



REPORT OF THE COMPTROLLER  
AND AUDITOR GENERAL  
OF INDIA

FOR THE YEAR ENDED 31 MARCH 1989

No. 4

(CIVIL)

GOVERNMENT OF KERALA





## TABLE OF CONTENTS

	<i>Reference to</i>	
	<i>Paragraph</i>	<i>Page</i>
Prefatory remarks		vii
Overview		ix—xix
<b>CHAPTER I—FINANCIAL POSITION</b>		
Summary of accounts	1.1	1—7
Audit comments	1.2	7—17
Guarantees given by Government	1.3	17—19
<b>CHAPTER II—APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE</b>		
Summary of expenditure	2.1	20
Results of Appropriation Audit	2.2	20—39
Delay in accountal of stock transactions to avoid excess over allotment	2.3	39—41
Irregular drawal of funds	2.4	41
Excessive/Inflated provision	2.5	41—42
Erroneous provision of funds	2.6	42
Non-compliance with codal provisions	2.7	42—44
Expenditure on a new service	2.8	44
Advances from the Contingency Fund	2.9	44
Arrears in departmental reconciliation	2.10	45
Excess of earlier years pending regularisation	2.11	45—46
Co-relation of expenditure with physical progress	2.12	47—49
Drawal of funds in advance of requirements	2.13	49—51
<b>CHAPTER III—CIVIL DEPARTMENTS</b>		
<i>Labour Department</i>		
Insurance Medical Scheme	3.1	52—67

	<i>Reference to</i>	
	<i>Paragraph</i>	<i>Page</i>
<i>Agriculture (Animal Husbandry) Department</i>		
Animal Husbandry-Human Resources Audit	3.2	68—81
Poultry Development	3.3	81—92
<i>Finance Department</i>		
Financial Management by the State Government	3.4	93—117
<i>Fisheries and Ports Department</i>		
Inland Fisheries	3.5	118—130
<i>Health and Family Welfare Department</i>		
Working of the Drugs Control Department	3.6	131—141
India Population Project III	3.7	142—157
<i>Industries Department</i>		
Industrial development of backward areas	3.8	158—163
Unfruitful investment in a society	3.9	163—164
Acquisition of land unsuitable for industrial development	3.10	164—165
<i>Law Department</i>		
Litigation activities of the Government Departments	3.11	166—179
<i>Revenue Department</i>		
Unproductive expenditure on a printing machine	3.12	180
<i>Scheduled Castes and Scheduled Tribes Development Department</i>		
Hostels for Scheduled Caste/Scheduled Tribe students	3.13	181—182
<i>General</i>		
Misappropriations, losses, etc.	3.14	183
Writes off, waivers and <i>ex-gratia</i> payments	3.15	183

## CHAPTER IV—WORKS EXPENDITURE

### *Forest and Wildlife Department*

Forest Engineering Wing	4.1	184—185
-------------------------	-----	---------



	<i>Reference to</i>
	<i>Paragraph Page</i>
<i>Irrigation Department</i>	
Pamba Irrigation Project	4.2 186—189
Anti-sea erosion works	4.3 190—198
Extra expenditure due to departmental lapses	4.4 198—199
Unfruitful expenditure	4.5 199—200
Excess expenditure due to adoption of incorrect data	4.6 200—201
Unproductive establishment expenditure	4.7 201—202
Extra expenditure due to payment made at enhanced rates	4.8 202—203
Extra expenditure due to departmental lapses	4.9 203—204

*Public Works and Transport Department*

Extra expenditure due to retender	4.10 205
Delay in completion of a school building	4.11 205—206
Excess expenditure on seigniorage charges	4.12 206—207

## CHAPTER V—STORES AND STOCK

*Health and Family Welfare Department*

Idle equipment	5.1 208
Delay in commissioning of an X-ray unit	5.2 209
Supply of sub standard water for injection	5.3 209—210

*Home Department*

Fire Force Department	5.4 210—211
-----------------------	-------------

*Irrigation Department*

Ground Water Department	5.5 211
-------------------------	---------

*Public Works and Transport Department*

Chamravattom Project Division	5.6 212
Bitumen hot mix plants	5.7 212—213



<i>Reference to</i>	
<i>Paragraph</i>	<i>Page</i>

## CHAPTER VI—COMMERCIAL ACTIVITIES

General	6.1 214—215
---------	-------------

### *Home Department*

Rubber Plantation at the Nettukaltheri Open Prison	6.2 216—217
--	-------------

## CHAPTER VII—FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

General	7.1 218—221
---------	-------------

### *Higher Education Department*

State Institute of Languages	7.2 222—225
------------------------------	-------------

### *Fisheries and Ports Department*

Assistance paid to Matsyafed	7.3 226—232
------------------------------	-------------

### *Local Administration Department*

#### Kerala Water Authority—

Infructuous expenditure	7.4.1 233
Extra expenditure due to rejection of the lowest tender	7.4.2 233—234
Avoidable expenditure on a water supply scheme	7.4.3 235
Extra expenditure on pipes	7.4.4 235—236
Extra expenditure on transportation of steel	7.4.5 237
Comprehensive Water Supply Scheme to Vakkom-Anjengo	7.4.6 238—239
Shortage of stores	7.4.7 239—240
Unfruitful expenditure due to selection of unsuitable source for water	7.4.8 240
Water supply scheme to Vaikom Municipality and nearby panchayats	7.4.9 240—241
Unnecessary acquisition of land	7.4.10 241—242

	<i>Reference to</i>	
	<i>Paragraph</i>	<i>Page</i>
Excess payments in Rural Water Supply Scheme Ayroor-Kanjettukara	7.4.11	242—244
Loss due to excess usage of chemicals	7.4.12	244—245
Calicut Water Supply Scheme	7.4.13	245
Extra contractual payment	7.4.14	246—247
Extra expenditure on Ottappalam Water Supply Scheme	7.4.15	247—248

## APPENDICES

	<i>Page</i>
1. Voted grants/charged appropriations where excess requires regularisation	251
2. Injudicious re-appropriation of funds	252—253
3. Incubation capacity and utilisation	254—255
4. Delay in analysis of samples and taking further action in the case of sub standard drugs	256
5. Details of cases pending prosecution action	257
6. Department-wise details of cases of misappropriations, losses, etc.	258—259
7. Department-wise details of writes off, waivers and <i>ex-gratia</i> payments	260—261
8. Details of sea walls damaged by sea erosion	262—263
9. Details of sea walls damaged by sea erosion	264
10. Unutilised equipment/stores	265



## PREFATORY REMARKS

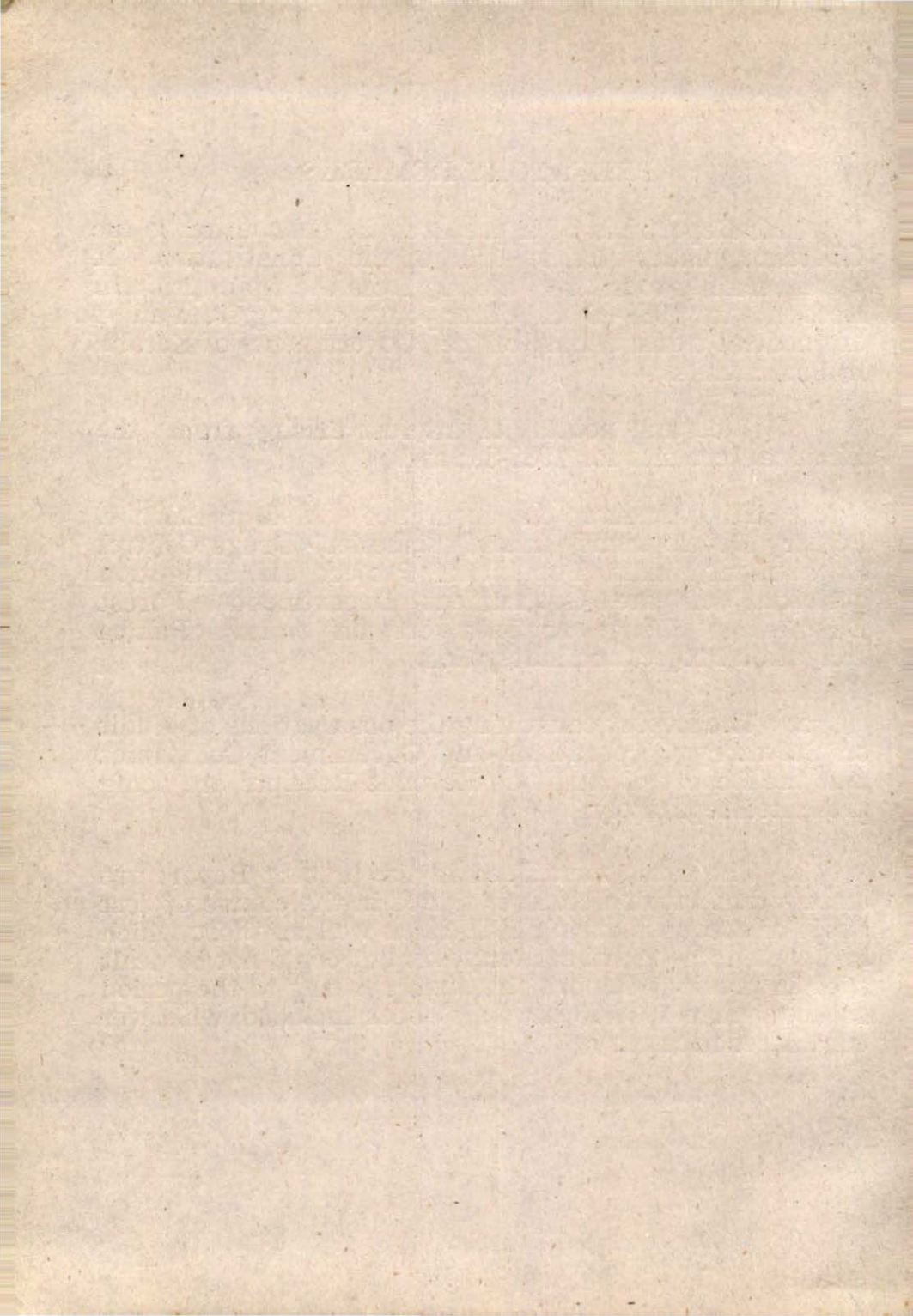
This Report has been prepared for submission to the Governor under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts for 1988-89 and other points arising from audit of financial transactions of the Government of Kerala. It also includes:—

(i) certain points of interest arising from the Finance Accounts for 1988-89; and

(ii) comments on Insurance Medical Scheme, Poultry Development, Inland Fisheries, Drugs Control Department, India Population Project III, Litigation activities of the Government Departments, Forest Engineering Wing, Anti-sea erosion works, Pamba Irrigation Project and Matsyafed.

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

3. The cases mentioned in the present Report are among those which came to notice in the course of test audit of accounts during 1988-89 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 1988-89 have also been included, wherever considered necessary.





## OVERVIEW

The Audit Report for the year ended 31 March 1989 contains 61 paragraphs and 9 reviews. The points highlighted in the Report are given below:—

### **I. Financial position**

The revenue receipts during 1988-89 amounted to Rs. 1897.06 crores against Rs. 1586.09 crores during the previous year. Revenue expenditure during the year was Rs. 2061.00 crores (Plan: Rs. 320.80 crores; Non-Plan: Rs. 1740.20 crores) against Rs. 1780.67 crores (Plan: Rs. 259.09 crores; Non-Plan: Rs. 1521.58 crores) during the previous year. Revenue deficit during the year was Rs. 163.94 crores, while that during the previous year was Rs. 194.58 crores. Revenue arrears at the end of 1988-89, to the extent information was received, was Rs. 574.04 crores, of which collection of Rs. 54.34 crores was under stay. Capital expenditure during the year was Rs. 180.29 crores as against Rs. 167.40 crores during the previous year. The amount of loans and advances and interest thereon overdue for recovery at the end of March 1989 was Rs. 208.22 crores (principal: Rs. 47.15 crores; interest: Rs. 161.07 crores).

(Paragraphs 1.1 and 1.2)

### **II. Appropriation Audit and control over expenditure**

As against total provision of Rs. 3573.86 crores obtained during 1988-89, the actual expenditure was Rs. 3526.58 crores, resulting in overall saving of Rs. 47.28 crores. There were excesses aggregating to Rs. 104.74 crores in 15 voted grants/charged appropriations which require regularisation under



Article 205 of the Constitution. In the case of 17 grants (Revenue: 9 and Capital: 8) the expenditure in each case fell short by more than Rs. 1 crore and also by more than 10 per cent of the total provision. Against a provision of Rs. 1.13 lakhs proposed for 'interest on other miscellaneous provident fund' by the Chief Engineer, General, Government included a provision of Rs. 90 lakhs by mistake in the budget for 1988-89. The actual expenditure during the year was, however, only Rs. 0.97 lakh.

(Paragraphs 2.1, 2.2 and 2.5)

### III. Insurance Medical Scheme

The Employees State Insurance Act, 1948 provides for protection to factory workers against loss of wages during sickness, maternity and disablement and for payment of pension to the dependants of the insured persons who die as a result of employment injury. It also provides for free medical care to insured persons and members of their families. Under the scheme, Rs. 135.23 lakhs remains due from Employees Insurance Corporation for the period ended March 1988. Owing to grant of sickness certificates to persons not genuinely sick, the incidence of sickness benefit in the State was in excess of the all India average and resulted in additional expenditure of Rs. 359.61 lakhs. Total number of insured persons, as per the records of the Corporation, was less than that as per the records of the department. Consequently, the State Government had to bear excess expenditure of Rs. 162.60 lakhs. In 19 dispensaries, there was surplus staff resulting in an annual excess expenditure of over Rs. 20 lakhs. Excess expenditure on drugs and dressings over the ceilings fixed by the Corporation amounted to Rs. 148.22 lakhs.

(Paragraph 3.1)

#### **IV. Poultry Development Schemes**

The schemes aimed at providing the farmers with quality breeds of birds, hatching facilities, balanced poultry feed, training, marketing facilities, etc. The expenditure of poultry farms exceeded receipts. There was considerable shortfall in utilisation of layer capacity, production of eggs, utilisation of incubation capacity and hatching. There was substantial loss of revenue due to excess categorisation of eggs as non-hatchable and destruction of day old male chicks. Delay in finalisation of contracts for purchase of feed ingredients resulted in local purchase of feed at higher rates. Poultry development schemes through 330 poultry units and another 37 units under Special Component Plan, through farmers organisations and poultry clubs in schools were not successful. The intensive poultry development blocks at Pettah and Muvattupuzha handled a maximum of only 1.14 lakhs and 3.58 lakhs of eggs in any year, during the years from 1983-84 to 1987-88 against 36.50 lakhs of eggs to be handled in a year. These also handled a maximum of only 0.62 lakh and 0.41 lakh birds in any year during the above period as against the target of 1.10 lakh table birds in a year. Unproductive administrative expenditure in the Broiler Farm, Mattannur was Rs. 2.14 lakhs and in setting up the Poultry Farmers' Societies, Rs. 12.34 lakhs. In Central hatchery, Chengannur and Regional Poultry Farm, Kollam, the unproductive expenditure amounted to Rs. 1.50 lakhs per annum.

(Paragraph 3.3)

#### **V. Inland Fisheries**

The inland fisheries development included development of reservoir fisheries, fish seed farms, brackish water fish farms and fish farmers' development agencies. Only less than one third of the area of reservoirs suitable for fish culture could



be brought under development. Even in that area, the average production of fish was only 4 to 8 kg per hectare, against the minimum 40 kg per hectare anticipated. Of the three seed farms approved by Government of India in March 1984, the farm proposed at Thalikulathur was not started. In other two farms, at Polachira and Malampuzha, breeding operation met with failure. Chinese hatchery, constructed at a cost Rs. 7.44 lakhs at Malampuzha, has not been fruitful. Construction of fish ponds in Poyya farm commenced in April 1984 remains to be completed though Rs. 50 lakhs have been spent. In a work of construction of fish farms, there was excess payment of over Rs. 9 lakhs due to non-execution of work according to the agreed specifications.

(Paragraph 3.5)

## **VI. Industrial Development of Backward Areas**

Under the scheme of promoting growth of industries in industrially backward districts/areas and for reducing regional disparities in development, Government have implemented the investment subsidy schemes and concessional finance schemes.

Subsidy paid to three units were in excess by Rs. 1.60 lakhs over the admissible amount. Two units had received Central investment subsidy and also subsidy from an autonomous body resulting in excess payment of Rs. 8.11 lakhs. Rupees 85 lakhs drawn for the infrastructure assistance scheme in Wayanad and Idukki could not be utilised for the purpose. Delays in processing the cases of subsidy resulted in delays in setting up new industries.

(Paragraph 3.8)



## **VII. Drugs Control Department**

Drugs Control Department is responsible to exercise control over the manufacture, sale and distribution of drugs and ensure that drugs of standard quality are produced and made available to the public at controlled prices.

There was no increase in the number of posts of Drugs Inspectors even though number of allopathic units to be inspected increased from 3401 in 1983-84 to 5738 in 1987-88. Licences to blood banks were granted without insisting on minimum facilities. Private hospitals stocking and dispensing drugs were not brought under the umbrella of licence. There was shortfall in drawing samples of drugs for analysis. There was considerable delay in finalising prosecution action against those who infringed the Drugs and Cosmetics Rules, 1945.

(Paragraph 3.6)

## **VIII. Financial Management by the State Government**

Financial management by the State Government involves mobilisation and collection of revenues and other resources, effective deployment of available resources in the optimum manner for meeting all the demands of expenditure as well as careful monitoring of the ways and means position of the State.

The cash surplus status—Rs. 184.56 crores—in 1982-83 deteriorated to deficit status—Rs. 504.51 crores at the end of 1988-89. The gap between non-plan revenue expenditure and revenue raised by Government including non-plan grants from Central Government widened over the last six years. To fund the Plan outlay, the State had to obtain advance Plan assistance of Rs. 175 crores during the first two years of the Seventh Plan. The dividend received on investments in the share capital of

statutory corporations, Government companies, etc., was negligible, being less than half a *per cent*. Rupees 83.50 crores due to Government from Kerala State Road Transport Corporation was written off. There were heavy arrears in collection of revenue and in recovery of loans. The arrears towards electricity duty due from Kerala State Electricity Board alone amounted to Rs. 412.97 crores at the end of 1988-89. There was excessive financial dependence on overdraft from the Reserve Bank of India, particularly during 1984-85 and 1985-86, resulting in payment of interest of Rs. 29.73 crores in these years.

(Paragraph 3.4)

## **IX. Litigation activities of the Government departments**

The cases filed by/against the Government are defended by the Government Law Officers in the respective courts and full facts required for defending these cases by the Law Officers in the courts are to be furnished by the concerned departmental officers.

Delay in obtaining copies of judgements/decrees, non-filing of objection statement in the court, delay in filing of appeal, failure to produce the required evidence, etc., were noticed. Non-filing of objection statement in a case in the lower court resulted in payment of Rs. 5.24 lakhs to a contractor. Similarly, delay in filing the appeal resulted in payment of Rs. 3.23 lakhs. In a land acquisition case where Government acted only as an agency, Government had to incur Rs. 31.66 lakhs solely due to delay in forwarding the reference applications to court. In another case, the Land Acquisition Officer did not prove the method of valuation adopted by him before the court; the court allowed enhancement in land value to the extent of Rs. 1.92 lakhs.

(Paragraph 3.11)



## **X. Animal Husbandry Department—Human Resources Audit**

The establishment expenditure of the department was above 70 *per cent* of the total revenue expenditure. There was no well defined system for assessing manpower requirement. Norms/standards for creation of posts and deployment of staff had not been evolved on the basis of work study. The cost of excess labour employed in 4 livestock farms worked out to Rs. 22.65 lakhs. Pay and allowances of staff attached to Pig Breeding Farm, Kanjirappally amounted to Rs. 3.12 lakhs, although the Farm has not been commissioned owing to non-completion of civil works. Expenditure on pay and allowances of staff of the quality control unit in the Veterinary Biological Institute, Palode which was not fully equipped, amounted to Rs. 3.86 lakhs.

(Paragraph 3.2)

## **XI. Assistance paid to Matsyafed**

The Kerala State Co-operative Federation for Fisheries Development Limited (Matsyafed) was formed in March 1984 to develop the fisheries sector. The Federation was paid managerial subsidy of Rs. 116.52 lakhs though no norms for payment have been framed by Government so far. Owing to slow progress of work by the Federation in implementing the first phase of the integrated fisheries development project in fifteen villages, Government could realise only Rs. 270.30 lakhs till March 1988 against the assistance of Rs. 431.70 lakhs payable by the National Co-operative Development Corporation. The utilisation of the fund till November 1988 was only 52 *per cent* of the amount received by way of loans and subsidy under phase I of the Project. Out of 7500 houses for traditional fishermen sanctioned by Government in February 1985, 5672 houses were completed;

Rs. 97.08 lakhs out of loan and subsidy of Rs. 431.68 lakhs sanctioned were lying unutilised. Government have also paid a subsidy of Rs. 21.33 lakhs in excess of norms. Fifteen crafts purchased by October 1988 at a cost of Rs. 16.68 lakhs have not been distributed, as the beneficiary groups have not been identified.

(Paragraph 7.3)

## **XII. State Institute of Languages**

As against the target of 1779 books to be published till end of 1987-88, the Institute could publish only 818 books. The Institute's press set up in May 1972 at a cost of Rs. 6.46 lakhs has been working at loss since its inception and the accumulated loss at the end of March 1988 was Rs. 90.18 lakhs. The out-turn of 5 printing machines was about 40 *per cent* of the capacity during 1984. Due to procedural and other delays, construction of a godown estimated to cost Rs. 2.94 lakhs was delayed and cost overrun amounted to Rs. 8.29 lakhs. Godowns had to be hired in the meanwhile incurring an expenditure of Rs. 1.38 lakhs.

(Paragraph 7.2)

## **XIII. Pamba Irrigation Project**

Pamba Irrigation Project is intended to irrigate 21135 hectares of ayacut in Alappuzha and Pathanamthitta Districts. The project cost was raised from Rs. 383 lakhs to Rs. 6269 lakhs in 1986. Against targeted additional production of paddy of 81650 tonnes per year, the additional yield was between 10,000 and 29,000 tonnes. Substantial revenue is lost to Government due to delay in assessment of water cess. Owing to defective execution of works, extra expenditure of Rs. 5.57 lakhs was incurred on rectification works.

