Medical Officers*		
1	GAD*	Mundiankavu	1 year and 1 month between June 1995 and August 1996
2	GAD,	Karadikuzhi	1 year and 6 months between April 1995 and October 1996
3	GAD,	Pilicode	1 year and 2 months between August 1995 and September 1996
4	GAD,	Kaniyambetta	1 year and 5 months between June 1995 and November 1996
5	GAD,	Kodumbu	1 year between July 1994 and August 1996
6	GAD,	Eachome	1 year and 4 months between June 1995 and September 1996
7	GAD,	Paisakkari	5 months between July 1996 and December 1996
8	GAD,	Padichira	6 months between November 1994 and May 1995
9	GAD,	Chemnad	1 year (November 1993 to October 1994)
10	GAD,	Pudussery	5 months from August 1996 to December 1996
11	GAD,	Vellaramkunnu	4 months between July 1996 and November 1996
12	GAD,	Thakazhy	3 months between January 1993 and April 1993
13	GAD,	Kodikulam	1 year and 1 month between March 1991 and January 1995

* Government Ayurveda Dispensary

APPENDIX 13 – *Contd.*

Sl. No.	Name of hospital/dispensary	Period of vacancy
14	GAD, Eruvesy	2 years and 7 months between March 1994 and November 1996
15	GAD, Thavalam	1 year and 11 months between May 1994 and December 1996
16	GAD, Kanjikode	2 months between May 1994 and July 1994
17	GAD, Kannadi	1 year between July 1994 and July 1996
18	GAD, Peringottukurissi	2 months from August 1994 to October 1994
19	GAD, Kuriyarkutty	1 year and 2 months between June 1995 and September 1996
20	GAD, Tharur	1 year (July 1995 to July 1996)
21	GAD, Vaniamkulam	9 months (October 1995 to June 1996)
22	GAD, Kottachira	8 months (November 1995 to July 1996)
23	GAD, Sreekrishnapuram	6 months (March 1996 to September 1996)
24	GAD, Tathamangalam	3 years and 2 months from April 1992 to June 1995
25	GAD, Koyonkara	5 years and 7 months between April 1991 and December 1996
26	GAD, Velimukku	1 year (1996-97)
27	GAD, Chelakkara	2 years and 6 months from May 1994 to October 1996
28	GAD, Nayarambalam	5 years and 6 months from April 1991 to September 1996
29	Government Ayurveda Panchakarma hospital, Alappuzha	5 years and 6 months from April 1991 to September 1996 (2 medical officers)

APPENDIX 13 – *Contd.*

Sl. No.	Name of hospital/dispensary		Period of vacancy
30	PM Government Ayurveda Hospital, Ottappalam		1 year and 2 months between April 1991 and February 1995 (Naturopathy)
			8 months between March 1994 and September 1996 (General)
			1 year and 3 months between September 1992 and February 1996 (Visha)
(b)		*Pharmacist*	
1	GAD	Paloor	3 years and 6 months between April 1991 and September 1996
2	GAD,	Perumatty	3 years and 6 months between April 1991 and September 1996
3	GAD,	Adhur	4 years and 9 months between April 1991 and December 1995
4	GAD,	Kannamvayal	1 year between April 1994 and March 1995
5	GAD,	Narippatta	2 years between April 1991 and March 1993
6	GAD,	Kaviyoor	1 year between April 1995 and March 1996
7	GAD,	Kattilangadi	5 years and 6 months between April 1991 and September 1996
8	GAD,	Kodumbu	3 years between April 1991 and March 1994
9	GAD,	Pattuvam	5 years and 3 months between June 1991 and August 1996
10	GAD,	Perla	5 years and 9 months between April 1991 and December 1996
11	GAD,	Kulanada	1 year and 8 months between June 1992 and March 1995
12	GAD,	Kunnamkulam	5 years and 6 months between April 1991 and September 1996
13	GAD,	Mathamangalam	5 years and 6 months between April 1991 and September 1996

APPENDIX 13 – *Contd.*

Sl. No.	Name of hospital/dispensary		Period of vacancy
14	GAD,	Pakkanarpuram	5 years and 6 months between April 1991 and September 1996
15	GAD,	Ayalur	5 years and 6 months between April 1991 and September 1996
16	GAD,	Paramba	5 years and 6 months between April 1991 and September 1996
17	GAD,	Elampally	1 year and 6 months between August 1994 and February 1996
18	GAD,	Mulleria	2 years and 2 months between May 1992 and August 1996
19	GAD,	Thuruthikara	5 years and 6 months between April 1991 and September 1996
20	GAD,	Elamkunnappuzha	5 years and 6 months between April 1991 and September 1996
21	GAD,	Edavanakkad	5 years and 6 months between April 1991 and September 1996
22	GAD,	Payyavoor	2 years and 4 months between May 1991 and January 1996
23	GAD,	Kannom	5 years and 6 months between April 1991 and September 1996
24	GAD,	Padichira	9 months between April 1991 and January 1993
25	GAD,	Thayyalingal	5 years and 6 months between April 1991 and September 1996
26	GAD,	Nalleppilli	2 years (1993-94 and 1994-95)
27	GAD,	Chemnad	2 years and 6 months between May 1991 and November 1995
28	GAD,	Pudussery	1 year between January 1991 and December 1994
29	GAD,	Malayattoor	1 year (1995-96)

APPENDIX 13 – *Concld.*

Sl. No.	Name of Hospital/Dispensary	Period of vacancy
30	GAD, Kurukkankunnu	3 years and 6 months between November 1991 and August 1996
31	GAD, Pantheerankavu	5 years and 6 months between April 1991 and September 1996
32	GAD, Kanjoor	1 year and 3 months from June 1993 to February 1996
33	GAD, Avanavancherry (Sidha)	1 year and 4 months between April 1991 and July 1992
34	GAD, Kadiyangad	5 years and 6 months between April 1991 and September 1996
35	GAD, Muthukulam	1 year (1994-95)
36	GAD, Madakkathara	5 years and 6 months between April 1991 and September 1996
37	GAD, Kallay	5 years and 6 months between April 1991 and September 1996
38	GAD, Oorakam	5 years and 6 months between April 1991 and September 1996
39	GAD, Valliyad	5 years and 6 months between April 1991 and September 1996
40	GAD, Kolayad	5 years and 6 months between April 1991 and September 1996
41	GAD, Paisakkari	2 years and 2 months between July 1991 and August 1995

APPENDIX 14

Details showing deficiency of sanctioned bed strength in Ayurveda hospitals

(Reference : Paragraph 3.4.17;Page 106)

Sl. No.	Name of hospital	Period	Sanctioned bed strength	Actual bed strength	Percentage of deficiency	Reasons for deficiency
1	Taluk Government hospital, Sultan bathery	1991-92 to 1996-97	50	16	68	Want of buildings
2	Government Ayurveda Mental Hospital, Kottakkal	1991-92 to 1996-97	50	25	50	- do -
3	Government Ayurveda Hospital, Ayiroor	- do -	50	20	60	- do -
4	District Ayurveda Hospital, Kannur	- do -	100	87	13	- do -
5	Government Ayurveda Hospital, Paravoor	1996-97	30	22	27	- do -
6	District Ayurveda Hospital, Kozhikode	1991-92 to 1993-94	50	25	50	- do-
		1994-95 to 1996-97	100	25 (during 1994-95)	75	
				90 (1995-96 and 1996-97)	10	

APPENDIX 14 *Concld.*

Sl. No.	Name of hospital	Period	Sanctioned bed strength	Actual bed strength	Percentage of deficiency	Reasons for deficiency
7	District Ayurveda Hospital, Kollam	1991-92 to 1996-97	50	40	20	Want of cots and bed
8	Government Ayurveda Hospital, Varkala	- do -	50	44	12	- do -
9	Government Ayurveda Hospital, Guruvayoor	- do -	30	25	17	Want of cots and bed
10	Government Ayurveda Hospital, Cherthala	- do -	20	18	10	Want of building space
11	Government Ayurveda Hospital, Koyankara	- do -	20	18	10	- do -
12	Government Ayurveda Hospital, Chelakkara	- do -	20	15	25	Want of cots and beds
13	Government Ayurveda Hospital, Nedumudy	1992-93 to 1996-97	10	Nil	100	Want of building
14	K.R.C.M Government Ayurveda Hospital, Anthikad	1996-97	30	15	50	Want of cots and beds

APPENDIX 15

Details of shortfall in inspections

(Reference: Paragraph 3.9.6(a);Page 119)