(Paragraph 4.2)



#### **XIV. Anti-sea erosion works**

To protect the Kerala coast from severe erosion, anti-sea erosion works have been executed. Due to defective programming of works during monsoon period, 9 works (total cost: Rs. 247.01 lakhs) suffered extensive damages and considerable sinkage. Owing to improper selection of sites for sea wall construction, there was infructuous expenditure of Rs. 12 lakhs in two cases. Execution of works without proper assessment of the site condition, an approved design and due to resistance from local people, expenditure of Rs. 6.59 lakhs on two works proved unfruitful.

(Paragraph 4.3)

#### **XV. Other interesting points**

Expenditure of about Rs. 6 lakhs incurred by the erstwhile Forest Engineering Wing on four works had not served the intended purpose as the works had been in abandoned condition for over three years.

(Paragraph 4.1)

Due to delay in rectifying the defects and providing irrigation facilities to the Central Rice Research Station and Central Orchard at Pattambi, the expenditure of Rs. 12.84 lakhs incurred remained unfruitful.

(Paragraph 4.5)

An irrigation scheme intended to irrigate 18014 hectares within a period of 5 years sanctioned in 1983 was discontinued in 1988 after incurring an expenditure of Rs. 62.12 lakhs on works and Rs. 159.87 lakhs on establishment. The establishment expenditure was largely unproductive.

(Paragraph 4.7)

Contrary to the guidelines issued by the Chief Engineer, payment was made at enhanced rates for the entire quantity of work where quantity executed exceeded 30 per cent of the estimates resulting in extra expenditure of Rs. 19.19 lakhs.

(Paragraph 4.8)

Construction of a school building commenced in 1981 stipulating completion by 1982 has not been completed so far even after spending Rs. 7.56 lakhs.

(Paragraph 4.11)

The works estimates prepared by the Public Works Department included elements of seigniorage charges for ordinary earth, even though no royalty was payable by the contractors since December 1977, resulting in excess expenditure of Rs. 4.39 lakhs on 54 works test checked in two districts. Absence of instructions to verify quarrying permits/lease and proof of payment of royalty before passing bills to allow seigniorage charges resulted in excess expenditure of Rs. 10.13 lakhs.

(Paragraph 4.12)

Chassis costing Rs. 7.22 lakhs entrusted to a New Delhi firm for fabrication of snorkel has not been received back even after a lapse of 3 years.

(Paragraph 5.4)

Out of 17 bitumen hot mix plants sanctioned for purchase at a cost of Rs. 41.33 lakhs, 11 plants were either not utilised because of defects or were utilised only sparingly.

(Paragraph 5.7)

Delay in awarding a work before the expiry of validity period resulted in extra expenditure of Rs. 6.49 lakhs to the Kerala Water Authority. Premature dismantling of a pumping



main and pumphouse in good condition without any improvement to the existing water supply resulted in avoidable expenditure of Rs. 4.54 lakhs. Direct purchase of 3121 metres of pipes at a market rate of Rs. 220 per metre against the centralised contract rate of Rs. 145.20 per metre, on grounds of urgency, resulted in extra expenditure of Rs. 3.24 lakhs. A comprehensive water supply scheme in Chirayinkeezhu taluk commenced in 1980 at an estimated cost of Rs. 383 lakhs, has not been completed even after spending Rs. 408.57 lakhs.

Expenditure of Rs. 3.37 lakhs incurred on a work remained unfruitful, as the source of water proposed was found unsuitable. Pipes worth Rs. 1.29 lakhs were left with the contractor and remained unutilised.

The work of laying pipeline for a rural water supply scheme has not been completed even after spending 944 *per cent* of the contract amount. Excess payment of Rs. 18.28 lakhs was also made on the work on account of higher rates allowed for protected blasting, earth filling, dry rubble packing and payment for quantities not provided in the sectional plan.

There was avoidable expenditure of Rs. 19.60 lakhs to the Kerala Water Authority due to excess usage of chemicals during August 1985 to October 1986, in spite of instructions to reduce the dosage.

Augmentation of water supply scheme for Kozhikode town was at a standstill after incurring an expenditure of Rs. 539.42 lakhs. Even the interim augmentation scheme taken up in 1979 has not been completed. Pumpsets and transformers costing Rs. 16.80 lakhs were lying idle for the last 8 years.

(Paragraph 7.4)





# CHAPTER I

## FINANCIAL POSITION

### 1.1. Summary of accounts

The summarised position of the accounts of the Government of Kerala emerging from the Finance Accounts for 1988-89 is indicated in following statements:—

#### I. Statement of financial position of the Government of Kerala as on 31st March 1989.

<i>Amount as on 31st March 1988 (Rs. in crores)</i>	<i>Liabilities</i>	<i>Amount as on 31st March 1989 (Rs. in crores)</i>
604.55	Internal debt including ways and means advances (Market loans, loans from Life Insurance Corporation of India and others and ways and means advances excluding overdrafts)	718.45
	Loans and advances from Central Government—	
679.39	Pre-1984-85 loans	620.69
351.29	Non-Plan loans	400.64
563.27	Loans for State Plan schemes	689.54
11.18	Loans for Central Plan schemes	13.18
10.80	Loans for Centrally sponsored schemes	13.08
1615.93	Total	1737.13
743.93	Small Savings, Provident Funds, etc.	903.51
184.39	Deposits	200.74
..	Overdraft from Reserve Bank of India	..
	Reserve Funds—	
7.06	Gross	7.27
5.00	Less: Investments	5.02
2.06	Net	2.25
41.71	Suspense and Miscellaneous balances-other items (Net)	..
14.97	Contingency Fund	11.62
3207.54	Grand Total	3573.70

<i>Amount as on 31st March 1988 (Rs. in crores)</i>	<i>Assets</i>	<i>Amount as on 31st March 1989 (Rs. in crores)</i>
	Gross capital outlay on fixed assets	
414.27	Investment in shares of Com-	459.44
	panies, Corporations, etc.	
1603.83	Other capital outlay	1738.95
2018.10	Total	2198.39
	Loans and Advances—	
292.66	Loans for power projects	304.00
327.93	Other development loans	380.65
28.40	Loans to Government servants	32.24
	and Miscellaneous loans	
648.99	Total	716.89
3.01	Other advances	1.88
167.95	Remittance balances	122.08
..	Suspense and Miscellaneous	26.27
	balances-Other items (Net)	
	Cash—	
8.57	Cash in treasuries	5.68
-0.23	Remittances in transit	-0.40
0.77	Departmental cash balance	1.09
0.14	Permanent Advances	0.15
7.66	Cash balance investment	7.66
14.25	Deposits with Reserve Bank	-10.50
	of India.	
*	Deposits in other banks	*
31.16	Total-cash	3.68
	Deficit on Government Account-	
	Previous year deficit	260.31
	Add: Prior period adjust-	
	ments	78.02
	Net	338.33
	Add: 1. Revenue deficit during	
	current year	163.94
	2. Miscellaneous adjust-	2.24
	ments	
338.33	Total deficit	504.51
3207.54	Grand Total	3573.70

\* Less than Rs. 1 lakh.



## II. Abstract of Receipts and Disbursements for 1988-89

## SECTION A—REVENUE

<i>Receipts</i>		<i>Disbursements</i>			
1. <i>Revenue receipts</i>		1. <i>Revenue expenditure</i>			
	(Rs. in crores)	Sector	Non-plan	Plan	Total
			(Rs. in crores)		
(i) Tax Revenue	1065.47	(i) General Services	695.21	0.33	695.54
(ii) Non-Tax Revenue	181.36	(ii) Social Services	814.26	150.41	964.67
(iii) State's share of Union taxes	436.80	(iii) Agriculture and Allied Activities	64.73	53.54	118.27
(iv) Non-plan Grants	28.62	(iv) Rural Development	20.40	71.43	91.83
(v) Grants for State Plan schemes	81.36	(v) Special Areas Programmes	..	4.90	4.90
(vi) Grants for Central Plan and Centrally Sponsored Plan schemes	103.45	(vi) Irrigation and Flood control	33.12	16.27	49.39
		(vii) Energy	..	1.02	1.02
		(viii) Industry and Minerals	14.60	16.26	30.86
Total	1897.06				
2. Revenue deficit carried to Section B	163.94	(ix) Transport	63.01	1.23	64.24
		(x) Science, Technology & Environment	0.14	1.58	1.72
		(xi) General Economic Services	14.01	3.83	17.84
		(xii) Grants-in-aid and contributions	20.72	..	20.72
Total	2061.00	Total	1740.20	320.80	2061.00

## SECTION B—OTHERS

*Receipts**(Rs. in crores)*

1. Opening Cash	31.16
balance including	
permanent	
advance and Cash	
Balance Invest-	
ment	

*Disbursements**(Rs. in crores)*

1. Opening over-	..
draft from	
Reserve Bank	
of India	
2. Capital outlay—	
(i) General	
Services	7.13
(ii) Social	
Services	23.02
(iii) Agriculture	
and Allied	
Activities	14.22
(iv) Special Areas	
Programmes	0.06
(v) Irrigation	
and Flood	
Control	61.64
(vi) Energy	3.00
(vii) Industry and	
Minerals	21.35
(viii) Transport	48.46
(ix) General	
Economic	
Services	1.41
Total	180.29



## SECTION B—OTHERS—Contd.

<i>Receipts</i>		<i>Disbursements</i>	
(Rs. in crores)		(Rs. in crores)	
2. Recoveries of loans and advances		3. Loans and advances disbursed	
(i) From Government servants	4.66	(i) For power projects	11.67
(ii) From others	17.80	(ii) To Government servants	8.50
		(iii) To others	70.19
Total	22.46	Total	90.36
		4. Revenue deficit brought down	163.94
3. Public Debt receipts		5. Repayment of Public Debt	
(i) Internal debt other than ways and means advances	161.99	(i) Internal debt other than ways and means advances	21.31
(ii) Ways and means advances excluding overdrafts	669.57	(ii) Ways and means advances excluding overdrafts	696.35
(iii) Loans and advances from Central Government	289.18	(iii) Repayment of loans and advances to Central Government	167.98
Total	1120.74	Total	885.64

SECTION B—OTHERS—*Concl'd.*

<i>Receipts</i>		<i>Disbursements</i>	
	(Rs. in crores)		(Rs. in crores)
4. Contingency Fund	0.03	6. Contingency Fund	3.38
5. Public Account receipts		7. Public Account disbursements	
(i) Small Savings, Provident Funds, etc.	713.62	(i) Small Savings, Provident Funds, etc.	554.04
(ii) Reserve Funds	0.47	(ii) Reserve Funds	0.28
(iii) Deposits and advances	533.26	(iii) Deposits and advances	515.78
(iv) Suspense and Miscellaneous	256.98	(iv) Suspense and Miscellaneous	327.20
(v) Remittances	700.12	(v) Remittances	654.25
Total	2204.45	Total	2051.55
6. Closing overdraft from Reserve Bank of India	..	8. Cash balance at end—	
		(i) Cash in treasuries, deposits with Reserve Bank of India and other Banks and Remittances in transit	—5.22
		(ii) Departmental cash balance including permanent advances	1.24
		(iii) Cash balance investment	7.66
		Total	3.68
Grand Total	3378.84		3378.84



### III. Sources and Applications of funds for 1988-89

I. Sources	(Rs. in crores)
(i) Revenue Receipts	1897.06
(ii) Increase in Public Debt and Small Savings	394.68
(iii) Adjustments—	
(a) Increase in deposits and advances	17.48
(b) Effect on Suspense balances	—67.98
(c) Increase in Reserve Funds	0.19
(d) Effect on Remittance balances	45.87
(e) Effect on adjustments under Miscellaneous Government account	—2.24
Total	<u>2285.06</u>
2. Applications	
(i) Revenue expenditure	2061.00
(ii) Capital outlay	180.29
(iii) Net expenditure from Contingency Fund	3.35
(iv) Lending for Development and other programmes	67.90
(v) Decrease in cash balance including permanent advances, Departmental cash balance and cash balance investment	—27.48
Total	<u>2285.06</u>

#### 1.2. Audit comments

1.2.1. Government accounts being on cash basis, the balances shown in the statement of financial position indicate the position on cash basis, as opposed to accrual basis of commercial accounting. The abridged accounts in the foregoing statements have to be read with the comments and explanations in the Finance Accounts.

1.2.2. Under Deposits with Reserve Bank of India there was a difference of Rs. 130.08 lakhs (net credit) between the

figures reflected in the accounts and that communicated by the Reserve Bank. Out of the difference, Rs. 45.28 lakhs (net credit) was cleared during 1989-90 and the balance of Rs. 84.80 lakhs (net credit) was under reconciliation (December 1989).

1.2.3. The amounts as on 31st March 1988 in respect of 'Gross Capital outlay on fixed assets', 'Loans and Advances' and 'Deficit on Government Account' shown in this summary differ from those shown in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1988, No. 3 of 1989 (Civil) due to *pro forma* adjustments carried out on the progressive balances consequent on conversion of loan into share capital (Rs. 17.45 crores), treating 50 *per cent* of capital expenditure incurred for raising plantation at Pachakkanam as loan to Kerala Forest Development Corporation (Rs. 0.06 crore), rectification of misclassification (Rs. 0.05 crore), *pro forma* dropping of balance due to reclassification of capital expenditure on 'Contribution to Kerala Water Authority' (Rs. 78.26 crores) and matching grant given to Kerala State Development Corporation for Scheduled Castes/Scheduled Tribes Limited (Rs. 0.26 crore) as revenue expenditure and conversion of grant paid to State Farming Corporation of Kerala Limited into share capital (Rs. 0.50 crore).

1.2.4. The net accretion from debt transactions (as adjusted by the effect of transactions under Contingency Fund, deposits, reserve funds, remittances and suspense balances) during 1988-89 aggregated Rs. 386.89 crores. Out of this, Rs. 180.29 crores were utilised for capital expenditure and Rs. 67.90 crores for net disbursement under loans and advances for development and other programmes. The balance of Rs. 138.70 crores together with Rs. (—)2.24 crores representing net effect of miscellaneous adjustments on Government accounts aggregated Rs. 136.46 crores. Against this, there was a revenue deficit of Rs. 163.94 crores resulting in a corresponding decrease of Rs. 27.48 crores under cash balance.



1.2.5. The revenue receipts during the year was Rs. 1897.06 crores as against Rs. 1586.09 crores in the previous year. Revenue to the extent of Rs. 2.30 crores anticipated in the budget (Entry tax on tobacco and textiles: Rs. 2.00 crores and Mineral Rights Tax: Rs. 0.30 crore) could not be collected as necessary legislation had not been made during the year. The additional revenue actually mobilised against the budgetary anticipation on other measures (Sales tax: Rs. 35 crores; Land tax: Rs. 15 crores and Motor Vehicles tax: Rs. 6 crores) during the year had not been furnished by Government (March 1990).

1.2.6. The total tax revenue raised during the year was Rs. 1065.47 crores as against Rs. 925.22 crores in the previous year. The increase of Rs. 140.25 crores was mainly due to higher collections under Sales Tax (Rs. 90.76 crores), State Excise (Rs. 22.23 crores) and Stamps and Registration fees (Rs. 28.74 crores) partly offset by the decrease under taxes and duties on electricity (Rs. 19.61 crores). Non-tax revenue during 1988-89 (Rs. 181.36 crores) was less by Rs. 7.18 crores as compared to that in the previous year (Rs. 188.54 crores). The decrease was mainly due to decrease in receipts on interest from Public sector and other undertakings (Rs. 12.25 crores) and on sale of timber and other forest produce (Rs. 6.31 crores) partly compensated by increased receipts under sale of lottery tickets (Rs. 6.58 crores).

1.2.7. Receipts from Government of India (excluding loans) during the year (Rs. 650.23 crores) showed an increase of Rs. 177.90 crores compared to 1987-88 (Rs. 472.33 crores). The increase was under State's share of Union taxes and duties (Rs. 147.47 crores) and grants (Rs. 30.43 crores).

1.2.8. The revenue expenditure during 1988-89 was Rs. 2061.00 crores (Plan: Rs. 320.80 crores; Non-Plan: Rs. 1740.20 crores) as against Rs. 1780.67 crores (Plan: Rs. 259.09

crores; Non-Plan: Rs. 1521.58 crores) during 1987-88 and a total provision of Rs. 2108.59 crores (budget: Rs. 1942.55 crores; supplementary: Rs. 166.04 crores) during 1988-89. The increase of Rs. 280.33 crores in revenue expenditure during 1988-89 compared to previous year was mainly under Interest Payments (Rs. 31.27 crores), General Education (Rs. 67.03 crores) and Water Supply and Sanitation (Rs. 30.14 crores).

Two pie-charts showing separately the receipts from tax revenue/non-tax revenue and Government of India and the expenditure on revenue account (Plan and Non-Plan wise) are given in figure 1.

1.2.9. The year 1988-89 closed with a revenue deficit of Rs. 163.94 crores as against revenue deficit of Rs. 139.14 crores anticipated in the budget. A bar diagram showing the budgeted receipts, expenditure and deficit on revenue account vis-a-vis actuals is given in figure 2.

1.2.10. The overdue revenue arrears at the end of 1988-89, as compiled from information so far received from certain departments were Rs. 574.04 crores. Out of them, collection of Rs. 54.34 crores was under stay (by High Court and other judicial authorities: Rs. 47.99 crores and by Government: Rs. 6.35 crores) in Excise and Forest Departments. The electricity duty due from the Kerala State Electricity Board was Rs. 412.97 crores.

1.2.11. Capital expenditure during 1988-89 was Rs. 180.29 crores as against Rs. 167.40 crores during 1987-88 and the budget provision of Rs. 239.39 crores.

1.2.12. Against an aggregate net provision of Rs. 666.08 crores (revenue: Rs. 346.42 crores; capital: Rs. 239.57 crores; loans and advances: Rs. 80.09 crores) for plan schemes during 1988-89, the actual plan expenditure was Rs. 572.32 crores



# REVENUE RECEIPTS PERCENTAGE



Tax Revenue



Non-tax Revenue



Receipts from Government of India

# REVENUE EXPENDITURE PERCENTAGE



Plan



Non-Plan

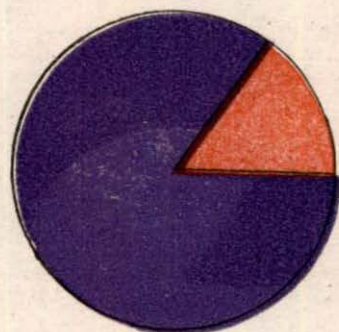
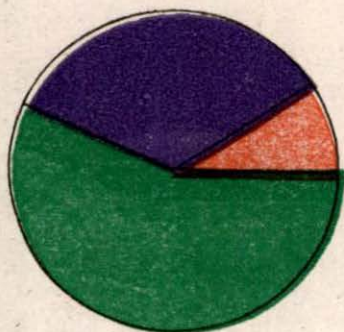
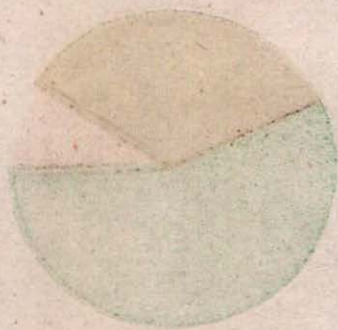


figure 1





Bar diagram

- Revenue Receipts
- Revenue Expenditure
- Revenue Deficit

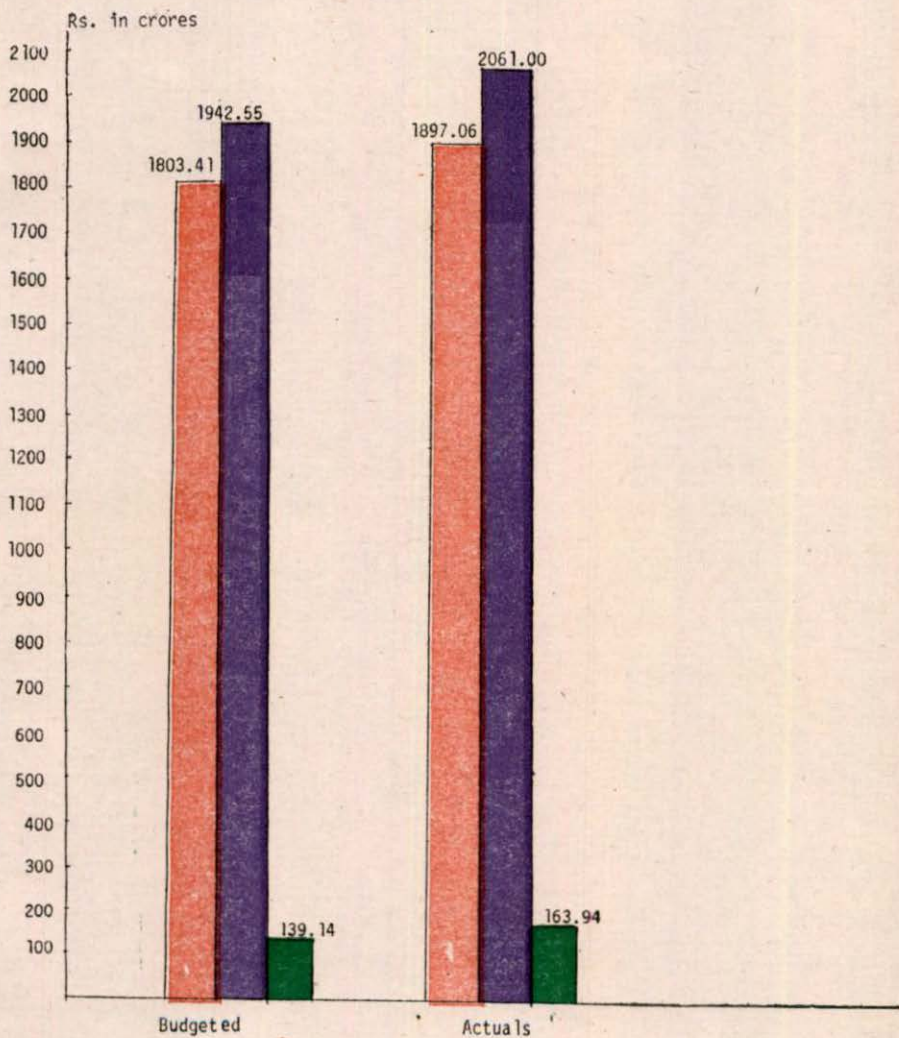


figure 2





(revenue: Rs. 320.80 crores; capital: Rs. 184.30 crores; loans and advances: Rs. 67.22 crores). Thus the total plan expenditure was less than the net plan provision by Rs. 93.76 crores. The heads of development where there was significant shortfall were Social Services (Rs. 45.69 crores), Agriculture and Allied Activities (Rs. 16.64 crores) and Irrigation and Flood Control (Rs. 11.57 crores).