Year	No. of inspections due as per norms		No. of inspections conducted		Percentage of shortfall in achievement	
	Inspector	Additional Inspector	Inspector	Additional Inspector	Inspector	Additional Inspector
1991	6300	14950	3711	8600	41	42
1992	6300	14950	3894	8328	38	44
1993	6300	14950	4567	8334	28	44
1994	6300	14950	4167	8716	34	42
1995	6300	14950	4670	8817	26	41
1996	6300	14950	5496	10972	13	27

APPENDIX 16

Details of fatal accidents

(Reference : Paragraph 3.9.8(ii);Page : 121)

Name of factory/ division	Name of unit	Date of accident	Nature of accident	Details of violations	Remarks
1) IF&B, Palakkad	Chicops distillery co-operative sugars Limited, Munompara, Palakkad.	6 April 1990	2 persons died due to collapse of 1.25 lakh litres capacity FRP tank in the storage yard while filling water.	Poor workmanship in construction of the tank, want of supervision and failure to ensure quality of materials.	Case before the Chief Judicial Magistrate , Palakkad was withdrawn by Government.
2) IF&B, Aluva	Aiswarya splints, Rayamangalam, Aluva	1 September 1991	One woman worker died while setting Veneer tray for the chopping machine.	Cause of death not established and death attributed to unsafe action of the deceased.	Remarks called for awaited.
3) - do -	Anjana Match Factory, Puthencruz.	11 September 1991	One woman worker died while helping to lift and transfer a wooden log manually to the cutting machine when it fell on her head.	Failure to provide safe methods for lifting and transferring logs to the machine.	The defect was not pointed out to the factory Management earlier.
4) IF&B, Kollam	KMML, Chavara, Kollam	10 May 1992	4 workers died of burn injuries in the fire which occurred due to lighting while they were applying rubber solution to the walls of the tank for replacing the existing rubber lining.	Failed to provide flame proof lamp and protection to workers, who were engaged during night.	Prosecution proposal submitted on 15 June 92 through JD, Thiruvananthapuram to Director. But no response from Director so far.
5) IF&B, Thiruvananthapuram	KSRTC sub-depot, Kattakada, Thiruvananthapuram	14 January 1994	One worker died due to fire while changing diesel tank of a bus in the depot.	No fire-fighting equipment installed- no supervision.	No record of any previous inspection.
6) Addl. IF&B, Palakkad	Sree Padmanabha Rice Mill, Chittoor, Palakkad	9 June 1994	One died and seven workers were injured due to collapse of wall of the building at the time of maintenance.	Workers of the factory who were not conversant with the repair work were engaged for the work.	No case registered against the occupier.

APPENDIX 16 - *Contd.*

Name of factory/ division	Name of unit	Date of accident	Nature of accident	Details of violations	Remarks
7) IF&B, Ernakulam	Cochin Shipyard, Kochi.	26 July 1994	One worker died due to electrocution while engaged in fixing ceiling panel in a ship dry docked for repair when he came into contact with bus-bar in the diesel generator room.	Accident attributed to the carelessness of the worker.	No action was taken. Reply awaited.
8) IF&B, Ernakulam	- do -	1 October 1994	One worker died due to falling of iron piece which was being lowered in a ship, dry docked for repair.	The case was not investigated.	Reply awaited.
9) - do -	- do -	8 October 1994	One worker died due to fall from a height of 13 metres.	It was found that the number of planks used in the staging platform was only 3 instead of 5 which resulted in the displacement of planks-planks were not fastened-safety belts were not supplied.	The case was not pursued. Reply awaited.
10 - do -	Cochin Shipyard, Kochi.	3 November 1994	One worker died due to fall from a height of 61/2 metres platform.	Cause of accident not established.	Reply awaited.
11) - do -	FACT, Cochin Division.	30 November 1994	One worker died while engaged in demolishing work of an old final absorption tower.	No reasons attributed for the accident.	No action taken. Reply awaited.
12) Addl. IF&B, Palakkad	CMA Rice Mill, Cheranad, Palakkad.	3 December 1994	One worker slipped and fell in to the boiling water while cleaning the tank used for boiling paddy.	The worker was asked to clean the tank without draining hot water and no personal protective equipment provided.	The unit was working without licence.
13) IF&B, Ernakulam	Cochin Shipyard, Kochi.	10 December 1994	2 persons died while removing poly-urethene foam from the buoyancy tanks of the SPN of the Indian Oil Corporation.	Cause of accident not investigated in detail.	Reply awaited.