1.2.13. The non-plan expenditure of Rs. 2910.25 crores (revenue: Rs. 1740.20 crores; capital: Rs. (—)4.01 crores; loans and advances: Rs. 23.14 crores; public debt: Rs. 1150.92 crores) during 1988-89 was more by Rs. 408.70 crores than that in the previous year, the excess being mainly under revenue (Rs. 218.62 crores) and ways and means advances from Reserve Bank of India (Rs. 183.42 crores) due to fluctuations of cash balance with the bank.

1.2.14. In respect of loans and advances, the detailed accounts of which are maintained by Accountant General (Accounts & Entitlement) the amount overdue for recovery at the end of 1988-89 was Rs. 168.01 crores as shown below:

	<i>Principal</i>	<i>Interest</i>
	<i>(Rs. in crores)</i>	
1. Kerala State Electricity Board	3.54	105.36*
2. Kerala State Road Transport Corporation	14.49	15.37
3. Kerala Water Authority	8.23	13.34
4. Other Institutions	3.27	4.41
Total	29.53	138.48

---

\* Based on the accounts for 1988-89 finalised by the Board, the accrued interest as at the end of March 1989 was Rs. 99.22 crores. The difference is under reconciliation (March 1990).

During 1988-89, interest due from Kerala State Road Transport Corporation on Government loan for the period 1985-86 to 1987-88 amounting to Rs. 2.29 crores and principal amounting to Rs. 4.34 crores were written off by Government, the adjustment of which is pending in accounts.

In respect of loans and advances the detailed accounts of which are maintained by departmental officers, the amount overdue for recovery at the end of 1988-89 (to the extent details have been received) was Rs. 40.21 crores. Of this, Rs. 40.07 crores (principal: Rs. 17.51 crores; interest: Rs. 22.56 crores) were overdue from 23 Government Companies and 2 Boards. In addition, moratorium had been sanctioned by Government for a sum of Rs. 12.68 crores due from Kerala State Road Transport Corporation (Rs. 10 crores) and Traco Cable Company Limited (Rs. 2.68 crores).

1.2.15. Terms and conditions governing loans aggregating Rs. 30.92 crores given to 2 statutory corporations and 14 Government companies were yet to be fixed by Government.

1.2.16. Loans (including overdraft with Reserve Bank of India) raised during 1988-89 and discharged during the year were Rs. 1386.02 crores and Rs. 1150.92 crores respectively.

1.2.17. Interest paid by Government on debt and other obligations during 1988-89 was Rs. 244.44 crores. The interest received was Rs. 26.09 crores including interest on loans given to public sector undertakings and capital contributions given to departmental commercial undertakings. The net interest burden was thus Rs. 218.35 crores.

1.2.18. With fresh investments of Rs. 45.17 crores (in statutory corporations: Rs. 6.05 crores; Government companies: Rs. 24.36 crores; other joint stock companies: Rs. 0.22 crore;



co-operative banks and societies: Rs. 14.54 crores) during the year, total investment of Government amounted to Rs. 459.44 crores. Return from these investments was poor as dividends received during the year on the investments amounted only to Rs. 0.79 crore, representing a return of 0.17 *per cent* on the investment.

### **1.3. Guarantees given by Government**

1.3.1. The contingent liability for guarantees given by Government for repayment of loans, etc., raised by Government companies, statutory boards/corporations, co-operative institutions, local bodies, etc., outstanding on 31st March 1989 was Rs. 988.01 crores (including interest of Rs. 73.03 crores) against the maximum guaranteed amount of Rs. 1438.27 crores.

1.3.2. Government had paid so far Rs. 99.08 lakhs to the Kerala Financial Corporation towards the minimum dividend guaranteed, out of which Rs. 0.20 lakh has been recovered.

1.3.3. To the end of March 1988, Rs. 259.93 lakhs were paid by Government to discharge liabilities arising from guarantees given in favour of 8 bodies.

Mention was made in paragraph 1.2.13 of the Report of the Comptroller and Auditor General of India for the year 1985-86 (Civil) about the invocation of Government's guarantee for the loans granted by Banks to Trivandrum (North) and Kozhikode Regional Fish Marketing Societies and conversion of the guarantee amount into a funded loan by the lender banks. During 1988-89, Government paid Rs. 19.87 lakhs towards half-yearly instalment of the funded loan/interest.

On invocation of the guarantee during the year, Government also had to undertake fresh liability of Rs. 106.85 lakhs on behalf of the four institutions as detailed below:—

<i>Name of institution</i>	<i>Amount paid (Rs. in lakhs)</i>
1. Kerala Fisheries Corporation Limited	36.00
2. Joint Farming Co-operative Societies for cultivation in Q, S&T Blocks in Kuttanad	32.06
3. Foam Mattings (India) Limited	20.00
4. Kairali Beedi Workers Central Co-operative Society Limited	18.79

Thus the total amount paid by Government to end of March 1989 in respect of guarantees given in favour of 12 bodies aggregated Rs. 386.65 lakhs. Out of this, a sum of Rs. 35 lakhs had been recovered till March 1989 from Koliat Estates against Rs. 45.59 lakhs paid by Government in September 1978. Recovery of Rs. 4.64 lakhs paid in May 1982 on behalf of Collective Farm Society, Koothali, was written off by Government during 1986-87. Again, recovery of Rs. 0.76 lakh paid in October 1979 on behalf of Palghat Co-operative Milk Supply Union Limited was written off by Government during the year.

1.3.4. In addition to the above, Government paid loans to the following three institutions on behalf of which Government stood guarantee, to discharge the liabilities with the financing institutions:—

<i>Name of institution</i>	<i>Amount paid (Rs. in lakhs)</i>	<i>Period of payment</i>
1. Kerala State Rural Development Board	46.94	March 1979 to April 1984
2. Trivandrum Rubber Works	98.77	April 1987
3. Kerala State Industrial Enterprises Limited (for payment to Kerala Soaps and Oils Limited)	29.00	April 1988 and March 1989

1.3.5. Rupees 103.98 lakhs were received by Government during 1988-89 towards guarantee fee. Guarantee fee



amounting to Rs. 1155.96 lakhs was in arrears as on 31st March 1989 in respect of guarantees given in favour of 49 institutions, to the extent information has been received.

1.3.6. No law under Article 293 of the Constitution has been enacted by the State Legislature laying down the limits within which Government may borrow and give guarantee on the security of the Consolidated Fund of the State.

## CHAPTER II

### APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

#### 2. 1. Summary of expenditure

The summarised position of actual expenditure during 1988-89 against provision is as follows:—

	<i>Original grant/ appro- priation</i>	<i>Supple- mentary grant/ appro- priation</i>	<i>Total</i>	<i>Actual expen- diture</i>	<i>Variation Saving(—) Excess(+)</i>
(Rs. in crores)					
1. Revenue					
Voted	1735.12	154.39	1889.51	1840.10	(—)49.41
Charged	247.45	11.65	259.10	251.27	{—)7.83
2. Capital					
Voted	208.52	29.92	238.44	189.08	(—)49.36
Charged	6.00	0.52	6.52	4.85	(—)1.67
3. Public Debt					
Charged	320.71	758.14	1078.85	1150.92	(+)72.07
4. Loans and advances					
Voted	79.44	22.00	101.44	90.36	(—)11.08
Grand Total	2597.24	976.62	3573.86	3526.58	(—)47.28

Two pie-charts showing separately the provision and expenditure under revenue, capital, public debt and loans and advances are given in figure 3.

#### 2.2. Results of Appropriation Audit

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

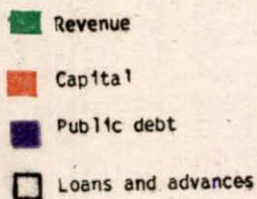
##### 2.2.1. Supplementary provision

Supplementary provision obtained during the year worked out to 38 per cent of the original budget provision as against 35 per cent in the preceding year.

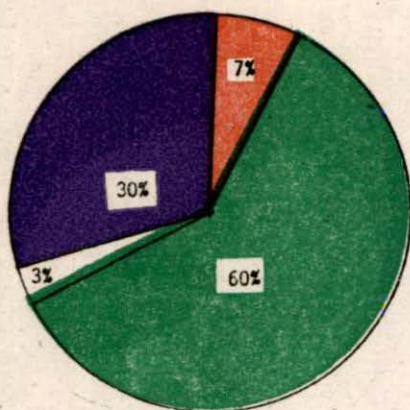


# PROVISION AND EXPENDITURE DURING 1988-89

(Reference: Paragraph 2.1)



PROVISION



EXPENDITURE

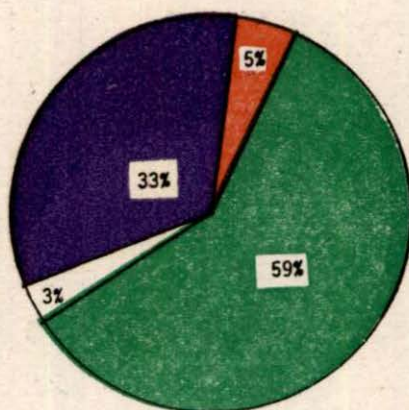
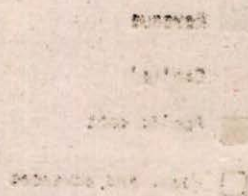


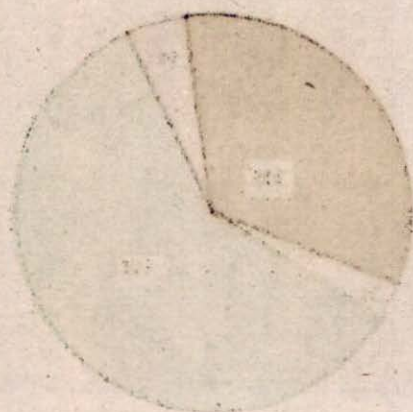
figure 3

# REPORT ON THE PROGRESS OF THE WORK

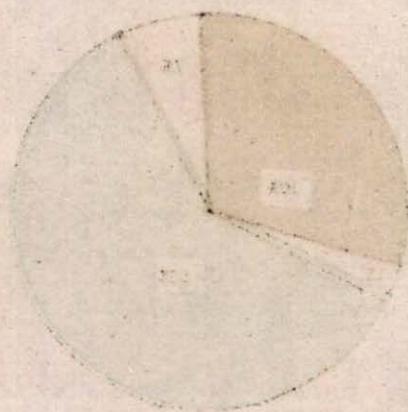
During the year 1900



Building



Land





### **2.2.2. Saving from/excess over provision**

The net saving of Rs. 47.28 crores was due to an overall saving of Rs. 169.47 crores in 91 voted grants/charged appropriations offset by excess of Rs. 122.19 crores in 17 voted grants/charged appropriations. Excluding excess of Rs. 17,44,24,681 under two voted grants-XIV and XX as a result of change in classification effected from 1st April 1987 and reclassification of expenditure as per provisions contained in the Form of Accounts of Union and States (Basic) Rules 1983 which do not require regularisation, excesses of Rs. 32,58,75,683 under 11 voted grants and Rs. 72,15,62,102 under 4 charged appropriations as detailed in Appendix 1 require regularisation under Article 205 of the Constitution.

### **2.2.3. Unnecessary/excessive/inadequate supplementary provision**

In 18 cases final saving was more than the supplementary provisions obtained on 30th March 1989. In these cases, the supplementary provisions aggregating Rs. 10.05 crores obtained on 30th March 1989 were wholly unnecessary or could have been limited to token amounts to satisfy new service cases. In 21 other cases, out of the supplementary provisions aggregating Rs. 124.48 crores obtained on 30th March 1989, the actual utilisation was only Rs. 62.85 crores, resulting in saving of more than Rs. 25 lakhs in each case. In 6 cases, though supplementary provision totalling Rs. 125.32 crores was obtained on 30th March 1989, the provision proved insufficient by more than Rs. 25 lakhs in each case, leaving an aggregate uncovered excess expenditure of Rs. 102.53 crores. In one case where no supplementary provision was obtained in March 1989, there was eventual excess expenditure of Rs. 1.74 crores.

### 2.2.4. Major savings

In the following grants, the expenditure in each case fell short by more than Rs. 1 crore and also by more than 10 per cent of the total provision.

<i>Sl. No.</i>	<i>Number and name of grant</i>	<i>Amount of saving (Rs. in crores) and its percentage to provision (in brackets)</i>	<i>Main reasons for saving</i>
----------------	---------------------------------	---	--------------------------------

#### REVENUE (VOTED) SECTION

1.	VIII—Excise	1.31 (15)	Overassessment of additional requirements for salaries in the last batch of Supplementary Demands for Grants.
2.	XIV—Stationery and Printing and Other Administrative Services	3.18 (15)	Non-materialisation of certain direct purchases and non-allocation of stationery stores by DGS & D (Rs. 1.80 crores), non-finalisation of number of Malayalam typewriters to be purchased and receipt of less number of English typewriters than ordered (Rs. 0.61 crore) and non-receipt of orders from Government for purchase of four water tenders for the Fire Force Department (Rs. 0.90 crore).



<i>Sl. No.</i>	<i>Number and name of grant</i>	<i>Amount of saving (Rs. in crores) and its percentage to provision (in brackets)</i>	<i>Main reasons for saving</i>
3.	XV—Public Works	13.44 (12)	Over-estimation in respect of additional expenditure towards dearness allowance (Rs. 2.60 crores).
4.	XIX—Family Welfare	18.14 (43)	Delay in getting approval from Government of India on the reprogramming of the activities for 1988-89 and 1989-90 consequent on extension of India Population Project till 31-3-1990 and resultant delay in submission of proposal for training of different courses and purchase of equipments, motor vehicles and furniture (Rs. 3.30 crores).
5.	XXVII—Co-operation	2.86 (17)	Due to release of financial assistance to KERAFED as equity share capital contribution resulting in non-utilisation of the entire provision under 'Revenue'.
6.	XXIX—Agriculture	9.22 (11)	Slow progress of works under Community Irrigation Schemes, delay in sanctioning of schemes, etc. (Rs. 3.76 crores).

<i>Sl. No.</i>	<i>Number and name of grant</i>	<i>Amount of saving (Rs. in crores) and its percentage to provision (in brackets)</i>	<i>Main reasons for saving</i>
7.	XXXIV—Forest	10.35 (28)	Non-taking up of many civil works due to shortage of levy cement, enforcement of economy measures, poor response for tender calls, non-finalisation of rules for the Kerala Forest Development Fund, etc.
8.	XXXV—Panchayat	1.85 (14)	Non-receipt of sanction for release of grant to Panchayats and non-release of further grant for want of details of basic tax collected by Revenue Department.
9.	XLII—Tourism	1.92 (33)	Non-sanctioning of certain Centrally sponsored schemes, non-finalisation of schemes due to delay in finalising project reports, lesser number of applicants for subsidy and enforcement of economy measures.
<b>CAPITAL (VOTED) SECTION</b>			
10.	XVII—Education, Sports, Art and Culture	2.77 (37)	
11.	XIX—Family Welfare	6.94 (47)	



<i>Sl. No.</i>	<i>Number and name of grant</i>	<i>Amount of saving (Rs. in crores) and its percentage to provision (in brackets)</i>	<i>Main reasons for saving</i>
12.	XX—Water Supply and Sanitation	31.81 (60)	Due to reclassification of expenditure on 'contribution' to Kerala Water Authority under 'revenue', as per provisions contained in Form of Accounts of Union and States (Basic) Rules 1983, restriction on treasury payments and reduction in Plan outlay.
13.	XXV—Social Welfare including Harijan welfare	1.31 (42)	Enforcement of economy measures and slow progress of works.
14.	XXVII—Co-operation	1.53 (11)	Reduction in loan assistance for National Co-operative Development Corporation assisted schemes, non-receipt of assistance from Government of India and non-utilisation of assistance to Kerala Kera Karshaka Sahakarana Federation due to delay in framing rules and regulations.
15.	XXIX—Agriculture	1.52 (12)	Slow progress of lift irrigation works and non-taking up of new works under Community Irrigation Tube Wells (Rs. 1.00 crore).

<i>Sl. No.</i>	<i>Number and name of grant</i>	<i>Amount of saving (Rs. in crores) and its percentage to provision (in brackets)</i>	<i>Main reasons for saving</i>
16.	XXXIII—Fisheries	1.68 (25)	Non-finalisation of rehabilitation of fishermen evicted from land acquired for Vizhinjam Fishing Harbour, non-arrangement of work at Munambam fishing harbour due to delay in issuing administrative sanction, etc.

#### CAPITAL (CHARGED) SECTION

17.	XXXVIII—Irrigation	1.54 (27)	Non-settlement of arbitration cases due to administrative delay and receipt of lesser number of land acquisition claims for Karapuzha Project.
-----	--------------------	--------------	--

#### 2.2.5. Significant cases of savings in Plan expenditure

In the following cases substantial savings of not less than Rs. 1 crore each had occurred owing to non-implementation or slow implementation of Plan schemes.

<i>Sl. No.</i>	<i>Number and name of grant</i>	<i>Name of scheme</i>	<i>Amount of saving (Rs. in crores) and its percentage to provision (in brackets)</i>
----------------	---------------------------------	-----------------------	---

#### REVENUE (VOTED) SECTION

1.	XIX-Family Welfare	(i) Compensation-Tubectomy	3.82 (59)
		(ii) Rural Family Welfare Planning Centres	2.54 (18)



<i>Sl. No.</i>	<i>Number and name of grant</i>	<i>Name of scheme</i>	<i>Amount of saving (Rs. in crores) and its percentage to provision (in brackets)</i>
		(iii) Com pensation-Vasectomy	1.91 (96)
		(iv) Extension of sterilisation facilities in rural and semi-rural areas	1.42 (71)
		(v) Compensation-Medicine	1.39 (70)
		(vi) India Population Project III DHS Cell	3.30 (61)
2.	XXIX-Agriculture	(i) Intensive Rice Production Programme	1.74 (87)
		(ii) Community Irrigation	1.40 (56)
		(iii) Command Area Development Authority	3.98 (33)
3.	XXXIV-Forest	Eco development (World Bank assisted Social Forestry)	5.03 (34)
4.	XXXVI-Community Development	(i) Rural Landless Employment Guarantee Programme (100 per cent Central assistance)	3.64 (15)
		(ii) Scheme for small and marginal farmers for increasing agricultural production (50 per cent Central assistance)	3.03 (40)
CAPITAL (VOTED) SECTION			
5.	XV-Public Works	1. District and other roads	
		(i) Developments and improvements-Major works	7.83 (100)
		(ii) Bridges and culverts-Major works	1.98 (100)
		2. Other District roads-Bridges and culverts—Major works	1.28 (44)
6.	XIX-Family Welfare	India Population Project III	5.32 (50)
7.	XXXVIII-Irrigation	Anti-sea Erosion Works	2.61 (46)

## 2.2.6. Significant savings in Non-Plan expenditure

Substantial savings, exceeding 10 per cent of the provision and Rs. 1 crore each occurred in the following Non-Plan items:

<i>Sl. No.</i>	<i>Number and name of grant</i>	<i>Nature of activity</i>	<i>Amount of saving (Rs. in crores) and its percentage to provision (in brackets)</i>
----------------	---------------------------------	---------------------------	---

### REVENUE SECTION

1.	Debt charges	Interest on market loans bearing interest	5.98 (12)
2.	XIV-Stationery and Printing and Other Administrative Services	Purchase and supply of stationery stores	2.27 (40)
3.	XV-Public Works	National Highways-supervision and execution	2.66 (43)
4.	XVI-Pensions and Miscellaneous	Gratuities	5.06 (17)
5.	XVIII-Medical and Public Health	Hospitals and Dispensaries except General, District, Taluk Hospitals	8.26 (37)
6.	XXXIV-Forest	Timber and other produce removed by Government Agency	2.36 (49)
7.	XXXV-Panchayat	Basic Tax grant to Panchayats	2.24 (53)

### CAPITAL SECTION

8.	Public Debt Repayment	Market loans not bearing interest	2.66 (95)
----	-----------------------	-----------------------------------	--------------



## 2.2.7. Totally unused provision

Cases where provision of over Rs. 25 lakhs totally remained unutilised are listed below:

<i>Sl. No.</i>	<i>Number, name of grant and head of account</i>	<i>Amount of saving (Rs. in lakhs)</i>	<i>Main reasons for saving</i>
----------------	--	--	--------------------------------

### REVENUE (VOTED) SECTION

- |    |   |       |   |
|----|---|-------|---|
| 1. | II- Heads of States, Ministers and Headquarters staff<br>3451-092-03. Modernisation in Government Offices-<br>Reprographic facilities                   | 30.00 | Non-implementation of computerisation programmes or modernisation projects in Government Offices. |
| 2. | XIII- Jails<br>2056-001-02. Modernisation of Prisons  | 43.53 | Delay in finalisation of various schemes.   |
| 3. | XV- Public Works<br>3054-05-797-01. Transfer to the Deposit Head 'subvention from Central Road Fund'  | 80.00 | Non-receipt of assistance from Government of India for scheme on road development.                |
| 4. | XVI- Pensions and Miscellaneous<br>2071-01-102-03. Government share of commuted value of pension in respect of Government servants absorbed in the KSEB | 50.00 | Non-receipt of claim from the KSEB.   |
| 5. | XVII- Education, Sports, Art and Culture (i) 3425-60-200-03. Electronic Research and Development Centre (Grant-in-aid)                                  | 56.75 | Due to take over of the Centre by Government of India with effect from 1-4-1988.                  |

<i>Sl. No.</i>	<i>Number, name of grant and head of account</i>	<i>Amount of saving (Rs. in lakhs)</i>	<i>Main reasons for saving</i>
	(ii) 2810-02-101-01-Solar Thermal Energy Programme (100 <i>per cent</i> Centrally sponsored scheme)	50.00	Non-release of funds by Government of India.
	(iii) 2810-60-101-01 National Project on improved Choolahs-Training Programme and installation of choolahs (100 <i>per cent</i> Centrally sponsored scheme)	40.00	Non-release of funds by Government of India
6. XIX-	Family Welfare		
	(i) 2211-800-03. Village Health Guide and Sub Centre-schemes (100 <i>per cent</i> Centrally sponsored scheme)	50.00	
	(ii) 2211-200-03. Conventional Contraceptives (100 <i>per cent</i> Centrally sponsored scheme)	30.00	
7. XXVII-	Co-operation		
	2425-108-40 Integrated Project for coconut development processing and marketing	275.00	Assistance to KERA-FED was given as equity share capital contribution.
8. XXIX-	Agriculture		
	2401-190-02. Kerala Land Development Corporation 'Capital Subsidy'	30.00	Enforcement of economy measures.
9. XXXIV-	Forest		
	2406-01-797 Transfer to/from Reserve Funds and Deposit Accounts-Transfer of net proceeds of Kerala Forest Development Fund under Section 75-B of Kerala Forest Act	150.00	Non-finalisation of the rules for the Kerala Forest Development Fund.



<i>Sl. No.</i>	<i>Number, name of grant and head of account</i>	<i>Amount of saving (Rs. in lakhs)</i>	<i>Main reasons for saving</i>
<b>CAPITAL (VOTED) SECTION</b>			
10.	<b>XVII- Education, Sports, Art and Culture</b>		
	6202-01-800-01. Loans for repayment of principal with interest on loans availed by the Trichur District Sports Council from the Consortium of Banks for construction of Aquatic Complex at Trichur	32.00	
11.	<b>XIX- Family Welfare</b>		
	4211-800-01. Buildings (100 per cent Centrally sponsored scheme)	50.00	
12.	<b>XX- Water Supply and Sanitation</b>		
	(i) 4215-02-190-01. Contribution to Kerala Water Authority	117.00	} Reduction in Plan outlay consequent on restrictions on treasury payments.
	(ii) 6215-02-01. Loans to Kerala Water Authority	58.00	
13.	<b>XXVII-Co-operation</b>		
	4425-108-25. Assistance to Kerala Kera Karshaka Sahakarana Federation	50.00	Delay in framing rules and regulations.
14.	<b>XXX- Food</b>		
	6408-02-195-15. Loans to Kerala State Co-operative Marketing Federation for development of business (100 per cent NCDC Scheme)	50.00	Non-sanctioning of margin money assistance to the Federation by NCDC.
15.	<b>XXXVII- Industries</b>		
	(i) 4859-02-190-03. Investments on new viable projects of K.S.E.D.C., K. S. I. E. etc.	40.00	Want of new viable projects approved by Public Enterprises Board.

<i>Sl. No.</i>	<i>Number, name of grant and head of account</i>	<i>Amount of saving (Rs. in lakhs)</i>	<i>Main reasons for saving</i>
(ii)	4858-60-190-05. Special Refractory Project	350.00	} Delay in concluding terms and conditions on the participation of SAIL, non-finalisation of terms of assistance from financial institutions and non-approval of updated project cost.
(iii)	6858-60-190-10. Special Refractory Project	350.00	

### 2.2.8. Persistent savings

Persistent savings exceeding Rs. 25 lakhs each were noticed, in all the three years, in the following voted grants/charged appropriations:—

<i>Sl.No.</i>	<i>Number and name of grant/appropriation</i>	<i>Amount of savings (Rs. in lakhs) / percentage of savings to total provision (in brackets)</i>		
		1986-87	1987-88	1988-89
<b>REVENUE SECTION</b>				
1.	II—Heads of States, Ministers and Headquarters Staff	76.50 (6)	145.92 (10)	139.03 (9)
2.	V—Agricultural Income Tax and Sales Tax	59.67 (6)	100.30 (10)	109.19 (9)
3.	Debt Charges	1362.17 (7)	426.34 (2)	762.62 (3)
4.	XII—Police	158.12 (2)	157.86 (2)	157.04 (2)
5.	XIV—Stationery and Printing and Other Administrative Services	348.64 (25)	426.77 (21)	317.87 (15)
6.	XIX—Family Welfare	760.37 (30)	881.34 (32)	1814.05 (43)
7.	XXI—Housing	45.86 (8)	77.08 (19)	68.41 (7)



Sl. No.	Number and name of grant/appropriation	Amount of savings (Rs. in lakhs) /percentage of savings to total provision (in brackets)		
		1986-87	1987-88	1988-89
8.	XXVII—Co-operation	48.74 (3)	187.88 (10)	285.94 (17)
9.	XXVIII—Miscellaneous Economic Services	47.26 (5)	232.43 (20)	39.22 (4)
10.	XXIX—Agriculture	121.17 (2)	773.37 (9)	922.08 (11)
11.	XXXIV—Forest	305.39 (10)	806.13 (24)	1035.35 (28)
12.	XXXV—Panchayat	75.38 (6)	214.66 (14)	185.04 (14)
13.	XLII—Tourism	40.98 (11)	79.26 (18)	192.41 (33)
CAPITAL SECTION				
14.	XV—Public Works	131.50 (3)	1079.15 (22)	446.95 (9)
15.	XVII—Education, Sports, Art and Culture	40.12 (4)	49.86 (13)	277.48 (37)
16.	XXI—Housing	120.83 (11)	58.36 (14)	81.34 (15)
17.	XXV—Social Welfare including Harijan Welfare	27.46 (8)	72.16 (22)	130.85 (42)
18.	XXVII—Co-operation	118.94 (8)	106.15 (18)	152.64 (11)
19.	XXIX—Agriculture	224.23 (13)	271.23 (25)	151.72 (12)
20.	XXX—Food	29.14 (8)	194.75 (28)	33.64 (6)
21.	XXXIII—Fisheries	558.89 (52)	331.44 (38)	167.69 (25)
22.	XXXVIII—Irrigation	34.40 (37)	79.06 (28)	154.44 (27)

In respect of serial nos. 2, 6, 7, 8, 10, 11, 12, 14, 15, 18 and 21 there were also savings exceeding Rs. 25 lakhs each during 1984-85 and 1985-86 and in respect of serial nos. 9, 17, 19, 20 and 22 during 1985-86.

### 2.2.9. Persistent excesses

In the following voted grants/charged appropriation, persistent excess were noted in all the three years from 1986-87:—

Sl.No.	Number and name of grant/appropriation	Amount of excess (Rs. in lakhs) / percentage to total provision (in brackets)		
		1986-87	1987-88	1988-89
REVENUE SECTION				
1.	VII—Stamps and Registration	15.06 (2)	36.26 (5)	62.12 (8)
2.	XXXI—Animal Husbandry	115.35 (9)	10.37 (0.6)	49.66 (3)
CAPITAL SECTION				
3.	Public Debt Repayment	1388.70 (4)	4278.53 (5)	7206.68 (7)

In all the above cases, there were excess during 1984-85 and 1985-86 also.

### 2.2.10. Surrender of savings

All anticipated savings should be surrendered as soon as the possibility of savings is envisaged. However, out of Rs. 83.97 crores surrendered during 1988-89, surrender of Rs. 79.94 crores or 95 per cent was made only on the last day (31st March 1989) of the financial year.

In the following grants, savings exceeding Rs. 1 crore each remained unsurrendered.



<i>Sl.No.</i>	<i>Number and name of grant</i>	<i>Total grant</i>	<i>Actual expenditure</i>	<i>Saving</i>	<i>Unsurrendered saving and its percentage to total saving (in brackets)</i>
<b>REVENUE SECTION</b>		<i>(Rs. in crores)</i>			
1	III—Administration of Justice	16.22	14.97	1.25	1.17 (94)
2.	V—Agricultural Income Tax and Sales Tax	12.18	11.09	1.09	1.07 (98)
3.	VI—Land Revenue	29.72	28.30	1.42	1.39 (98)
4.	VIII—Excise	8.66	7.35	1.31	1.31 (100)
5.	Debt Charges	252.07	244.44	7.63	6.02 (79)
6.	XII—Police	78.57	77.00	1.57	1.57 (100)
7.	XV—Public Works	111.79	98.35	13.44	9.36 (70)
8.	XVI—Pensions and Miscellaneous	237.86	218.35	19.51	19.51 (100)
9.	XIX—Family Welfare	41.91	23.77	18.14	7.83 (43)
10.	XXIX—Agriculture	87.18	77.96	9.22	6.07 (66)
11.	XXXIV—Forest	36.43	26.07	10.36	2.44 (24)
12.	XXXVII—Industries	33.30	30.86	2.44	1.14 (47)
<b>CAPITAL SECTION</b>					
13.	XXIX—Agriculture	12.41	10.89	1.52	1.25 (82)
14.	XXXVIII—Irrigation	57.10	54.84	2.26	1.42 (63)

### 2.2.11. Injudicious surrenders

In the following voted grants where surrender of funds exceeding Rs. 25 lakhs in each case was made on 31st March 1989, there were eventual excess indicating injudicious estimation of saving and surrender of funds:-

Sl. No.	Number and name of grant	Total grant	Actual expenditure	Excess	Amount surrendered on 31st March 1989
			(Rs. in crores)		

#### REVENUE SECTION

1.	XVIII—Medical and Public Health	127.07	127.11	0.04	0.74
2.	XXV—Social Welfare including Harijan Welfare	98.86	99.62	0.76	0.90

### 2.2.12. Injudicious re-appropriation of funds

Re-appropriation 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 a head it is to be ensured that there is a definite or reasonable chance of saving under the head and that before additional funds are provided under a head, it is to be ensured that there is likelihood of increased expenditure under the head. Details of 15 cases where withdrawal of funds/additional provisions proved excessive by over Rs. 25 lakhs in each case are mentioned in Appendix 2.

### 2.2.13. Trend of recoveries and credits

During 1988-89, recoveries to be adjusted in accounts in reduction of expenditure were estimated at Rs. 45.59 crores (Revenue Section: Rs. 40.02 crores; Capital Section: Rs. 5.57 crores) against which the actual recoveries were Rs. 44.01 crores (Revenue Section: Rs. 30.37 crores; Capital Section: Rs. 13.64 crores). In the Revenue Section there was major shortfall in recoveries under 'Public Works' (Rs. 1.26 crores) and 'Irrigation' (Rs. 7.46 crores), while in Capital Section the major excess was under 'Food' (Rs. 4 crores) and 'Industries' (Rs. 3.91 crores).



### **2.2.14. 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 Entitlement) for furnishing promptly reasons for variations in general and those under important sub heads in particular. However, the reasons for variations in respect of important sub heads were furnished to him on time (December 1989) by the controlling officers only for 203 or less than half of 450 heads of accounts; explanations for major variations were to be received.

In 'Grant No. XIX-Family Welfare', out of the total saving of Rs. 18.14 crores in the revenue portion, reasons for saving of Rs. 14.54 crores (80 *per cent*) required to be mentioned in the Appropriation Accounts, have not been furnished by the Chief Controlling Officer. During 1986-87 and 1987-88 also, variations to the extent of Rs. 12.72 crores and Rs. 9.82 crores respectively in the revenue portion of this Grant could not be explained in the Appropriation Accounts owing to non-receipt of information from the Chief Controlling Officer. Even though this persistent irregularity, which had resulted in leaving huge excess/ savings under various sub heads unexplained in the Appropriation Accounts, was brought to the notice of Government in May 1989, no reply had been received (April 1990).

### **2.3. Delay in accountal of stock transactions to avoid excess over allotment**

Mention was made in paragraph 3.2.12 of the Report of the Comptroller and Auditor General of India for the year 1986-87 (Civil) about the delay in accountal of stock transactions by 3 divisions to avoid excess over allotment eventhough Public Works Account Code enjoins that in all cases, materials issued from stock direct to work should, as soon as received, be brought to account by the division and necessary adjustment carried out through stock accounts at the end of the month. In response Government initiated disciplinary action against the officers

responsible who were warned. However, the irregularity persisted in other divisions and in the case of the following seven divisions, stores valued at Rs. 546.02 lakhs issued to works had not been adjusted to the works concerned during the respective years, thus vitiating budgetary control and distorting stock accounts.

<i>Name of division</i>	<i>Year of issue to work</i>	<i>Value of stores remained un-adjusted (Rs. in lakhs)</i>
Pazhassi Irrigation Project Division No. III, Taliparamba	1984-85 to 1987-88	96.15
Pazhassi Irrigation Project Division No. II, Kannur	1986-87 1987-88	51.15 4.65
Karapuzha Irrigation Project Division, Kalpetta	1987-88 1988-89	29.05 14.58
Kanhirapuzha Irrigation Project Division, No. I, Kanhirapuzha	1986-87 to 1988-89	50.98
Pazhassi Irrigation Project Division No. I, Mattannur	1985-86 1986-87 1987-88	16.95 66.76 7.69
Roads Division, Kasaragod	1987-88 1988-89	0.47 9.89
Roads Division, Kannur	1988-89	197.70

In respect of the first five cases, Government in the Irrigation Department, stated (November 1989 and June 1990) that the value could not be adjusted due to inadequate allotment of funds for the respective years and that the Chief Engineer, Projects I had given strict instructions to all Executive Engineers under his jurisdiction to set apart 20 per cent of the current year's budget allotment for clearing the backlog. In respect of the sixth case, Government, in the Public Works Department, stated (December 1989) that the non-adjustment was due to paucity of funds under the concerned heads of account and that the Chief



Engineer, Roads and Bridges had given instructions to the concerned officers to adjust the amount by obtaining funds at the appropriate time.

## **2.4. Irregular drawal of funds**

Funds to the extent of Rs. 80.63 lakhs were provided by reappropriation on 30th March 1989 under the head of account '2415. Agricultural Research and Education-01-Crop Husbandry-277-Education-01. Kerala Agricultural University Grant-in-aid' for payment of grant-in-aid to Kerala Agricultural University to tide over the difficult financial position and to meet land acquisition charges. Although two bills for drawal of the amount were presented to the treasury on 31st March 1989, the amount was credited to Personal Deposit Account of the University only on 1st April 1989 i.e., during the next financial year, thus, resulting in saving of the entire provision. The action of the treasury in passing the bills for payment after the close of the financial year was irregular.

## **2.5. Excessive/Inflated Provision**

According to the State Budget Manual, budget estimates should be as accurate as practicable and should be neither inflated nor under-pitched. The Manual enjoins upon the Administrative Departments concerned and the Finance Department to scrutinise the budget proposals carefully to ensure accuracy before submission of the estimates to the Legislature.

In the budget estimates for 1988-89 furnished by the Chief Engineer, General, the estimated requirement of funds under the sub-head 'Interest on Provident Fund for non-pensionable work-charged establishment of Public Works Department' coming under the head '2049 Interest Payments-03-Interest on Small Savings, Provident Funds, etc. 104-Interest on State Provident Funds-06-Interest on other Miscellaneous Provident Fund' was indicated as Rs. 1.13 lakhs. However, an amount of Rs. 90 lakhs was provided under this head by mistake while finalising the budget for 1988-89. The actual expenditure during the year was Rs. 0.97 lakh only, resulting in a saving of Rs. 89.03 lakhs. Though the mistake was noticed by the Chief Engineer,

who is the Controlling Officer, in December 1988 and was also pointed out to Government (January 1989) while forwarding the budget estimates for the year 1989-90, the excess provision was not resumed by Government before the close of the financial year. Government, in the Finance Department, stated (May 1989) that no surrender proposals were received from the Chief Engineer and hence the excess provision could not be resumed.

## **2.6. Erroneous provision of funds**

While formulating proposals for the Supplementary Demands for Grants in March 1989, the annual requirement for 'salaries' under the head '3054 Roads and Bridges-01-National Highways-001-Direction and Administration-02-Supervision and execution' during 1988-89 was estimated as Rs. 2,91,24,600 by the Chief Engineer, National Highways against the budget provision of Rs. 2,78,50,000 available. The additional requirement was only Rs. 12,74,600. Instead supplementary grant was proposed erroneously for the total annual requirement of Rs. 2,91,24,600. The Supplementary Demands for Grants were passed by the Legislature on 27th March 1989 and the connected Appropriation Bill passed by the Legislature on 28th March, 1989 received the assent of the Governor on 30th March, 1989. Subsequently, on detection of the error, a sum of Rs. 260 lakhs was resumed on the last day of the financial year. Thus excessive funds were got erroneously voted by the Legislature.

## **2.7. Non-compliance with codal provisions**

Under paragraph 95(3) of the State Budget Manual, Government may authorise an authority to incur additional expenditure on an object not constituting 'New Service' subject to the conditions that (i) expenditure shall be regularised by reappropriation or supplementary grant before the close of the year and (ii) the grant as a whole is not exceeded before supplementary grant is made by the Legislature. A few instances where the prescribed conditions were not fulfilled are given below:-

(a) Government authorised in August, 1988 and March, 1989 additional expenditure of Rs. 5 lakhs and Rs. 4 lakhs respectively under three minor/sub heads below the major/



sub major head '3051 Ports and Light houses-02. Minor Ports'. Out of this, only Rs. 0.34 lakh had been regularised by reappropriation till the close of the financial year causing excess under revenue section of 'Grant No. XL-Ports'.

In the first case, Government, in the Fisheries and Ports Department, stated (July 1989) that the reappropriation proposals for Rs. 5 lakhs forwarded by the Director of Ports were not accepted as they involved transfer of funds between capital and revenue sections within the same grant, which was not permissible.

In the second case, Government, in the Finance Department, stated (October 1989) that Rs. 0.34 lakh had been regularised by reappropriation and that the balance of Rs. 3.66 lakhs could not be regularised since the Administrative Department did not take timely action to include the amount in the Supplementary Demands for Grants, March 1989. It was, however, seen in audit that when the Administrative Department issued sanction for incurring the additional expenditure, the last date for receipt of proposals in the Finance Department for Supplementary Demands for Grants, March 1989 had already expired.

(b) Government sanctioned in April 1988, additional expenditure under the head '6401-Loans for Crop Husbandry-190-Loans to Public Sector and Other Undertakings-01-Loans to Joint Farming Co-operative Societies for cultivation in Q, S and T blocks at Kuttanad' in connection with liquidation of guarantee liability amounting to Rs. 15.66 lakhs plus interest thereon to the Alleppey District Co-operative Bank Ltd. Accordingly, the District Collector, Alleppey incurred an expenditure of Rs. 32.06 lakhs in June 1988. The expenditure was not regularised before the close of the financial year resulting in excess under the head. The Secretary, Land Board, who is the Chief Controlling Officer in respect of the above head of account, stated (September 1989) that as the District Collector had moved the Government in all matters regarding these societies and the expenditure was incurred without formal sanction from the Board, it was expected that timely action to regularise the expenditure would be taken by the District Collector. He had also stated that though Government had

directed the District Collector to take necessary action for the regularisation of the expenditure, it was not taken up by him in time.

## **2.8. Expenditure on a new service**

During 1988-89, State Government released a total sum of Rs. 40 lakhs (June 1988: Rs. 20 lakhs; March 1989; Rs. 20 lakhs) as share capital investment in Kunnathara Textiles Limited. As there was no provision for such investments, in the budget for 1988-89, the expenditure was met by reappropriation of funds. As a result of investments during the year in the Company the percentage of Government investment to the total paid-up capital of the Company rose from 31.43 to 56.36 and the Company became a Government Company. As it was not contemplated in the annual financial statement, expenditure on this account related to a 'New Service'. The expenditure should have been incurred only after following 'New Service Procedure'.

The matter was reported to Government in September 1989; reply has not been received (July 1990).

## **2.9. Advances from the 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 Fund is Rs. 15 crores.

Forty-five sanctions were issued during 1988-89 advancing Rs. 2262.67 lakhs from the Fund, out of which three sanctions for Rs. 101.75 lakhs were subsequently cancelled and the amounts of three other sanctions were reduced by Rs. 2.16 lakhs. Two sanctions advancing a total of Rs. 5.78 lakhs issued during December 1988 and March 1989 were not operated. These sanctions were apparently issued without ensuring that the expenditure proposed to be met was of an emergent character.



## 2.10. Arrears in departmental reconciliation

Departmental figures of expenditure should be reconciled every month with those in the books of the Accountant General (Accounts & Entitlement) in order to enable the departmental officers to exercise proper control over expenditure and to detect frauds and defalcations, if any, at an early stage. The reconciliation was in arrears in several departments. The number of controlling officers who had not reconciled (November 1989) their figures up to the end of 1988-89 and the number of reconciliation certificates due from them are indicated below year-wise.

<i>Year</i>	<i>Number of controlling officers</i>	<i>Number of monthly reconciliation certificates due</i>
1982-83	1	1
1983-84	1	12
1984-85	4	37
1985-86	10	76
1986-87	14	162
1987-88	21	274
1988-89	48	770
Total		1332

The departments with heavy arrears were Revenue and General Administration with 317 and 151 certificates due respectively.

## 2.11. Excess of earlier years pending regularisation

Under Article 205 of the Constitution, expenditure in excess of grants/charged appropriations authorised by the Legislature is to be regularised in the manner prescribed by the Constitution. As at the end of March 1990, excess expenditure in 60 voted grants and 10 charged appropriations relating to the period 1980-81

to 1987-88 is pending regularisation. The year-wise break up is given below:—

Year	Number of cases		Amount of excess	
	Voted grant	Charged appropriation	Voted grant	Charged appropriation (Rs. in lakhs)
1980-81	1	..	75.90	..
1981-82	2	..	84.94	..
1982-83	3	1	380.11	10.84
1983-84	11	..	3163.23	..
1984-85	6	1	3226.01	3.64
1985-86	12	2	4667.61	561.21
1986-87	17	3	2822.78	1389.21
1987-88	8	3	633.32	4293.82

As per the procedures prescribed (February 1982), the notes seeking regularisation of excess should be furnished after getting them vetted by Audit, to the Committee on Public Accounts by 31st May of the second succeeding year of accounts or immediately after presentation of the Appropriation Accounts to the Legislature, whichever is later. However, the notes for regularisation of 24 excesses (20 voted grants: Rs. 8717.18 lakhs; 4 charged appropriations: Rs. 4292.74 lakhs) occurred during the period 1980-81 to 1987-88 are yet to be furnished by the Government (March 1990) to the Committee. The prescribed procedure also lays down that the demands for excess grants be presented to the legislature in the next session following that in which the Report of the Public Accounts Committee recommending regularisation was presented. The Committee on Public Accounts 1989-91 had recommended (August 1989) regularisation of 30 excesses (27 voted grants and 3 charged appropriations) pertaining to the period 1982-83 to 1986-87. However, Government have not presented the relevant Demands for Excess Grants to the Legislative Assembly, though two sessions were held in January-February 1990 and March 1990.



## 2.12. Co-relation of expenditure with physical progress

Test check of performance under 6 developmental schemes disclosed that although expenditure exceeded provision in 4 cases, and provision was fully/substantially utilised in the other 2 cases physical progress fell short of targets as indicated below:—

Sl.No.	Name and component of the scheme	Physical		Financial		Reasons for shortfall
		Target	Achievement and its percentage (in brackets)	Original provision (Rs. in lakhs)	Actual expenditure (Rs. in lakhs) and its percentage (in brackets)	

AGRICULTURE DEPARTMENT

1.	Manures and fertilisers—Quality control of					
	(i) fertilisers (No. of samples)	4,000	1,600 (40)	12.00	12.33 (103)	Due to shortage of funds after meeting the committed expenditure of previous year.
	(ii) pesticides (No. of samples)	2,000	1,066 (53)			
2.	Reconnaissance Soil Survey (in hectares)	1,20,000	23,000 (19)	2.50	3.69 (148)	Government stated (June 1990) that both the soil survey field units under the Reconnaissance Soil Survey Scheme had been assigned with the soil resources inventory mapping of the State in the districts of Kollam and Kozhikode and hence the shortfall.