APPENDIX 16 - *Concld.*

Name of factory/ division	Name of unit	Date of accident	Nature of accident	Details of violations	Remarks
14) IF&B, Thiruvananthapuram	Ancy Match Industries, Kattakada, Thiruvananthapuram.	5 December 1995	One woman worker died due to her sari getting entangled in the uncovered shaft of the cutting machine.	Failure to provide guard for the shaft of the cutting machine.	Show cause notice was served on 26 May 1993. Non-provision of guard for the shaft of the cutting machine was not pointed out during any of the inspections.
15) IF&B, Kochi	Kwality Furniture, Malippuram, Ernakulam.	12 December 1995	One worker died while engaged in graving work in spindle moulder machine without using push stick or guard.	Failed to provide push stick or guard and also failed to file notice of the accident.	Addl. Inspector issued show case notice and JD, Ernakulam declined the proposal for prosecution.
16) - do -	Hindustan Lever Ltd., Talapuram, Ernakulam.	17 April 1996	One worker died due to splashing of soap solution and consequent burn injuries.	The cause of accident could not be established and no responsibility could be fixed.	Details called for are awaited.
17) IF&B, Kottayam	Meenachil Rubber Marketing & Processing Co-operative Society Ltd., Pala.	19 April 1996	3 persons died due to inhalation of poisonous gas while cleaning rubber trap tanks.	Failure to provide breathing apparatus or life belts. Failure to report the accident in time.	Proposal for sanction for prosecution sent by Joint Director, Thiruvananthapuram to Directorate in June 1996 was pending with the directorate.
18) IF&B, Palakkad	Carborandum Universal Ltd., Kanjikode, Palakkad.	27 May 1996	One worker died due to electrocution as some portions of the bus-bar near the crane girder was opened and guard was not provided.	Failure to switch off power supply when the factory was not working. Bus-bar was kept unguarded.	No show cause was issued. Further details awaited.
19) - do -	RKT Industries, Palakkad.	11 June 1996	Stone of a grinder for grinding stone broke and hit a worker in his head and forehead region and he died.	The factory had no licence and no guard was provided for the grinder.	The Addl. Inspector, a new promotee had not been notified as competent officer to launch prosecution. Details called for awaited.

APPENDIX 17

Statement showing the details of inspections and air monitoring studies conducted by the IHL in Major Accident Hazardous Units

(Reference: Paragraph 3.9.10(a)(ii); Page 125)

Year	No. of units	Target fixed	No. of inspections due	No. of inspections conducted	Percentage of short-fall	No. of Air Monitoring studies conducted
1992-93	25	50	150	4	97	1
1993-94	27	54	162	3	98	nil
1994-95	29	58	174	8	95	3
1995-96	31	62	186	13	93	3
1996-97	31	62	186	9	95	4
Total		**286**	**858**	**37**		**11**

APPENDIX 18

Department-wise details of cases of misappropriations, losses, etc.

(Reference : Paragraph 3.16; Page 141)

Sl. No.	Name of department	Number of cases	Amount (Rupees in lakh)
1	Agriculture Department		
	(i) Agriculture	7	1.29
	(ii) Animal Husbandry	2	0.37
2	Cultural Affairs Department		
	Archives	1	0.21
3	Finance Department		
	(i) National savings	1	0.45
	(ii) Treasuries	10	55.73
4	Forest and Wildlife department	1	0.48
5	General Education Department	14	6.70
6	Health and Family Welfare Department		
	(i) Health services	10*	4.39
	(ii) Medical Education	2	0.71
7	Higher Education Department		
	(i) Collegiate Education	6	1.88
	(ii) Technical Education	2	0.93
	(iii) Printing and Stationery	1	0.14
8	Home Department		
	(i) Police	2	0.42
	(ii) Administration of justice	3**	0.23

* Included two cases where monetary value was not assessed.
** Included one case where monetary value was not assessed.