Sl. No.	Name and component of the scheme	Physical		Financial		Reasons for shortfall
		Target	Achievement and its percentage (in brackets)	Original provision (Rs. in lakhs)	Actual expenditure (Rs. in lakhs) and its percentage (in brackets)	

### FISHERIES DEPARTMENT

3.	Housing scheme assisted by National Fishermen Welfare Corporation					
	No. of houses	300	42 (14)	36.20	27.46 (76)	
	No. of tubewells	15	Nil			
	Community Hall	1	Nil			
4.	Subsidised Housing Scheme					
	No. of houses	2,500	1,828 (73)	50.00	50.00 (100)	

### REVENUE DEPARTMENT

5.	Housing Scheme for economically weaker sections- House sites to landless workers in rural areas (Minimum Needs Programme)					
	No. of beneficiaries	7,500	2,903 (39)	150.00	150.76 (101)	The land was purchased at the fag end of the year. It could not be distributed completely before the end of the year due to the absence of Housesite Committees as well as delay in demarcation, selection, etc. The Secretary, Board of Revenue stated (October 1989) that land to an extent of 55 hectares were pending distribution as at the end of March 1989.



Sl. No.	Name and component of the scheme	Physical		Financial		Reasons for shortfall
		Target	Achievement and its percentage (in brackets)	Original provision (Rs. in lakhs)	Actual expenditure (Rs. in lakhs) and its percentage (in brackets)	

### FOREST AND WILDLIFE DEPARTMENT

#### 6. Plantation of species of Economic Importance

Teak Plantation Scheme-New Plantation (in hectares)	300	125.8 (42)	17.00	26.38 (155)	Government stated (June 1990) that the shortfall was due to the fact that the planting areas could not be made ready after extraction of the matured plantations due to non-receipt of favourable tenders for extraction and transportation of timber in time in Thrissur Circle.
---	-----	------------	-------	-------------	---

### 2.13. Drawal of funds in advance of requirements

The financial rules envisage that money should not be drawn by transfer to a deposit or any other head or drawn from the treasury and kept in cash chest in order to prevent it from lapsing and use it for expenditure after the end of the year. In the following cases, moneys were drawn, though not required for disbursement before the close of the year.

*Name of drawing officer,  
month of drawal  
and amount*

*Remarks*

## INDUSTRIES DEPARTMENT

1. Director of Coir Development, March 1989  
Rs. 70 lakhs
- A provision of Rs. 90 lakhs (Central share: Rs. 45 lakhs; State Share: Rs. 45 lakhs) was made in the budget for 1988-89 for a Centrally assisted scheme 'Medicare scheme for coir workers'. Out of this, Rs. 70 lakhs were drawn in March 1989 and deposited in the Treasury Public Account opened for the purpose. This included Rs. 35 lakhs being the Central share received in October 1988. No expenditure was incurred for the scheme during the year. The amount expended thereafter till September 1989 was only Rs. 6.70 lakhs; the balance remained unutilised (October 1989). It is also seen that according to the existing codal provisions, Treasury Public Account cannot be opened for accommodating money which is the property of Government or which has been drawn for expenditure on account of Government. The procedure adopted was thus irregular.

## FISHERIES AND PORTS DEPARTMENT

2. Deputy Director of Fisheries, Kasaragod March 1989  
Rs. 2.94 lakhs
- Rs. 3.5 lakhs was sanctioned by Government for implementation of schemes under Special Component Plan during 1988-89. No schemes were commenced during the year. Rs. 0.56 lakh was spent during the year on spill over schemes. The balance amount of Rs. 2.94 lakhs drawn between 17th and 29th March 1989 was deposited under Treasury Public Account. The amount remained unutilised till August 1989. Government stated (July 1990) that the funds were drawn and utilised between September 1989 and March 1990.



*Name of drawing officer,  
month of drawal and amount*

*Remarks*

**PUBLIC WORKS DEPARTMENT**

- |   |  |
|---|--|
| <p>3. Executive Engineer,<br/>Buildings Division,<br/>Kasaragod<br/>31st March 1989<br/>Rs. 0.80 lakh</p> | <p>Two works in the Division commenced on 16th March 1989 and 31st March 1989 were completed on 21st April 1989 and 5th June 1989 respectively. However, the Division adjusted Rs. 0.80 lakh on 31st March 1989 by debit to the two works and credit to 'Public Works Deposits' in the accounts of March 1989. The adjustment made on the last date of the financial year, pending execution of the work was irregular. The total expenditure on completion of the works was only Rs. 0.47 lakh and the balance amount of Rs. 0.33 lakh was still kept under Public Works Deposits (May 1990).</p> |
|---|--|

Government stated (May 1990) that the action of the Executive Engineer in having transferred the amount to Deposit with a view to avoiding lapse of funds was irregular and that he had been warned not to repeat such irregularities.

CHAPTER III  
CIVIL DEPARTMENTS  
LABOUR DEPARTMENT

**3.1. Insurance Medical Scheme**

**3.1.1. Introduction**

The Employees State Insurance Act 1948 (Act) insures factory employees from loss of wages due to inability to work on account of sickness, maternity and disablement and for payment of pension to the dependants of the Insured Persons (IP) who die as a result of employment injury. It also provides for free medical care to IP and members of their families. For administering the scheme, the Employees State Insurance Corporation (Corporation) came into being in 1948 and the contributions of the insured employees and the employer's share are paid to the Corporation. The Corporation has entered into an agreement with the State Government regarding the nature and scale of medical treatment to be provided for and for sharing of cost thereof. In all, 154 medical institutions—13 hospitals, 1 TB Annexe, 112 full time dispensaries and 28 part-time dispensaries provide the facilities for about 4.3 lakh IPs and their family members numbering more than 15 lakhs under the scheme.

**3.1.2. Organisational set up**

An independent department of Insurance Medical Services under a Director was established from 1st April 1985. There are three Regional Deputy Directors with headquarters at Kollam, Ernakulam and Kozhikode. There are three medical stores, the Central Store at Thiruvananthapuram and 2 sub-stores at Fort-Cochin and Kozhikode. In addition, there is a Vigilance Director with headquarters at Thrissur.



### 3.1.3. Audit coverage

An Audit review of the working of the department was conducted during August-December 1988. The records of the Directorate, Vigilance Directorate, 2 Regional Offices, 5 hospitals, 50 dispensaries and 1 store were test checked.

### 3.1.4. Highlights

- Reimbursement of expenditure by the E.S.I. Corporation, is delayed and Rs. 135.23 lakhs were outstanding. (Paragraph 3.1.5)
- The incidence of sickness benefit in the State was in excess of the All India average resulting in an additional expenditure of Rs. 359.61 lakhs to Government during 1983-87. (Paragraph 3.1.6)
- The actual number of insured persons as per the records of the Corporation and department was not reconciled. Due to this, Government had to bear excess expenditure of Rs. 162.60 lakhs during 1983-88. (Paragraph 3.1.7)
- In 19 dispensaries there was surplus staff resulting in annual excess expenditure of over Rs. 20 lakhs. (Paragraph 3.1.10)
- Essential facilities like ambulance vans, air-conditioned operation theatres, etc., were not available in many of the hospitals. (Paragraph 3.1.13)
- Excess expenditure incurred on drugs and dressings over the ceiling fixed by the Corporation amounted to Rs. 148.22 lakhs. Large scale local purchase of several commonly used medicines was also noticed. Excessive purchase of slow moving medicines resulted in loss of potency of medicines worth Rs. 3.27 lakhs. (Paragraph 3.1.16)

### 3.1.5. Budget provision and actuals

The budget provision and actual expenditure/receipts for six years from 1983-84 to 1988-89 were as follows:—

Year	Expenditure		Receipts	
	Budget Provision	Actuals	Budget Provision	Actuals
	(Rs. in lakhs)			
1983-84	575.00	586.24	433.38	109.18
1984-85	577.00	584.54	507.37	560.11
1985-86	642.52	695.14	507.50	369.29
1986-87	648.39	652.66	521.60	410.40
1987-88	784.00	740.93	526.83	412.95
1988-89	789.26	797.97	641.84	618.24

According to the agreement between the Corporation and the Government, the cost of medical care to the IPs and their families is to be shared by the Corporation and State Government in the ratio of 7:1, after deducting the receipts accruing from the scheme. The Corporation will pay its share after the accounts of the scheme are certified by the Accountant General. As of April 1987, the share from the Corporation has been finally settled upto 1982-83. Government have also received on account payments amounting to Rs. 2440.61 lakhs from the Corporation on the basis of provisional figures for the years 1983-84 to 1987-88 and Rs. 267.11 lakhs remained to be received (December 1988).

Government stated (August 1989) that Rs. 131.88 lakhs pertaining to 1983-84 to 1985-86 had since been received from the Corporation.

### 3.1.6. Sickness benefit

(i) At the close of each financial year, the Corporation compiles the sickness benefit days in the State with reference to the sickness certificates. When the incidence of sickness benefit



in the State so calculated exceeds the All India average, the difference between the amount payable as sickness benefit in the State and that which would have been payable if the incidence had been the same as the All India average, would be shared between the Corporation and the State Government as follows:—

	<i>Corporation's share</i>	<i>State Government's share</i>
Upto 25 <i>per cent</i> in excess of the All India average	Full	Nil
Portion of the excess between 25 <i>per cent</i> and 50 <i>per cent</i> above the All India average	2/3	1/3
Portion of the excess between 50 <i>per cent</i> and 100 <i>per cent</i>	1/3	2/3
Portion above 100 <i>per cent</i>	Nil	Full

Incidence of sickness benefit certified in the State was far in excess of All India average during the period 1983-84 to 1986-87. This resulted in the State Government bearing an extra expenditure of Rs. 359.61 lakhs on account of sickness benefit as detailed below:—

<i>Year</i>	<i>All India average (in days)</i>	<i>State average</i>	<i>Extra expenditure (Rs. in lakhs)</i>
1983-84	7.18	15.04	112.04
1984-85	6.12	12.58	78.50
1985-86	4.99	11.75	124.08
1986-87	4.95	8.27	44.99
Total			359.61

(ii) The heavy incidence of sickness benefit was attributed mainly to generous grant of sickness certificate including to those IP who were not genuinely sick and existence of part-time dispensaries on which department had no effective control. A special team appointed in September 1987 investigated into the high incidence of sickness certified in 4 dispensaries (Kilikollur, Keralapuram, Kadampanad and Pattazhi) and recommended stringent action against the Insurance Medical Officers (IMOs)

concerned. Government stated (April 1989) that the power of three IMOs to issue sickness certificate was withdrawn in May 1988 and that after the creation of the post of the Director (Vigilance) in February 1987 the position had improved.

(iii) According to the provision under the Act, two conditions that an IP required medical treatment and attendance and that his condition necessitated abstention from duty, are to be satisfied for issue of sickness certificate. The progress reports from dispensaries related to cashew factories in Kollam district showed that sickness benefit payments were made also for periods when the factories remained closed for want of work. In such cases the question of abstention from work did not arise and hence one of the conditions stipulated for payment of sickness benefit could not be said to be fully satisfied. This has to some extent contributed to the excess over the All India average throwing the entire expenditure as Government's liability.

### 3.1.7. Extra burden on medical benefit/sickness benefit

The total expenditure on providing the medical facilities is shareable between the Corporation and the State Government in the ratio 7:1 subject to a ceiling of Rs. 160 per IP from 1st April 1983 and Rs. 200 from 1st April 1986. The average number of live IPs in the books of the Corporation as on 31st March of three years (9 times of the second preceding year, 22 times of the preceding year and one time of the current year) was reckoned for applying the ceiling of expenditure. There were discrepancies in the number of IP as per the books of the Corporation and those of the Director of Insurance Medical Services (DIMS) *vide* details below:—

<i>As on 31st March</i>	<i>No. of IP as per records of the</i>		
	<i>Corporation</i>	<i>Directorate</i>	<i>Difference</i>
1984	317350	404217	86867
1985	311300	424342	113042
1986	310300	447946	137646
1987	306550	442780	136230
1988	317000	435214	118214
1989	311000	330305	19305



As the number of IPs as per the record of the Corporation was less during these years, there was extra burden to the State Government due to application of the ceiling on the basis of the Corporation's registers. If the Directorate's figures were taken as correct, this would entail a substantial recovery of Rs. 162.60 lakhs from the Corporation for the period from 1983-84 to 1987-88 as shown below:—

<i>Year</i>	<i>Amount spent</i>	<i>Maximum expenditure admissible applying ceiling (Rs. in lakhs)</i>	<i>Difference</i>
1983-84	541.97	507.76	34.21
1984-85	521.98	498.08	23.90
1985-86	599.12	496.48	102.64
1986-87	595.65	613.00	.. (limited to actuals)
1987-88	635.85	634.00	1.85
Total			162.60

The State Government has to bear similar extra burden consequent on the average incidence of sickness benefit being worked out by the Corporation based on the IP strength as recorded in their books. If the average was calculated on the basis of the IP strength as per the records of the DIMS, the incidence of sickness benefit in the State and the expenditure to be borne by the State Government would have been less.

Though the figures of IP strength maintained by the DIMS and the Corporation varied by about 25 to 45 *per cent* in each year, no reconciliation of the figures had ever been attempted by either of them. The work of reconciliation has since been entrusted to the Vigilance Director. Government stated (August 1989) that the Vigilance Director was directly monitoring the functions and that reconciliation was almost complete. The results of reconciliation are awaited (July 1990).

### **3.1.8. Exit lists**

The exit lists of IPs who had become ineligible for medical benefits under the scheme were not sent to the dispensaries in time. Thus the expenditure on medical benefits to the ineligible IPs and their families had become the liability of the Government. In 9 dispensaries test checked, there was delay of 14 to 90 days. According to the returns of contributions furnished to the Corporation by 5 factories under the Kerala State Cashew Development Corporation (KSCDC), out of 4012 IPs none was eligible for medical benefit for the period commencing from 1st January 1986 and 1st July 1986 since they had not made the required number of contributions. However, their names were not excluded. In the case of Ayurvedic and Homoeopathic units the exit lists were not being forwarded at all.

### **3.1.9. Identification of IP and families**

Family for the purpose of medical benefit consists of the spouse, dependant children and parents. No records containing the details of family of each IP were maintained in the dispensaries test checked. The identity cards issued to the IP did not contain the details of date of birth of family members, marks of identification, etc. In the absence of these details, ineligible persons might have obtained medical benefits under the scheme. Government stated (April 1989) that the work study team had recommended changes in the form of medical card envelopes and on the advice of the Corporation, the revision was being introduced in a few dispensaries as an experimental measure. Government also stated (August 1989) that action had already been taken to effect necessary changes in the medical record of envelopes to include identification particulars etc., of the family members.

### **3.1.10. Staff position**

The scheme provides for specialist consultation and treatment in 23 categories. Full time or part time specialists in 12 categories were to be provided in hospitals based on the



number of beneficiaries in each centre. Many of the specialist posts sanctioned in 13 hospitals in the State remained vacant as shown below:—

<i>Year</i>	<i>Posts sanctioned</i>	<i>Posts vacant</i>	<i>Percentage of vacancy</i>
1983-84	40	29	72
1984-85	40	28	70
1985-86	40	33	82
1986-87	49	31	63
1987-88	52	22	42
1988-89	102	40	39

The category-wise shortage of staff during 1987-88 when the sanctioned strength was enhanced to 52 was as follows:—

<i>Category</i>	<i>Sanctioned strength</i>	<i>Posts vacant</i>	<i>Percentage of vacancy</i>
Medicine	12	3	25
Surgery	12	6	50
Obstetrics & Gynaecology	12	5	42
Orthopaedics	5	3	60
Anaesthetists	5	2	40
Radiology	2	..	..
Pathology	2	2	100
T.B.	1	1	100
Paediatrics	1	..	..
Total	52	22	..

During 1983-84 to 1988-89, 39 to 82 *per cent* number of posts of specialists were lying vacant. During 1987-88, while 12 posts of surgeons were sanctioned, the number of posts sanctioned for anaesthesia without which major operations could not be performed was only 5, of which only 3 were in position. In a hospital (Feroke) where operation theatre had not been commissioned for want of electricity connection, one surgeon was posted. There were also 19 other operation theatres in other

hospitals fully equipped but were only occasionally used as the required number of specialists were not available. Seven specialists were to be appointed on zonal basis and four specialists on State basis. Specialist posts on zonal and State basis have also not been sanctioned except in dental surgery.

A review of the staff position for 1987-88 in 69 dispensaries showed that in 19 dispensaries the number of staff was more than the prescribed scale; the excess being 35 doctors, 22 pharmacists, 13 nurses, 8 dressers, 16 clerks and 34 last grade staff. The annual extra expenditure was over Rs. 20 lakhs.

### **3.1.11. Hospital beds remaining unutilised**

According to the decision taken by the Medical Benefit Council in April 1983, a hospital with less than 50 beds was not a viable unit. In 8 hospitals where the bed strength was 50 or more, the average utilisation during 1983-84 to 1987-88 was far below 50. In the hospital at Udyogamandal where the bed strength was 155, the average occupation was only four. Government stated (April 1989) that when specialists are appointed, there would be improvement in utilisation of beds.

### **3.1.12. Treatment of IP at Government hospitals**

The State Government has to arrange for specialist examination and inpatient treatment to the IP in Government hospitals, if the facilities are not available in the ESI hospital. The cost of providing such facilities is shareable between the Corporation and the State Government in the ratio 7:1. But no separate accounts of expenditure incurred on account of the reservation of beds and other special benefits were maintained by the department. There are 138 beds (70 general, 27 maternity and 41 TB) reserved for the IPs and their families in 10 hospitals for which accommodation charges were realisable from the Corporation. Such accommodation charges that can be shared between the Corporation and the department varied between Rs. 0.69 lakh (minimum charges) and Rs. 2.67 lakhs (maximum charges) based on the actual occupancy. The Government hospitals are not raising any claim on account of such charges



against the DIMS for eventual allocation between the Corporation and the Department. Government stated (August 1989) that the system of reservation of beds was being continued only against 41 beds in the Health Services Department.

### 3.1.13. Inadequate facilities

(i) All the 13 hospitals in the State were to be provided with ambulance vans. However, only six hospitals had ambulance vans, which were supplied as early as in 1977. The vans in two hospitals at Udyogamandal and Ernakulam had been under repairs (August 1989) since December 1985 and March 1988 respectively, and in three other hospitals the vans were used only sparingly as they were not in good condition. Government stated (August 1989) that action was being taken to purchase nine more ambulance vans.

(ii) The Medical Benefit Council recommended air-conditioning of the operation theatres, post-operation rooms, store room for X-ray films, etc. The recommendations were approved by the Corporation in January 1987; but these have not been implemented in any of the hospitals. Government stated (August 1989) that operation theatre of one hospital had been air-conditioned in 1988 and action is on in 2 more hospitals.

### 3.1.14. Unutilised equipments

Details of important equipments remaining unutilised for long periods are mentioned below:—

Sl. No.	Name of equipment	Cost (Rs. in lakhs)	Date from which unutilised	Remarks
1.	X-ray units 3 Nos.	9.89	1 from April 1969 1 from June 1987 1 from November 1987	*

\*The equipment in Parippally hospital was suitable for T.B. hospital only and hence could not be utilised. There was lack of electric connection in Feroke and Thottada hospitals.

<i>Sl. No.</i>	<i>Name of equipment</i>	<i>Cost (Rs. in lakhs)</i>	<i>Date from which unutilised</i>	<i>Remarks</i>
2.	Sterilisers 3 Nos.	0.54	From 1981	Operation theatre was not functioning as surgeons were not posted.
3.	Dental units 5 Nos.	0.43	2 from 1968-69 1 from July 1980 2 from 1985-86	No specialists were posted.

Government stated (August 1989) that the sterilisers/dental units had since been put to use by posting specialists. Government also stated (January 1990) that all the idling X-ray units had been put to use.

### **3.1.15. Adjustment of rent of buildings owned by the Corporation**

Thirteen hospitals and 30 dispensaries had been accommodated in buildings owned by the Corporation. The rent for these buildings formed part of the expenditure on medical care shareable between the State Government and the Corporation. The Corporation charged Rs. 297.92 lakhs towards rent, maintenance charges and municipal taxes for these buildings from the on account payments made to the State Government for the years 1983-84 to 1987-88. The following points were noticed:—

(i) Rent amounting to Rs. 64.57 lakhs recovered by the Corporation from 1986-87 to 1988-89 from on account payments was not accounted for by the department as expenditure for want of adequate budget provision. As a result, Rs. 56.50 lakhs representing 7/8th share of the unaccounted expenditure stood unclaimed from the Corporation. Government stated (August 1989) that necessary steps had been taken to include sufficient funds for adjustment of arrears of rent.



(ii) Standard rent had been fixed for the buildings of one hospital and 14 dispensaries only. Pending fixation of standard rent in respect of other buildings, Corporation had recovered 7.75 *per cent* of the expenditure incurred by them on acquisition of land and construction of buildings towards annual rent. Since standard rent is normally fixed at an amount not exceeding 6 *per cent* of the capital cost, the *ad hoc* deductions were on the excess side.

(iii) The amount recovered towards maintenance charges and municipal taxes was Rs. 106.32 lakhs during 1985-86 to 1987-88. Being the owner of the building, such payments were to be solely borne by the Corporation. However, 1/8th of such expenditure (Rs. 13.29 lakhs) was passed on to State Government. Government stated (August 1989) that the matter had been taken up with the Corporation.

(iv) In view of the poor response from the Corporation, Government have engaged full time electricians and plumbers in 5 hospitals exclusively for maintenance and repairs of electrical and sanitary installations of the buildings for which an expenditure of Rs. 2.76 lakhs was incurred by Government during 1983-88.

(v) Out of 54 quarters constructed for the staff of Ezhu-kon hospital, 31 quarters remained unoccupied since December 1977. The Corporation, however, recovered rent for these unoccupied quarters from the on account payments.

### **3.1.16. Purchase and distribution of drugs and dressings**

The expenditure during 1983-84 to 1987-88 on purchase of drugs and dressing materials was Rs. 1059 lakhs. The following points were noticed:—

(i) The annual ceiling fixed per IP for the medical benefit included Rs. 25 towards cost of drugs and dressings. Any expenditure on the items in excess of the amount was shareable in the usual ratio upto a maximum of Rs. 55 upto 31st March 1986 and Rs. 65 from 1st April 1986, outside the overall

ceiling. Any excess expenditure over the ceiling fixed by the Corporation was to be borne by the State Government. During 1983-84 to 1986-87 such excess expenditure on drugs and dressings over the ceiling fixed was Rs. 148.22 lakhs. The excess was partly due to the large scale local purchase of several commonly used medicines. Cost of medicines purchased from private shops by IPs are reimbursable. Cost of medicines so purchased during 1983-84 to 1987-88 amounted to Rs. 212.93 lakhs, including Rs. 56.93 lakhs pending reimbursement due to inadequacy of budget provision. This constituted 20 *per cent* of the total cost of drugs purchased by the department.

(ii) Every dispensary was to keep an emergency kit containing 18 vital medicines out of which 13 items shall necessarily be replaced as and when exhausted. The emergency kit was not maintained in any of the dispensaries test checked by Audit.

(iii) Bulk purchase of slow moving medicines resulted in accumulation of stock of such medicines and loss of potency. The value of seven such medicines purchased during November 1979 to June 1980 which had already lost potency before June 1985 was Rs. 2.67 lakhs. Further, several items costing Rs. 0.60 lakh were remaining in the stores without issue for more than five years. Government stated (April 1989) that the old stock of three medicines worth Rs. 1.40 lakhs had been destroyed and amount written off.

(iv) There is no system in the department to test the quality of the drugs and dressings supplied by the firms. The Corporation intimated the department in May 1988 that test conducted in other States revealed that certain items of drugs and dressings supplied by rate contract holders were sub standard. This included articles worth Rs. 0.85 lakh supplied to the department during July 1986 to November 1987; of this articles worth Rs. 0.79 lakh had already been issued to hospitals for patients. Government stated (April 1989) that action had been taken to get atleast 10 *per cent* of drugs tested through the Drugs Control Department.



(v) Medicines like insulin, betriezol, tetanus toxoid, etc., are required to be kept in cold storage to avoid loss of potency. As per the information received from 85 dispensaries, refrigerators were in working condition only in 10 dispensaries. These medicines were also distributed to the hospitals and dispensaries through ordinary mode of transport. In view of the above, it is not clear how the department ensured that the medicines administered to patients had their required potency.

(vi) The defects pointed out by Audit in the yearly consolidated stores and stock account for 12 years from 1974-75 to 1985-86 had not been removed. The accounts for the subsequent years were pending. Government stated (January 1990) that a special team had been posted in the three stores to recast the accounts.

### **3.1.17. Family Welfare Programme**

Under the scheme there were two Class-I Family Welfare Centres and 4 Class-II Family Welfare Centres. No targets had been prescribed for the implementation of the programme. The average annual achievement was for vasectomy 45 numbers, tubectomy 436 numbers and for IUD 26 numbers. Government stated (August 1989) that request for additional staff for the effective implementation of the family welfare programme had been taken up with the Corporation.

Under the immunisation programme, out of 33,016 persons to whom first dose of DPT/Polio/Tetanus toxoid was administered, 18,186 persons (55 *per cent*) did not turn up to receive the subsequent doses. This showed the poor follow up action under the programme.

### **3.1.18. Purchase of dietary articles**

Dietary articles other than rice, wheat, bread and milk for the hospitals were purchased through contracts. In two hospitals (Peroorkada and Udyogamandal) there was considerable delay in finalising the contracts during 1987-88.

Though tenders were received before April 1987 they were finalised only by November 1987/January 1988 necessitating local purchase at higher rates during the interim period. The excess expenditure on this account was Rs. 0.74 lakh.

A test check revealed that in Peroorkada hospital the dietary articles were not tested for quality control.

### **3.1.19. Excess adjustment from the on account payments**

An amount of Rs. 2.30 lakhs was adjusted from the on account payment for the fourth quarter of 1986-87 towards the amount deposited by the Corporation to the PWD for construction of staff quarters. This item was not adjustable from the expenditure reimbursable by the Corporation. Government stated (August 1989) that the matter was under correspondence with the Corporation.

### **3.1.20. Pensionary charges of staff**

In the independent Department of Insurance Medical Services 2800 employees were engaged in various categories involving establishment expenditure over Rs. 400 lakhs. As the staff were working for the implementation of the ESI scheme, their pensionary liability for the services rendered under the scheme was also to be shared between the Corporation and Government in the ratio of 7:1. But the pensionary charges were fully borne by the Government. Government stated (August 1989) that the matter had been taken up with the ESI Corporation, New Delhi.

### **3.1.21. Internal audit**

No norms had been fixed for internal audit. The percentage of verification of records in audit and the periodicity of audit was also not fixed. Though there were 160 institutions under the Directorate, there were only two internal audit teams each comprising one Senior/Junior Superintendent and two clerical staff, of which services of one team were partly utilised for strengthening the administration. As at the end of November 1988,



records of 85 hospitals and dispensaries out of 125 such institutions were pending scrutiny by internal audit for the period from April 1985 onwards. Out of 29 part time dispensaries, the accounts of one dispensary alone had been covered by internal audit. The audit of zonal offices had not been conducted for over three years. Government stated that inadequacy of staff and restrictions on payment of TA had resulted in accumulation of arrears in internal audit. Government further stated (August 1989) that action had been taken to clear the arrears of audit by posting two more teams.

### **3.1.22. Training of personnel**

The ESI Manual prescribed imparting of training to new IMOs/IMPs on their joining the ESI scheme. Refresher courses were also to be conducted to the IMOs/IMPs from time to time covering a number of subjects. Though the scheme had been in existence for more than three decades, there was no systematic arrangement for imparting training/refresher courses as envisaged in the Manual. The only training given was to the newly recruited IMOs with duration of one or two days conducted in August 1986, October 1986 and December 1986. Government stated (August 1989) that a programme had been started for the training of the officers of the department, but did not indicate the details of the programme.

## AGRICULTURE (ANIMAL HUSBANDRY) DEPARTMENT

### 3.2. Animal Husbandry-Human Resources Audit

#### 3.2.1. Introduction

Animal Husbandry Department is, by and large, a public utility service department where thrust is more on human resources to carry out its objectives and functions. An attempt has therefore been made to assess manpower utilisation, deployment etc., with a view to seeing whether the department could ensure optimum utilisation of manpower in relation to its functioning.

The main functions of the Animal Husbandry Department are planning, expansion and development of livestock and poultry in the State as well as animal health cover. Production of biological vaccines for control of animal diseases has also been undertaken by the department.

#### 3.2.2. Organisational set up

The department carries out its activities through a net work of 1518 subordinate institutions functioning in 14 districts of the State (January 1987). These are categorised as under:—

(a) Animal health care (includes Polyclinics, Hospitals, Dispensaries and Sub centres)	734
(b) Laboratories set up for diagnostic analysis/investigation	17
(c) Development of cattle and poultry including expansion of schemes, Intensive Cattle Development Project, Pig Development Project	716
(d) Direction and administration	14
(e) Other independent offices	37
Total	1518



The administrative set up of the department consists of a Director and 14 district level officers in the rank of Joint Directors. The Director exercises overall control on the working of the organisation.

### **3.2.3. Scope of Audit.**

A review has been made in Audit between September 1987 and May 1988 to assess the procedures followed for estimating manpower requirement, forecasts of manpower demand, determination of norms and standards for fixing the staff strength and utilisation of manpower. A test check of records pertaining to 52 distinct and different functional offices besides the Directorate covering the period from 1983 to 1986 was carried out for the purpose.

### **3.2.4. Highlights**

- The expenditure on establishment was above 70 *per cent* of the total revenue expenditure.

(Paragraph 3.2.5)

- There was no system for assessing manpower requirement. Scientific norms/standards for creation of posts and deployment of staff had not been evolved on the basis of work study. There was also no proper system to review/monitor and evaluate the out-turn of lower formations with reference to the manpower deployed.

(Paragraph 3.2.6)

- The percentage of officers who had undergone training was 20 *per cent* of the total manpower employed.

(Paragraph 3.2.8)

- There was shortfall of 60 per cent in conducting inspection of veterinary institutions.

(Paragraph 3.2.9)

- During 1984-85, the number of cases treated was less than 3 per day in 14 dispensaries against the annual target of 5000 per dispensary. Similarly the achievement was below 10,000 cases in 12 polyclinics and 48 hospitals against the target of more than 18,000.

(Paragraph 3.2.10)

- There was under-utilisation of manpower in the Livestock and Marine Products Inspection-cum-Certification Laboratory and in the preventive programmes.

(Paragraphs 3.2.11 & 3.2.12)

- The labour employed in 4 livestock farms was excessive. The cost of excess labour employed in these farms worked out to Rs. 22.65 lakhs. Pig Breeding Farm, Kanjirappally had not been commissioned, owing to non-completion of civil works. But establishment expenditure amounted to Rs. 3.12 lakhs.

(Paragraph 3.2.13)

- The department did not have an effective system to measure performance.

(Paragraph 3.2.14)



—The establishment of the Fodder Development Office at Palode was run with meagre work load. Expenditure incurred towards pay and allowances of this establishment during the period aggregated to Rs. 3.55 lakhs. Expenditure on pay and allowances of staff of the quality control unit in the Veterinary Biological Institute which was not fully equipped for ensuring the quality control tests amounted to Rs. 3.86 lakhs for the period from 1982-83 to 1986-87.

(Paragraph 3.2.15)

### 3.2.5. Financial results

Financial results of the department during the last five years ending 1987-88 were as follows:—

<i>Year</i>	<i>Receipts</i>	<i>Budget Provision</i>	<i>Total Revenue expenditure</i>	<i>Establish- ment expen- diture in- cluded in revenue ex- penditure</i>	<i>Percentage of establish- ment expen- diture to total revenue expenditure</i>
<i>(Rs. in lakhs)</i>					
1983-84	161.60	1005.67	1017.86	765.06	75
1984-85	164.35	1029.66	1065.76	771.77	72
1985-86	224.78	1104.11	1130.72	881.28	78
1986-87	180.21	1222.54	1337.87	1060.04	79
1987-88	204.90	1614.95	1625.31	1460.31	90

The above table indicates that expenditure on staff towards their pay and allowances accounted for 72 to 90 per cent of total revenue expenditure.

### 3.2.6. Manpower forecasting

There was no sound and well-defined system in the department for assessing manpower requirement. Scientific norms/standards for creation of posts and deployment of staff had neither been laid down nor evolved on the basis of work study. Forecasts of manpower requirement and changes in the allocation of manpower were made on the proposals sent by subordinate institutions which were generally based on past statistics. Certain information regarding staffing and their utilisation in lower formation was being obtained by the Directorate through periodical returns. But there was no evidence of such materials being consolidated and studied in the context of planning the staff requirements. Thus there was no system in the department to review, monitor and evaluate the out-turn of lower formations with reference to the manpower deployed. Government stated (April 1989) that norms had been prescribed in the Manual of the department and in the case of veterinary health care institutions, norms had been fixed from March 1985.

A study of the Departmental Manual brought out in 1964 disclosed that it only prescribed the number of cases to be treated by a veterinary officer employed in a veterinary health care institution. This was only a work norm for the veterinary officers employed. The orders of Government in March 1985, fixed a uniform set of staff for the different veterinary health care institutions. However, manpower requirement based on past experience, animal census and work norms was not calculated.

An attempt was made in 1984 to update the Manual and a retired officer of the rank of Director was entrusted with the work. He was relieved of the post in August 1985, when he had not even completed the preliminary work. The amount (Rs. 0.27 lakh) spent to update the Manual during 1984-85 did not thus serve the intended purpose. Government stated (April 1989) that a Senior Officer of the department was being appointed to carry out the work without detriment to his normal duties. The absence of an updated Manual had hampered manpower planning to a great extent.



### 3.2.7. Incorrect creation of posts

Veterinary surgeons hold key position in the department for implementation of various schemes. The sanctioned strength of veterinary surgeons was 792 in 1985 and 782 in 1986-88. Of these, 202 posts were lying vacant from 1985 onwards, for want of qualified persons. Nevertheless, 67 supernumerary posts of veterinary surgeons were created during February 1987 to accommodate the incumbents rendered surplus due to reduction of posts on the basis of recommendations of the Committee of Secretaries, instead of accommodating them against the existing vacancies. Creation of supernumerary posts in a cadre where there were clear vacancies was incorrect. Government reported (April 1989) that out of 67 posts, 54 posts had subsequently been absorbed against posts newly created.

### 3.2.8. Training facilities

The department had three livestock management training centres and a poultry management training institute. These institutions provided pre-service and in-service training to the staff. The table given below indicates the achievement made by these centres during 1983-84 to 1987-88.

	1983-84	1984-85	1985-86	1986-87	1987-88
Refresher course/in-service training to departmental officers	38	147	131	..	..
Livestock Management training to PSC recruits (Pre-service training)	..	5	53	59	130

Besides, 80 veterinary officers had also been sent on training in India and out of India to undergo special course of instructions or to study scientific, technical or similar problems.

There were 1126 Veterinary Officers and 1662 Livestock Inspectors (1987-88) in the department. Only 20 *per cent* of officers had undergone training during five years (1983-88). Since training improves the quality of human resource there is every necessity for imparting proper and adequate training to the personnel. Despite availability of training facilities, adequate number of officers could not be trained. Government stated (June 1990) that sparing of Veterinary personnel for training would adversely affect the functioning of the veterinary institutions. Government also stated that lack of funds under T. A. and vacancy in the cadre of veterinary surgeons were some of the reasons for not deputing more number of officers for training.

### **3.2.9. Direction and Administration—District Administration**

The Joint Director (JD) co-ordinates and supervises the activities of the department at district level. He is assisted in technical matters by a Deputy Director (DD) and a veterinary surgeon. According to the provisions contained in the Departmental Manual, both the JD and DD are to conduct annually one surprise and one detailed inspection of all the institutions under their control. Against 4590 inspections to be conducted during 1984-86, the performance was only 1723 (surprise inspection:1018; detailed inspection:705); the shortfall was more than 60 *per cent*. Government stated (April 1989) that the ministerial staff provided in the district offices as well as funds for fuel charges and travelling allowances were not sufficient for the effective functioning of departmental activities and that efforts were being made to conduct inspection upto the maximum level prescribed in the Manual.

### **3.2.10. Monitoring manpower levels at veterinary institutions.**

Animal health care is the prime function of the department and is carried out through veterinary institutions. A test check in audit, however, revealed that more than 40 *per cent* of panchayats had not been provided with the stipulated veterinary health



care. The sanctioned strength of staff per institution was 10 in the case of District Veterinary centre and polyclinic, 5 in the case of hospital, 4 in the case of dispensary and one in the case of veterinary sub centre. There was, however, no system to ensure that these norms were subject to review at fixed intervals and that the staff employed were commensurate with the work load in each institution. These officers had to achieve the target envisaged in the annual action plan. Annually the out-turn of work has to be compiled for a verification with the target, but the department had compiled statistical data only for the period upto 1984-85. A study of this data revealed that the activities of many institutions were low and the achievement was only 3 cases per day in 14 dispensaries against the annual target of 5000 per dispensary. Similarly, the achievement was below 10,000 cases in 12 polyclinics and 48 hospitals, against the target of more than 18,000 cases.

As the staff pattern was uniform there was obvious under-utilisation of manpower in cases where the achievement was low. The department had not undertaken any systematic and periodical review to correlate the declining achievement and deployment of manpower to effect reduction in manpower.

### **3.2.11. Manpower utilisation in certification laboratory**

In June 1981, Government accorded sanction to establish a Livestock and Marine Products Inspection-cum-Certification Laboratory at Ernakulam. Though the office started functioning in March 1983, the first sample for testing was received only in July 1986 and consequently the entire staff of 10 technical and non-technical personnel had no worthwhile work during the period March 1983 to July 1986. The expenditure on pay and allowances of its staff for the period amounted to Rs. 2.96 lakhs. This is an illustration of under-utilisation of manpower.

### **3.2.12. Manpower utilisation on preventive programmes**

Under Rinderpest Eradication Programme, the average output ranged between 20 to 24 vaccinations per day per

Livestock Inspector during 1983-87 against the target of 40 vaccinations per day. In the Disease Free Zone, Punalur, the achievement was 14 vaccinations per day during July 1986 to December 1987 against a norm of 60 vaccinations per day. Government stated (June 1990) that it had not been possible to fill up all sanctioned posts of Veterinary Surgeons and Livestock Inspectors for want of qualified personnel. However, the low achievements made against the targets would only indicate that even the manpower employed was not utilised fully, resulting in increased cost of operation. There is apparently a need to review the staffing norms to determine the staff requirement for major programmes/schemes.

### **3.2.13. Livestock farms.**

(i) There were four major livestock farms in the State located at Kodappanakunnu, Vithura, Palode and Punalur. In all the farms, the receipts were not sufficient to cover even the expenditure other than salaries and wages. Of the total expenditure of Rs. 231.32 lakhs incurred during 1983-84 to 1986-87 Rs. 183.69 lakhs were on salaries and wages. There was thus heavy incidence of establishment expenditure as the percentage of animal/herd strength to manpower deployed was highly disproportionate.

(ii) The total herd strength of Jersey Farm, Vithura ranged between 191 (1988) and 144 (1987). As against the optimum strength of 400 adult cattle to be maintained in the farm, the strength of adult cattle actually maintained was only 56 (1987). Similarly in the Jersey Extension Unit, Palode, which was expected to maintain 100 adult jersey cows during 1983-84 to 1986-87, the actual strength ranged between 25 and 58. The area under fodder cultivation in the farm had also declined from 35 hectares in 1983-84 to 20 hectares in 1986-87. Despite the fall in cattle strength and area of cultivation, the staff strength of both the farms had been allowed to continue without any re-appraisal.



The labour force of the farms consisted of attendants (class IV), permanent labourers having time scale of pay and casual labourers. In all the farms, labourers were engaged in excess compared to the out-turn. The cost of excess labour worked out to Rs. 20.17 lakhs as shown below:—

<i>Name of farm</i>	<i>Period</i>	<i>Total No. of mandays engaged (in thousands)</i>	<i>Total No. of mandays justified</i>	<i>Mandays of excess labour engaged</i>	<i>Cost of excess labour (Rs. in lakhs)</i>
District Livestock Farm,	1983-84				
Kodappanakunnu	to 1986-87	125.51	89.48	36.03	8.34
Jersey Cattle Breeding-cum-Cross-Bred Farm, Vithura	1984-85				
	to 1986-87	89.63	77.50	12.13	3.41
Jersey Extension Unit, Palode	1983-84				
	to 1986-87	81.38	46.09	35.29	8.42
Total					20.17

Government stated (April 1989) that the permanent labourers and class IV employees were entitled to enjoy more than 105 days eligible leave annually which required engagement of additional labourers. The manpower justified had, however, been arrived at based on the norms fixed by the department and hence the reply of the Government was not tenable. Government stated (June 1990) that the department was taking action to improve the activities of the farms and to make optimum use of the labour.

The Committee on Public Accounts 1984-86 in their 125th Report recommended (Para 1-32) that work norms for the labourers in the Vithura farm should be evolved and the labour strength should be fixed according to norms. In their 7th Report,

the Committee on Public Accounts 1987-89 stated that the staff employed in the Kodappanakunnu farm were surplus to a very large extent. The Committee, therefore, recommended (Para 39 of the Report) that the work norms for the staff and labourers employed in the farm should be evolved and excess staff and labourers be transferred immediately. Action taken by department/Government for evolving work norms in the farms as well as for transfer of excess staff and labourers has not been received.

(iii) Similar employment of labour in excess of requirement aggregating 9,628 mandays during 1983-84 to 1986-87 involving an extra expenditure of Rs. 2.48 lakhs in the Government Farm at Kommeri was also observed. Here again no re-assessment of staff had been made so far. Government stated (April 1989) that action was being taken to increase flocks in the farm.

(iv) The establishment of a Pig Breeding Farm at Kanjirappally was sanctioned in June 1979. Mention was made in paragraph 3.1 of the Report of the Comptroller and Auditor General of India (Civil), Government of Kerala, 1981-82 regarding the non-commissioning of the farm even after three years of its sanction. The farm had not, however, come into existence (July 1990) owing to non-completion of civil works. Unfruitful expenditure incurred on the pay and allowances of the staff already sanctioned for the period 1982-83 to 1987-88 amounted to Rs.3.12 lakhs. Government stated (April 1989) that due to lack of sufficient funds, the construction of the farm could not be completed and action was being taken to provide more funds to complete the construction work.

### **3.2.14. Performance appraisal**

The department did not have any system to measure manpower performance except the prescribed annual reports/character rolls evaluating the performance of individual officers for considering their promotion.



### 3.2.15. Other topics of interest

(i) In the Fodder Development Office, Palode, three clerk/typists were employed. The average number of papers received and disposed of in a month during 1983-86 was 5 per clerk. The technical staff too could play only an insignificant part, since the departmental farms had their own agricultural staff for fodder development. The establishment of the institution was thus run with meagre work load during 1983-84 to 1986-87. Expenditure incurred towards pay and allowances of this establishment during 1983-84 to 1986-87 aggregated to Rs. 3.55 lakhs. Government stated (April 1989) that the post of Fodder Development Officer and ministerial staff working in the institution had been shifted and action was also being taken to shift the remaining posts to other institutions.

(ii) A Veterinary Biological Institute was set up in Palode in 1979 for the manufacture of various vaccines for control of contagious diseases affecting the livestock and poultry population of the State. The staff strength of the Institute was 84, of which 15 posts were lying vacant (October 1987). The production of vaccine each year during 1982-83 to 1986-87 ranged between 49 and 77 *per cent* of the targets fixed. Government stated (July 1989) that eventhough targets were fixed, the actual quantity produced was regulated according to the requirements from the field. Nevertheless, lack of trained personnel and frequent transfers of staff were the main reasons for the shortfall.

In November 1980, the Institute started trial production of Rabies LEP Flury (Prophylactic) Vaccine by obtaining seed virus, from the Indian Veterinary Research Institute (IVRI) Izatnagar. In August 1986, the department felt that technical guidance of the experts of the IVRI was necessary for the production of good quality vaccine. The normal time required for production of a batch of vaccine is 4 to 10 weeks. Eventhough more than 7 years had elapsed since commencement of trial production, the Institute is yet to produce standardised vaccine (November 1987). On this being pointed out, Government

stated (July 1989) that a time bound programme could not be adhered to since developmental production of vaccine should necessarily stick to certain standards and that the vaccine is now being released from the Institute.

The Institute purchased a shelf freeze drying plant in March 1982 at a cost of Rs. 9.01 lakhs. It was installed in October 1985. The equipment was out of order for about 54 months out of 67 months (April 1982 to October 1987). The plant engineer who was specially trained for operating this equipment went on long leave (five years from June 1983) and there were no qualified personnel in the department to operate it. The grant of leave for 5 years to an officer when there was no qualified substitute was detrimental to public interest. Government accepted (July 1989) the facts.