APPENDIX 18 – *Concld.*

Sl. No.	Name of department	Number of cases	Amount (Rupees in lakh)
9	Industries Department	2	0.40
10	Irrigation Department	23	28.29
11	Labour and Rehabilitation Department	2	1.85
12	Public works and Transport Department		
	(i) Buildings	10	1.17
	(ii) Roads and Bridges	12	4.18
13	Revenue Department		
	(i) Land Revenue	12	4.91
	(ii) Survey and Land records	1	5.60
14	Rural Development Department	3	0.16
15	SC/ST Development Department	2**	0.17
16	Taxes Department		
	Lotteries	1	13.53
	Total	**130**	**134.19**

** Included one case where monetary value was not assessed.

APPENDIX 19

Department - wise details of writes off and waivers

(Reference : Paragraph 3.17;Page : 142)

Sl. No.	Name of department	Writes off		Waivers	
		Number of cases	Amount (Rupees in lakh)	Number of cases	Amount (Rupees in lakh)
1	Agriculture Department (i)Agriculture (ii)Dairy Development	 32 2	 0.256 0.040	 6	 0.267
2	Co-operative Department	3	0.009		
3	Fisheries and Ports Department Ports	1	0.489		
4	Finance Department Treasuries	1	0.163		
5	Food and Civil Supplies Department Civil Supplies	4	0.642		
6	General Administration Department			2	1.197
7	Home Department Administration of Justice	1	0.01		
8	Higher Education Department (i) Printing (ii) Stationery	 1	 0.043	1 	0.123
9	Housing Department	1	1.410	1	0.407

APPENDIX 19 – *Concld.*

Sl. No.	Name of department	Writes off		Waivers	
		Number of cases	Amount (Rupees in lakh)	Number of cases	Amount (Rupees in lakh)
10	Industries Department	5	1.073		
11	Irrigation Department	2	0.110		
12	Labour and Rehabilitation Department Industrial Training	1	0.015		
13	Revenue Department HR & CE	1	0.147	1	0.001
14	Taxes Department Registration			1	0.004
	Total	**55**	**4.407**	**12**	**1.999**

APPENDIX 20

Statement showing number of paragraphs in respect of which Action Taken Notes had not been furnished by the Administrative Departments

(Reference : Paragraph 3.18;Page 143)

Sl. No.	Name of Department	Year of Audit Report	No. of Audit Paragraphs
1	Agriculture Department	1994-95	1
		1995-96	1
2	Agriculture (Animal Husbandry) Department	1995-96	2
3	Cultural Affairs Department	1995-96	3
4	Finance Department	1988-89	1
		1991-92	1
		1992-93	4
		1993-94	12
		1994-95	2
		1995-96	5
5	Fisheries & Ports Department	1986-87	1
		1995-96	3
6	Food and Civil Supplies Department	1994-95	1
		1995-96	1
7	Forest and Wild Life Department	1987-88 (No.6 of 1989)	1
		1991-92	1
		1993-94	3
		1995-96	1

APPENDIX 20 – *Contd.*

Sl. No.	Name of Department	Year of Audit Report	No. of Audit Paragraphs
8	General Administration Department	1987-88 (No.6 of 1989)	1
		1994-95	1
9	General Education Department	1990-91	1
10	Health and Family Welfare Department	1992-93	2
		1994-95	1
		1995-96	3
11	Higher Education Department	1993-94	2
		1994-95	1
		1995-96	4
12	Home Department	1994-95	3
		1995-96	1
13	Housing Department	1995-96	1
14	Industries Department	1994-95	1
		1995-96	2
15	Irrigation Department	1989-90	3
		1990-91	3
		1991-92	6
		1992-93	6
		1993-94	5
		1994-95	9
		1995-96	10

APPENDIX 20 - *Contd.*

Sl. No.	Name of Department	Year of Audit Report	No. of Audit Paragraphs
16	Labour and Rehabilitation Department	1994-95	1
		1995-96	1
17	Local Administration Department	1987-88 (No. 5 of 1989)	1
		1993-94	1
		1995-96	1
18	Power Department	1995-96	1
19	Public Works and Transport Department	1988-89	1
		1992-93	5
		1993-94	7
		1994-95	3
		1995-96	4
20	Planning and Economic Affairs Department	1995-96	1
21	Revenue Department	1994-95	1
		1995-96	1

APPENDIX 20 – *Concld.*

Sl. No.	Name of Department	Year of Audit Report	No. of Audit Paragraphs
22	Rural Development Department	1994-95	1
		1995-96	1
23	Scheduled Castes and Scheduled Tribes Development Department	1993-94	3
		1995-96	1
24	Science, Technology and Environment Department	1987-88 (No.5 of 1989)	1
25	Social Welfare Department	1995-96	1
26	Co-operation/Industries/Local Administration Departments	1994-95	1
27	Irrigation (Water Supply) Department - Kerala Water Authority*	1992-93	6
		1993-94	10
		1995-96	10
	Total		**174**

* Paragraphs relating to KWA are examined by COPU.