A quality control section was functioning in the Institute. The staff associated with the work were an Assistant Research Officer, a Chemist, a Research Assistant, a Laboratory Technician and a Driver. The post of Chemist had not been filled up and the laboratory was not fully equipped to ensure quality control tests. As a result there was no effective work in the unit resulting in wastage of manpower. The expenditure of staff for the period from 1982-83 to 1986-87 amounted to Rs. 3.86 lakhs. Government stated (July 1989) that the quality control laboratory could be equipped properly after completion of the main laboratory building.

(iii) In February 1981, Government approved a proposal of the Director of Animal Husbandry for re-employing retired veterinarians as honorary veterinary consultants without any financial powers to fill up the vacancies of veterinary surgeons in the department. Accordingly, 33 retired officers from different cadres were appointed as honorary veterinary consultants during 1981-82 to 1986-87 and as at the end of March 1988, 21 retired officers were still continuing in service. On a review of the work done by 13 veterinary consultants (for whom information was available) it was noticed that the work turned



out by them was very low compared to the targets fixed by the department for regular veterinary surgeons. Further one of the factors for determining the efficiency of manpower was the age. But this had not been considered as 10 officers reappointed as veterinary consultants were between the age group of 61 and 75. Government terminated the services of all the veterinary consultants aged 60 years and above in May 1988. Government stated (June 1990) that the system had since been discontinued.

### **3.3. Poultry Development**

#### **3.3.1. Introduction**

The poultry development schemes undertaken by the Animal Husbandry department aimed at providing the farmers with quality breeds of birds, hatching facilities, balanced poultry feed, training, health care, marketing facilities, etc. The poultry population in the State as per 1982 livestock census was 1.5 crores. The main activities undertaken as part of poultry development included establishment and running of poultry farms, production of poultry feed, establishment of intensive poultry development (IPD) blocks, broiler production, duck farming, Japanese quail farming and imparting poultry training to departmental staff and needy entrepreneurs.

#### **3.3.2. Organisational set up**

The Director of Animal Husbandry (DAH), responsible for the overall implementation of the scheme, is assisted by a Joint Director and a Deputy Director.

At present there are seven Regional Poultry Farms (RPF), two district farms, one broiler farm and one turkey farm (all under the charge of Assistant Directors) two IPD blocks each under a Project Officer and a central hatchery under a Deputy Director implementing the poultry schemes.

### 3.3.3. Audit coverage

An audit review of the poultry development activities in the State was conducted during October 1988 to January 1989 with reference to the records of the Directorate of Animal Husbandry, District Offices, Central Hatchery, IPD Blocks, RPF and Broiler Farm.

### 3.3.4. Highlights

- Working results of poultry farms were not ascertainable. However, the expenditure of poultry farms far exceeded the receipts in each year.

(Paragraph 3.3.5)

- There was considerable shortfall in achievement at each stage, namely, utilisation of layer capacity, production of eggs, utilisation of incubation capacity and hatching.

(Paragraph 3.3.6 to 3.3.11)

- Loss of revenue due to categorisation of more number of eggs as non-hatchable was Rs. 18.14 lakhs.

(Paragraph 3.3.8)

- Excess labourers were engaged in Central Hatchery, Chengannur and Regional Poultry Farm, Kollam resulting in unproductive expenditure of Rs. 1.50 lakhs per annum. In three broiler extension centres, the unproductive expenditure on staff was Rs. 1 lakh per annum. The wasteful administrative expenditure by Broiler Farm, Mattannur was Rs. 2.14 lakhs.

(Paragraph 3.3.14)



- Production of poultry feed was below sixty *per cent* of norms. Delay in finalisation of contracts for purchase of feed ingredients resulted in local purchase at higher rates.

(Paragraph 3.3.17)

- Unproductive administrative expenditure in setting up poultry farmers' societies with a delay of 2 to 31 months amounted to Rs. 12.34 lakhs.

(Paragraph 3.3.19)

- The various poultry development schemes implemented by the department such as establishment of 330 poultry units and another 37 units under special component plan, and poultry clubs in schools were not successful. Rupees 28.51 lakhs had been released as subsidy on the above schemes.

(Paragraphs 3.3.18 and 3.3.21)

### 3.3.5. Financial results of poultry farms

The receipts and expenditure of poultry farms during the period 1983-88 were as given below:—

<i>Year</i>	<i>Receipts</i>	<i>Expenditure</i>	<i>Excess expenditure over receipts</i>
	(Rs. in lakhs)		
1983-84	84.73	116.94	32.21
1984-85	82.99	125.16	42.17
1985-86	87.35	120.28	32.93
1986-87	71.63	126.23	54.60
1987-88	89.76	135.20	45.44
Total	416.46	623.81	207.35

The department had not prepared *pro forma* accounts to ascertain the results of the commercial activities of the poultry farms. The details mentioned above, however, show that expenditure had exceeded the receipts in all these years. Besides, the department spent Rs. 142.95 lakhs during 1983-88 on other poultry development activities including a capital expenditure of Rs. 77 lakhs to end of 1987-88.

### 3.3.6. Under-utilisation of layer capacity

The percentage of shortfall in utilisation of layer capacity for 1983-84 to 1987-88 in the four RPF test checked ranged between 42 and 63 as detailed below:—

<i>Regional Poultry Farm</i>	<i>Layer Capacity</i>	<i>Layer maintained</i>	<i>Shortfall</i>	<i>Percentage of shortfall</i>
Kodappanakunnu	20,000	7,375	12,625	63
Kollam	10,000	4,519	5,481	55
Mundayad	21,250	7,949	13,301	63
Manarcaud	15,000	8,750	6,250	42

Reasons for the under-utilisation of layer capacity have not been received.

### 3.3.7. Low production of eggs

The average annual production of eggs per bird was generally less than the expectation of 240 eggs envisaged in the departmental manual or even the target of 220-230 eggs as per the technical standards, as stated below:—

<i>Regional Poultry Farm</i>	<i>Average annual production of eggs per bird</i>				
	1983-84	1984-85	1985-86	1986-87	1987-88
Kodappanakunnu	215	222	216	241	200
Kollam	225	230	230	163	196
Mundayad	188	218	175	182	224
Manarcaud	NA.	227	140	170	129
Central Hatchery, Chengannur	206	248	187	127	130

N.A. Not available.



Government stated (July 1990) that in Departmental poultry farms ideal facilities for breeding were not available and with each new generation of birds the production potential would be deteriorating. However, the department had not introduced new genetic material to improve the stock.

### **3.3.8. Defects in categorisation of eggs**

During 1983-88, the percentage of eggs not set for hatching ranged between 24 and 76 in RPF, Kodappanakunnu, 66 and 95 in RPF, Kollam, 58 and 90 in RPF, Mundayad, 91 and 100 in RPF, Manarcaud, 16 and 51 in Central Hatchery, Chengannur and 24 and 57 in Broiler Farm, Pettah. The eggs not set for hatching were disposed of as table eggs, undersized eggs, chipped and broken eggs, etc. The average price of a table egg was 55 paise, whereas that of a hatchable egg was one rupee. The breeding management guide stipulates that 80 *per cent* of eggs produced shall be hatchable. On this basis, the loss of revenue in categorising more number of eggs as non-hatchable in the six farms stated above for the period 1983-88 was Rs. 18.14 lakhs. Government stated (July 1990) that insufficient incubation facilities and the unforeseen mechanical defects of incubators were the reasons for disposal of eggs as table eggs.

### **3.3.9. Short accountal of eggs**

The details of egg accounts maintained by the RPF, Kodappanakunnu and Central Hatchery, Chengannur revealed that there was considerable shortfall in the number of eggs set for incubation compared to the number of eggs shown as set for hatching. The shortfall was 0.82 lakh eggs for the period 1983-87, reasons for which were not stated.

### **3.3.10. Under-utilisation of incubation capacity**

Even though facilities for hatching eggs on scientific methods were available, eggs were not set for hatching to the full capacity *vide* Appendix 3. Government stated (December 1987) that eggs were set for hatching only according to demand for birds.

However, there was no system to record the details of demands or to mobilise demand. During the period 1983-88 the District Rural Development Agencies (DRDAs) had purchased over 4 lakh birds costing about Rs. 71 lakhs from private farmers, which indicated lack of co-ordination between the Animal Husbandry and Rural Development departments.

### 3.3.11. Poor hatchability

According to the departmental instructions issued in 1970, at least 81 *per cent* of the number of eggs set for hatching should yield good healthy chicks. But the achievement was generally low as shown below:—

Farm	Percentage of achievement				
	1983-84	1984-85	1985-86	1986-87	1987-88
RPF, Kodappana-kunnu	60	64	81	74	73
RPF, Kollam	63	67	64	69	86
RPF, Mundayad	81	71	76	78	78
Central Hatchery, Chengannur	69	79	73	70	67
Broiler Farm, Pettah	47	38	60	68	51
Duck Farm, Niranam	47	55	42	52	49
Turkey Farm, Kollam	39	35	49	44	21

Government stated (July 1990) that labour problems, unforeseen power failure, incidence of diseases without warrant, etc., affected the hatchability.



### **3.3.12. Destruction of day old male chicks**

During 1983-88, 4.78 lakh day old male chicks were destroyed in RPF, Kodappanakunnu, Kollam, Mundayad and Central Hatchery, Chengannur. In RPF, Kodappanakunnu, Kollam and Mundayad, some day old male chicks were also sold for Rs. 0.50 lakh during 1987-88. The reasons for not selling the day old male chicks in the other farms were not intimated.

### **3.3.13. Extra expenditure on purchase of chicks**

In RPF, Kodappanakunnu, chicks were purchased in May 1984 and February 1988 from private hatcheries for Rs. 0.38 lakh (1224 numbers) and Rs. 0.28 lakh (1050 numbers), respectively, on the ground that the parent stock supplied by the Central Hatchery, Chengannur was not efficient. The reasons for the low quality of chicks produced by the Government hatchery have not been investigated. Compared to the value of chicks sold by the Central hatchery, the extra expenditure on the purchases was Rs. 0.56 lakh. Even though more than 50 per cent of layers maintained during 1984-85 represented the outside purchase of chicks there was no appreciable increase in the yield of eggs (average yield of 215 eggs during 1983-84 increased only to 222 during 1984-85 and 216 during 1985-86). The details of yield for 1988-89 have not been received.

### **3.3.14. Additional establishment expenditure**

According to the norms prescribed by the department, only one labourer was required to maintain 500 adult birds/750 chicks. In Central Hatchery, Chengannur and RPF, Kollam labourers ranging between 7 and 19 were engaged in excess of norm resulting in an additional expenditure of about Rs. 1.50 lakhs per annum.

The three broiler extension centres under the Broiler Farm, Pettah were closed down during 1985-86 for want of allotment of funds to purchase feed materials. Even though there were no activities, the staff were retained either at the centres or at the farm, incurring unproductive annual expenditure of over Rs. 1 lakh.

The Broiler Farm, Mattannur started functioning from February 1985; but the farm activities were not commenced as suitable land could not be located for the farm. The expenditure of Rs. 2.14 lakhs on the pay and allowances of the staff up to 1987-88 was unproductive.

In the Poultry Training Institute, Chengannur training was given for an average of 165 working days in a year. As the scheme contemplated training courses for 290 working days in a year, there was under-utilisation of manpower of the staff of the Institute.

### 3.3.15. Unutilised land

It was proposed in 1977 to start a duckery complex in the four hectares of Government land remaining vacant at Manjady (Thiruvalla Taluk) at an estimated cost of Rs. 7.22 lakhs. But there was no further development.

### 3.3.16. Low turn-over in intensive poultry development blocks

Each intensive poultry development block was to handle about 36.50 lakh eggs and 1.10 lakh table birds in a year. The achievement in the two blocks, Pettah and Muvattupuzha was very low during 1983-84 to 1987-88 as shown below:—

	IPD Block, Pettah		IPD Block, Muvattupuzha	
	Number handled		Number handled	
	Eggs (in lakhs)	Table birds	Eggs (in lakhs)	Table birds
1983-84	0.27	0.18	2.24	0.20
1984-85	1.14	0.38	2.33	0.15
1985-86	0.28	0.34	3.58	0.14
1986-87	0.01	0.62	0.49	0.17
1987-88	Nil.	0.35	0.93	0.41



Government stated (July 1990) that the beneficiaries or producers found it uneconomical to rear layers on a commercial scale and they opted for broiler production. The low achievement in the collection and disposal of table birds was attributed to the tendency of the farmers to find out open competitive market to dispose of their products and also due to the limited storage facility to keep the dressed meat in the IPD blocks.

### **3.3.17. Production of poultry feed**

The total installed capacity of the five feed manufacturing factories was 18,400 tonnes per year. However, full strength of labour had not been provided. On the basis of labour strength maintained, there should have been production of 4,200 tonnes of feed in a year. The average production of feed during 1983-88 was only 2,433 tonnes (less than 60 per cent of the norms). The production was restricted to the needs of different departmental farms and the requirement of IPD beneficiaries in IPD Block, Muvattupuzha and RPF, Kodappanakunnu and Mundayad.

The contracts for purchase of ingredients for manufacture of feed required by the feed manufacturing factories were finalised by the department after inviting tenders. The tenders received were scrutinised by a technical committee and communicated to Government for acceptance. During the period 1983-84 to 1987-88, there was a delay of two to five months in finalising the contracts for purchase of ingredients. By this time, the validity period of the contract of the earlier year had expired in September in each of the years. Consequently, local purchases were made at higher rates. The extra expenditure on this account in three units at Kodappanakunnu, Chengannur and Mundayad for the period 1983-84 to 1987-88 was Rs. 1.87 lakhs.

### **3.3.18. Schemes under special component plan**

Government sanctioned a scheme in November 1982 to set up 330 poultry units by Scheduled Caste/Scheduled Tribe beneficiaries, for which subsidy of Rs. 0.15 lakh per unit was payable towards purchase of pullets,

equipments, feed and construction of poultry sheds. A loan assistance of Rs. 0.04 lakh per unit could also be obtained from the authorised banks. It was expected that collection of eggs would start from the seventh month onwards which would enable the beneficiary to continue the next round of the scheme and a net revenue of Rs. 0.12 lakh per unit could be obtained within 18 months, thus becoming a continuous bread-winning source.

A sum of Rs. 16.97 lakhs was paid as subsidy by Government during 1982-83 to 1984-85 and 117 units were reported to have been set up in the districts of Thiruvananthapuram, Kollam, Kottayam and Kannur. Information regarding payment of subsidy in other districts have not been received. No monitoring was done by the department to see how many of the units continued to function.

Another scheme to set up 37 poultry units by SC beneficiaries in Thiruvananthapuram district was sanctioned in 1984-85. The estimated cost of each unit was Rs. 8410, of which one-third was paid as Government subsidy and the balance two-third was to be obtained as loan from Canara Bank/Kerala State Harijan and Girijan Federation Limited. The Government subsidy of Rs. 1.04 lakhs was drawn in March 1985 and deposited in Canara bank (Rs. 0.42 lakh) and in the Federation (Rs. 0.62 lakh). Only 29 units were started and subsidy of Rs. 0.22 lakh relating to eight units which had not been started was not refunded to the Government by the bank/federation. Inspection of the units by the Deputy Director in May 1986 revealed that almost all the beneficiaries had discontinued the scheme. Thus the outlay of Rs. 1.04 lakhs on the subsidy to set up poultry units had become largely infructuous.

### **3.3.19. Poultry development through farmer's organisation**

A scheme to set up fifteen co-operative societies with membership of 100 farmers in each society and each farmer contributing Rs. 50 as share capital, was approved by Government in December 1982. Government provided, free of cost,



the services of three spearhead leaders from January 1983 and fifteen poultry supervisors as secretaries of the societies from August 1983. Only thirteen societies were registered till February 1987, with delay ranging from 2 to 31 months. The unproductive expenditure met by the Government towards the pay and allowances of these staff for the period during which the societies did not exist was Rs. 12.34 lakhs. As the societies did not make any significant achievement the scheme was discontinued in February 1987.

### **3.3.20. Poultry development under special livestock production programme**

Under a scheme implemented through the DRDAs in Thiruvananthapuram and Kannur districts to benefit SC farmers and small and marginal agricultural farmers, 23,200 poultry units were set up during 1983-88 for which subsidy paid by Government was Rs. 130 lakhs. There was no monitoring of the scheme by the department. The details of the societies which continued to function have not been intimated.

### **3.3.21. Poultry clubs in schools**

With a view to generating enthusiasm, dignity of labour and savings among students and to increase the protein contents in their food, Government introduced a scheme for starting poultry clubs in selected two or three schools in each district every year from 1978-79. In each school a certain number of students, as fixed by Government, would be selected by the Headmaster who or whose nominee would act as president of the club. Another teacher, nominated as vice-president, would be given three days' training in the nearest poultry farm who in turn would impart the knowledge on the essential aspects of poultry keeping to the member students of the club. Each member student would be supplied with five chicks of 46-60 days old free of cost by the District Animal Husbandry Officers of the respective district.

During 1983-88, poultry clubs were started in 207 schools enlisting 16,000 pupils. Each pupil was supplied with five

chicks free of cost. Assistance in poultry breeding was given to the pupils by the officers of the Animal Husbandry department and by selected teachers who were given advance training in the field. An expenditure of Rs. 10.50 lakhs was incurred on the scheme during 1983-84. A test check of the implementation of the scheme revealed the following points:—

(i) Delay in distribution of chicks, the intervention of examinations and mid-summer vacations adversely affected the scheme.

(ii) In Kannur district, 24 pupils selected during 1983-84 from a school belonged to the lower primary section.

(iii) Out of 1,300 chicks supplied during 1987-88 in Thiruvananthapuram district, 1082 chicks died, reasons for which were not analysed by the department.

The evaluation conducted by the department for 1984-85 and 1985-86 indicated that the working of the clubs was generally not satisfactory.



## FINANCE DEPARTMENT

**3.4. Financial Management by the State Government****3.4.1. Introduction:**

Financial Management by the State Government involves the following major activities:—

- Mobilisation and collection of revenues and other resources.
- Budgeting and proper allocation of available resources in the optimum manner for meeting the demands of expenditure.
- Efficient spending of resources on specified objectives and careful control over the outflow of funds.
- Continuous regulation of cash flows to avoid, to the extent feasible, borrowing and overdraft for improving the cash position.

The resources available to the State consists of tax and non-tax revenues, share of Central taxes assigned to the State, capital receipts, loans and grants from the Central Government, borrowing from the open market and collections from Provident Fund and other deposits kept within the Government account. The resources are mainly utilised for Plan outlays for developmental purposes and Non-Plan expenditure on interest, administration, Police etc., within the limits set by the Legislature. The Government also has to repay and service its debt owing to Central Government, the market and other institutions. The Government further advances loans to various agencies for repayment in accordance with specified terms and conditions, and also invests in Government companies, Co-operative societies, etc.

The cash balance shown in the accounts of the State Government comprises the balance in the account of the State Government with the Reserve Bank of India (RBI), cash in non-banking sub-treasuries as well as cash held by departmental officers. A minimum daily cash balance is to be maintained with the RBI. When there is a deficit, it is in the first instance covered by ordinary ways and means advances given by the RBI upto an agreed limit. Beyond this limit, special ways and means advances are granted to raise the balances standing to the credit of the State Government. If even after the maximum advances have been given, there is a shortfall in the minimum cash balance, the shortfall is left uncovered. Overdrafts are given by the RBI if the State has minus balance after availing of maximum advances. However, when the overdrafts exceed certain limits, the RBI could also take extreme step of stoppage of honouring the bills and cheques of the State Government. Heavy withdrawals from the treasuries by the departmental officers affect adversely the cash balance with the RBI, with the consequences described above even though the amounts may be held undisbursed for the final purposes by the departmental officers.

The RBI sends statements of daily cash balance to the State Government for facilitating effective control over receipts and payments and avoidance of overdrafts to the extent possible.

### **3.4.2. Agencies concerned**

The Finance Department of the State, with the assistance of other departments, is primarily responsible for financial management of the resources of the State. On the basis of the daily statements of cash balance received from the RBI, the Finance Department has to issue suitable instructions for effective control over revenue collection and departmental expenditure. It enforces the system of letters of credit for major spending departments like the Public Works, Irrigation, etc. setting out limits beyond which cash payments should not be made in a month or a quarter as the case may be. The Finance Department is also in charge of optimal allocation of available resources for various activities, through the annual budgets presented before commencement of every financial year and implemented with necessary modifications during the year.



Bulk of the receipts and payments on Government Account take place at treasuries. In the banking treasuries, the job of physical handling of related cash is done by accredited branches of the State Bank of Travancore and State Bank of India. At the end of each working day the net cash inflow or outflow on Government account is notified by the concerned banks to the RBI for adjustment, with consequent impact on the balance of the State. Transactions directly adjusted by the RBI against the balance of the State are accounted for by the Accountant General (Accounts and Entitlement) of the State. Procedures have been prescribed for systematic reconciliation of the figures advised by the banks on this account to ensure accuracy of the balance of State Government with RBI.

The Accountant General (Accounts & Entitlement) of the State maintains the detailed accounts of loans from the Central Government and arranges payment of interest and repayment of loans in consultation with Finance Department. He also watches payment of interest and repayment of loans given to certain Government companies and certain autonomous bodies. Recoveries of all other loans and advances given by the Government are watched by departmental officers concerned.

### **3.4.3. Audit coverage**

The financial transactions of the State Government for the period 1982-83 to 1988-89 were test checked and important points noticed are detailed below:—

### **3.4.4. Highlights**

- The surplus on Government Account which was Rs. 184.56 crores at the beginning of 1982-83 decreased steadily over the years and became a deficit of Rs. 504.51 crores at the end of 1988-89.

(Paragraph 3.4.5)

- About one-third of the Government's revenue receipts came from the Centre. The annual growth rate under tax revenue ranged between 11 and 18 *per cent* during 1983-84 to 1988-89 except for 1984-85, when it was 28 *per cent*. There was

shortfall in mobilisation of additional resources during 1982-89.

(Paragraph 3.4.6)

- The gap between non-plan revenue expenditure and revenue raised by Government including non-plan grants from Central Government widened over the six years compared to 1982-83. Because of shortfall in additional resources mobilisation to fund the plan outlay, Government had to obtain advance plan assistance of Rs. 175 crores during the first two years of the seventh plan.

(Paragraph 3.4.7)

- Public debt is contracted primarily for creation of income-generating assets. But Government used more than half of incremental public debt to meet the revenue deficits during 1986-87 and 1987-88. The burden of net interest on revenue ranged between 6 and 12 *per cent* during 1982-89.

(Paragraph 3.4.8)

- The dividend received on investments was negligible, being less than half *per cent*. However, Rs. 83.50 crores due to Government from Kerala State Road Transport Corporation was written off during 1982-89.

(Paragraph 3.4.9)

- There were heavy arrears in collection of revenue and in recovery of loans. The arrears towards electricity duty due from Kerala State Electricity Board alone amounted to Rs. 412.97 crores as at the end of 1988-89.

(Paragraph 3.4.10)

- There was excessive financial dependence on overdraft from the Reserve Bank of India particularly during 1984-85 and 1985-86 resulting in huge payment of interest of Rs. 29.73 crores in these years.

(Paragraph 3.4.14)



—The guarantee provided by Government for the loans raised by statutory corporations, Government companies, co-operative societies, etc., had increased from Rs. 718.66 crores to Rs. 1438.27 crores from 1982-83 to 1988-89. The liability met by Government during this period consequent on invocation of the guarantee amounted to Rs. 2.93 crores.

(Paragraph 3.4.15)

—The revenue realised from eight completed irrigation projects did not cover even the working and maintenance charges but no revision to water rates had been ordered after July 1974.

(Paragraph 3.4.16)

### 3.4.5. Overall financial performance of Government

At the end of 1982-83 there was a surplus on Government account to the extent of Rs. 216.28 crores. In subsequent years, the expenditure exceeded the receipts and consequently the surplus declined progressively. By the end of 1988-89, the balance on Government account became a deficit of Rs. 504.51 crores. The decline from year to year was as below:—

Year	Opening surplus on Govern- ment Account	Revenue *			Miscella- neous and proforma adjustments	Closing surplus on Govern- ment Account
		Receipts	Expenditure	Deficit (—) Surplus (+)		
(1)	(2)	(3)	(4)	(5)	(6)	(7)
		(Rs. in crores)				
1982-83	1,84.56	8,10.16	7,83.39	+26.77	+4.95	216.28
		(8,37.82)	(8,42.66)	(—4.84)		
1983-84	2,16.28	9,34.24	9,92.44	—58.20	—0.63	157.45
		(9,10.51)	(9,16.35)	(—5.84)		

\* Figures in brackets indicate budget estimates.

Year	Opening surplus on Govern- ment Account	Revenue*		Deficit(—) Surplus(+)	Miscella- neous and proforma adjustments	Closing surplus on Govern- ment Account
		Receipts	Expenditure			
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(Rs. in crores)						
1984-85	1,57.45	11,24.99	11,38.66	—13.67	+12.22	156.00
		(10,63.56)	(10,19.97)	(+43.59)		
1985-86	1,56.00	13,71.17	14,45.34	—74.17	+4.44	86.27
		(11,56.30)	(12,35.42)	(—79.12)		
1986-87	86.27	15,02.53	16,54.76	—152.23	+0.02	—65.94
		(14,18.88)	(15,20.99)	(—102.11)		
1987-88	—65.94	15,86.09	17,80.67	—194.58	+0.21	—260.31
		(16,02.91)	(17,33.38)	(—130.47)		
1988-89	—260.31	18,97.06	20,61.00	—163.94	—80.26	—504.51
		(18,03.41)	(19,42.55)	(—139.14)		

The figures given in column (5) of the table show that final surplus/deficit for each year varied significantly from the surplus/deficit anticipated in the budget proposals of the year.

The revenue receipts of Government increased from Rs. 8,10.16 crores in 1982-83 to Rs. 18,97.06 crores in 1988-89. The increase was over 134 per cent. Receipts of the Government included both revenue raised by Government and receipts from Central Government. While the revenue raised by Government rose from Rs. 5,54.73 crores in 1982-83 to Rs. 12,46.83 crores in 1988-89 (increase of 125 per cent), the revenue expenditure increased from Rs. 7,83.39 crores in 1982-83 to Rs. 20,61.00 crores in 1988-89 (increase by 163 per cent). One of the

\* Figures in brackets indicate budget estimates.



reasons for the increase in revenue expenditure was the increase in the salary bill of State employees including teaching grant, which rose from Rs. 384.19 crores in 1982-83 to Rs. 922.00 crores in 1988-89, i.e., by 140 *per cent*. This was partly due to proliferation of offices, posts, etc., besides revision of pay and allowances, etc. The total number of employees paid by Government (including aided school/college staff) rose from 2,69,833 in 1982-83 to 4,82,893 in 1988-89.

The revenue deficit was on the high side in 1986-87, 1987-88 and 1988-89. This was largely due to the expenditure incurred by the Government on revision of pay scales of the Government employees including aided schools/college staff in 1985-86 (with retrospective effect from 1st July 1983) and the consequent revision of pension and commutation of pension. The total pensionary liability of the Government which was Rs. 76 crores in 1984-85 rose to Rs. 186.32 crores in 1988-89.

The borrowing of the Government also increased from Rs. 880.93 crores at the beginning of 1982-83 to Rs. 24,55.58 crores by the end of 1988-89. This pushed up the annual expenditure on interest by Rs. 143.49 crores, i.e. from Rs. 39.73 crores in 1981-82 to Rs. 183.22 crores in 1988-89. The increase in total debt during the period was Rs. 2225.89 crores or 196 *per cent*.

### **3.4.6. Receipts of State Government**

#### **(i) Revenue receipts**

It would appear from the table below that nearly one-third of the Government's revenue receipts came from the Centre. Besides, there was an increase in the growth rate under tax revenue from 11 *per cent* in 1983-84 to 28 *per cent* in 1984-85, but it declined thereafter. In the case of non-tax revenue the trend in

the growth rate was uneven till 1987-88 and during 1988-89 it declined compared to the previous year.

1982-83 1983-84 1984-85 1985-86 1986-87 1987-88 1988-89

(Rs. in crores)

(i) Revenue

(a) Tax

Revenue	438.35	486.77	621.65	730.50	813.90	925.22	1065.47
---------	--------	--------	--------	--------	--------	--------	---------

(b) Non-tax

Revenue	116.38	118.26	133.42	141.73	163.87	188.54	181.36
---------	--------	--------	--------	--------	--------	--------	--------

Total(i)	554.73	605.03	755.07	872.23	977.77	1113.76	1246.83
----------	--------	--------	--------	--------	--------	---------	---------

(ii) Divisible  
Union  
Taxes and  
Grants-in-  
aid from  
the Central  
Govern-  
ment

	255.43	329.21	369.92	498.94	524.76	472.33	650.23
--	--------	--------	--------	--------	--------	--------	--------

Total Revenue  
receipts

	810.16	934.24	1124.99	1371.17	1502.53	1586.09	1897.06
--	--------	--------	---------	---------	---------	---------	---------

Percentage of  
(ii) to the total  
Revenue  
receipts

	32	35	33	36	35	30	34
--	----	----	----	----	----	----	----

Annual growth  
rate (in per-  
centage)

(a) Tax

Revenue	..	11	28	18	11	14	15
---------	----	----	----	----	----	----	----

(b) Non-tax

Revenue	..	2	13	6	16	15	..
---------	----	---	----	---	----	----	----



(ii) *Debt receipts*

The position of debt receipts of the State Government during 1982-83 to 1988-89 was as under:—

<i>Particulars</i>	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
<i>(Rupees in crores)</i>							
1. Repay- ment of loans by borrowers	14.74	14.71	20.93	18.31	31.73	17.68	22.46
2. Internal debt other than ways and means ad- vances	39.82	46.55	59.32	93.86	104.42	122.35	161.99
3. Loans and advances from Cen- tral Go- vernment	202.40	199.68	212.98	667.63*	284.78	301.87	289.18
4. Small Sa- vings, Pro- vident Funds etc.	272.76	330.41	462.06	532.03	575.39	631.77	713.62
Total debt receipts	529.72	591.35	755.29	1311.83	996.32	1073.67	1187.25

Provident Funds are designed to provide, *inter alia*, resources for developmental activities of the State. However, net receipts from Provident Funds after excluding the element of interest allowed to the subscribers accounted for 1.4 to 4.2 *per cent* only

\*Increase was mainly due to conversion of overdraft of Rs. 241.86 crores into loan by Central Government.

of the total debt receipts during the years 1982-83 to 1988-89 as detailed below:—

<i>Year</i>	<i>Gross receipts including interest</i>	<i>Disbursements from Provident Fund</i>	<i>Interest disbursement</i>	<i>Net receipts</i>	<i>Percentage of net receipt to total debt receipts</i>
<i>(Rupees in crores)</i>					
1982-83	76.63	45.40	12.66	18.57	3.5
1983-84	97.41	56.43	15.87	25.11	4.2
1984-85	105.32	66.33	18.63	20.36	2.7
1985-86	148.19	77.44	27.38	43.37	3.3
1986-87	153.37	98.21	32.70	22.46	2.3
1987-88	165.33	111.24	39.59	14.50	1.4
1988-89	221.66	128.64	44.42	48.60	4.1

(iii) *Additional resource mobilisation*

Bulk of the additional revenue accrued from sales tax and excise. Under sales tax, apart from general enhancement in several scheduled goods, the multi-point rate of sales tax was raised from 4 to 5 per cent from 1st April 1984. The rate of additional sales tax levied as a per cent of sales tax which was 10 per cent upto 12th June 1983, was increased from 10 to 15 per cent from 13th June 1983 and again from 15 to 20 per cent from 1st April 1985. A uniform rate of tax on works contracts was introduced with effect from 1st July 1987.



The details of additional resources anticipated to be mobilised at the budget stage and that actually raised during each of the years 1982-83 to 1988-89 are given below:—

<i>Year</i>	<i>Additional resources mobilisation anticipated at the budget stage (Rupees in crores)</i>	<i>Resources actually raised</i>
1982-83	2.52	2.27
1983-84	52.53	34.02
1984-85	42.30	27.25
1985-86	22.20	24.70
1986-87	32.00	22.00
1987-88	158.90	98.11
1988-89	58.30	24.97

During 1983-84, the shortfall was under Forest Revenue and Security Deposit for Money lenders. The shortfall during 1984-85 was due to less receipt than anticipated under group insurance scheme for State Government employees, savings scheme for students and fees levied by various departments. During 1986-87 sales tax on lottery tickets imposed was subsequently withdrawn (revenue foregone: Rs. 5 crores). During 1987-88 entry tax on cattle (Rs. 6 crores) and additional revenue due to revision of electricity tariff (Rs. 8.75 crores) had been given up. Also, the collections towards buoyancy in excise, sales tax and rationalisation, streamlining collection and liquidating arrears of sales tax did not yield the expected revenue. Besides, the following new measures to levy tax introduced during 1987-88 remained unimplemented.

<i>Source of levy</i>	<i>Amount anticipated (Rs. in crores)</i>
1. Entry tax on crude oil	2.20*
2. Auctioning of bus routes	0.60*
3. Levy on private hospitals	1.00
4. Turnover Tax on unaided private educational institutions	0.50
5. Tax on air-conditioners	1.50
6. Rationalisation of Agricultural Income tax	2.00
7. Registration fees	4.00

\*Pending for want of Government of India's approval.

Legislative measures for tapping the sources of revenue against item numbers 3 to 7 are yet to be taken (January 1990).

During 1988-89, revenue to the extent of Rs. 2.30 crores anticipated in the budget (Entry tax on tobacco and textiles: Rs. 2.00 crores and Mineral Rights Tax: Rs. 0.30 crore) could not be collected as necessary legislation in this regard had not been made (March 1990).

### 3.4.7. Resource deployment

#### (i) *Tax and Non-tax Revenue vis-a-vis Non-plan Revenue expenditure.*

The non-plan revenue expenditure of Government from 1982-83 to 1988-89 progressively exceeded the sum total of the revenue raised by Government from tax and non-tax sources and the non-plan grants received from the Central Government as given below:—

<i>Year</i>	<i>Non-Plan revenue expendi- ture</i>	<i>Tax and non-tax revenue and non- plan grants from Central Government</i>	<i>Excess of non-plan revenue expenditure</i>
		(Rs. in crores)	
1982-83	663.90	557.92	105.98
1983-84	797.93	609.93	188.00
1984-85	925.76	775.84	149.92
1985-86	1244.90	989.57	255.33
1986-87	1434.41	1003.03	431.38
1987-88	1521.58	1133.55	388.03
1988-89	1740.20	1275.45	464.75

Increase in non-plan expenditure was 162 per cent in 1988-89 over that of 1982-83, whereas the corresponding increase in tax and non-tax revenue and non-plan grants accounted for only 129 per cent.



(ii) *Capital expenditure*

The total up-to-date capital expenditure of the State Government increased from Rs. 958.91 crores at the beginning of 1982-83 to Rs. 2198.39 crores by the end of 1988-89. Expenditure on capital account increased by 64 per cent from Rs. 128.47 crores during 1982-83 to Rs. 211.04 crores during 1986-87, but declined to Rs. 167.40 crores (by 21 per cent) in 1987-88 and to Rs. 180.29 crores (15 per cent) in 1988-89.

(iii) *Implementation of Seventh Five Year Plan*

The Seventh Plan envisaged an outlay of Rs. 2100 crores. To fund the Plan outlay, an additional resource mobilisation to the tune of Rs. 1003 crores was envisaged during the period. The additional resources anticipated for the first four years of the plan period was, however, only Rs. 581 crores and the achievement was still less as shown below:

Year	Anticipated additional resource mobilisation	Actually raised	Percentage of mobilisation
(Rupees in crores)			
1985-86	106.74	34.51	32
1986-87	130.20	56.32	43
1987-88	208.70	98.11	47
1988-89	135.70	114.94	85

The actual Plan expenditure during the first four years of the Seventh Plan period was as follows:—

Year	Approved Plan outlay	Actual expenditure	Excess expenditure over outlay	Percentage of excess expenditure over approved outlay
(Rupees in crores)				
1985-86	355	458	103	29
1986-87	390	532	142	36
1987-88	440	528	88	20
1988-89	500	572	72	14

The extent of deviation from the approved plan for the first two years of the Plan was 29 and 36 per cent. The excess

expenditure was partly met by advance Plan assistance of Rs. 175 crores received during 1985-86 and 1986-87, of which Rs. 125 crores were adjusted till the end of 1988-89; the balance of Rs. 50 crores is to be adjusted during 1989-90.

### 3.4.8. Debt burden

(i) *Debt position*—Net increase in debt and the extent of the utilisation to meet revenue deficit during 1982-83 to 1988-89 were as under:—

<i>At the close of</i>	<i>Total debt</i>	<i>Net increase over the previous year</i>	<i>Revenue surplus(+) Deficit(—)</i>	<i>Revenue deficit as percentage of increase in debt.</i>
		<i>(Rupees in crores)</i>		
1982-83	1334.66	201.46	(+) 26.77	..
1983-84	1653.35	318.69	(—) 58.20	18
1984-85	1929.91	276.56	(—) 13.67	5
1985-86	2319.49	389.58	(—) 74.17	19
1986-87	2596.65	277.16	(—) 152.23	55
1987-88	2964.41	367.76	(—) 194.58	53
1988-89	3359.09	394.68	(—) 163.94	42

Though the incurring of debt is intended primarily for utilisation of income generating assets, Government used more than half of incremental public debt to meet the revenue deficits during 1986-87 and 1987-88. The comparative position in three earlier years ranged between 5 and 19 per cent.

#### (ii) *Loans and advances from the Central Government*

Loans and advances received from the Central Government represented the major source contributing to 14 to 38 per cent of the total debt of the Government which increased from Rs. 202.40 crores in 1982-83 to Rs. 667.63 crores in 1985-86 (increase of 230 per cent) but declined thereafter to Rs. 284.78 crores in 1986-87, to Rs. 301.87 crores in 1987-88 and to Rs. 289.18 crores in 1988-89.



During 1982-83 to 1985-86, Government of India granted three loans amounting to Rs. 378.05 crores to cover gap in State Government's resources. This included an amount of Rs. 241.86 crores granted in 1985-86 as a part of policy measure to convert 90 *per cent* of overdraft as on 28th January 1985, of which a sum of Rs. 60.47 crores is outstanding as at the end of 1988-89. An amount of Rs. 8.45 crores is also outstanding out of the two loans sanctioned in 1982-83 and 1983-84. In March 1986 rehabilitation loans totalling Rs. 0.75 crore paid to the State Government prior to 1984 were written off by the Central Government on the recommendations of the Eighth Finance Commission. In July 1986, all loans received by the State Government during the period 1st April 1979 to 31st March 1984 which were outstanding on 31st March 1985 were also consolidated by the Central Government into a single loan carrying interest at 6.5 *per cent* repayable over 25 years. The amount so adjusted worked out to Rs. 335.54 crores.

### (iii) *Market borrowing*

The second major source for borrowing funds is the market borrowing. The liability for loans raised has more than trebled in six years from Rs. 179.17 crores at the end of March 1983 to Rs. 599.37 crores at the end of March 1989. More than 10 *per cent* of fresh market loans went to repay old loans during the period April 1982 to March 1989. The repayments after a peak (Rs. 17.94 crores) in 1984-85, ranged only between Rs. 10.93 crores and Rs. 15.60 crores during the last four years ending March 1989, as against fresh receipts steadily going up from Rs. 81.96 crores in 1985-86 to Rs. 138.15 crores in 1988-89. This indicates that burden on repayment will have increasing trend in future years.

### (iv) *Growing interest burden*

The liability towards interest payments increased by 298 *per cent* (from Rs. 61.37 crores in 1982-83 to Rs. 244.44 crores in 1988-89). The percentage of interest payments to the total revenue expenditure of the State increased from 8 *per cent* in 1982-83 to 12 *per cent* in 1988-89. A major portion of the interest paid was

on loans and advances received from the Central Government. The details of interest paid pertaining to various categories of borrowings are given below.

<i>Details of interest</i>	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
	<i>(Rupees in crores)</i>						
(i) Market loans	10.47	12.63	17.36	19.60	23.08	40.75	45.68
(ii) Other internal debts	10.30	11.53	22.65	22.43	6.22	9.54	10.82
(iii) Loans and advances from Central Govt.	22.60	45.15	53.83	48.61	104.28	103.79	126.53
(iv) Small savings, Provident Funds, etc.	17.96	22.06	27.21	36.37	43.59	53.83	61.19
(v) Reserve Funds and expenditure on management of debt	0.04	0.12	0.02	0.14	0.11	0.26	0.22
Total	61.37	91.49	121.07	127.15	177.28	213.17	244.44
Revenue expenditure	783.39	992.44	1138.66	1445.34	1654.76	1780.67	2061.00
Percentage of interest paid to total revenue expenditure	8	9	11	9	11	12	12

The net interest burden on the Government is computed by deducting interest realisable by Government from the interest paid by Government. This net burden, which was unfavourable to Government all along had increased from 6 per cent of total revenue receipts in 1982-83 to 12 per cent in 1988-89, with steady increase in cash outflow. This showed that Government had deployed part of the borrowed funds on activities which did not give any financial return. The details are as below:—

	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
	<i>(Rupees in crores)</i>						
<i>Interest paid by Government</i>	61.37	91.49	121.07	127.15	177.28	213.17	244.44
<i>Deduct</i>							
(i) interest recovered on the loans and advances and capital contribution given by Government	5.24	3.81	24.18	14.85	24.90	29.30	16.24
(ii) interest realised on investment of cash balances	0.41	0.34	0.33	2.44	2.70	0.70	0.69
(iii) interest received from departmental commercial undertakings	4.53	5.36	6.11	6.82	7.89	8.34	9.16
Net burden of interest on revenue	51.19	81.98	90.45	103.04	141.79	174.83	218.35
Percentage of net interest paid to total revenue receipts	6	9	8	8	9	11	12



### 3.4.9. Poor return from Public Enterprises

To the end of March 1989, Government had invested Rs.459.44 crores in the share capital of 3 statutory corporations, 77 Government companies, various co-operative societies and other institutions.

The return on investment in the share capital by way of dividends was negligibly small as shown below:—

<i>As on 31st March</i>	<i>Investment</i>	<i>Dividends received</i>	<i>Percentage of of return on investment</i>
	<i>(Rupees in crores)</i>		
1983	231.49	0.90	0.39
1984	257.50	0.47	0.18
1985	279.33	0.65	0.23
1986	338.94	0.65	0.19
1987	367.18	0.86	0.23
1988	396.14	0.76	0.19
1989	459.44	0.79	0.17

The return had declined from 0.39 *per cent* in 1982-83 to 0.17 *per cent* in 1988-89.

In the case of Kerala State Road Transport Corporation (KSRTC), the total contribution made by Government to its capital to the end of March 1989 was Rs. 43.82 crores. Interest is payable on capital at the rate of 6.25 *per cent* per annum. A sum of Rs. 9.28 crores relating to interest on capital contribution pertaining to the years 1980-81, 1983-84 and 1985-86 was written off during 1982-83 to 1988-89. Interest for the remaining periods, viz., 1982-83, 1984-85, 1986-87, 1987-88 and 1988-89, has also not been received during the period. Apart from this, a sum of Rs. 74.22 crores due from KSRTC on various counts (vehicle tax: Rs.48.59 crores; Government loan: Rs. 16.86 crores; interest on loan: Rs. 8.77 crores) was also written off by Government during the above period.

The total amount invested by Government in 72 State Government Companies to the end of 1988-89 was Rs. 314.80 crores. Out of 29 companies formed prior to 1970-71, 20 companies have not declared dividend till 1988-89 and three companies had declared dividend for one year only. Out of the 34 companies formed between 1970-71 and 1979-80, 27 companies had not declared dividend till 1988-89, 2 companies had declared dividend for one year only and 3 companies had declared dividend for 2 years. Out of the 9 companies formed after 1979-80, only one company had declared dividend and that too for two years only.

### **3.4.10. Revenue pending collection**

The overdue revenue arrears at the end of 1988-89 as compiled from information so far received from departments were Rs. 574.04 crores. The arrears of revenue in respect of some of the principal sources of revenue are given below:—

State Excise Duties	..Rs. 85.15	crores
Forest	..Rs. 19.35	crores
Electricity duty	..Rs. 414.30	crores*

Out of them, collection of Rs. 54.34 crores was under stay (by High Court and other judicial authorities: Rs.47.99 crores and by Government: Rs. 6.35 crores) in Excise and Forest Departments.

### **3.4.11. Arrears in assessment**

While many new proposals for additional taxation remained unimplemented, the collection of existing taxes was also not adequately geared up with the result that large number of assessment cases were pending finalisation.

---

\* The major portion of the arrears (Rs. 412.97 crores) related to Kerala State Electricity Board.



Year-wise details of the pending cases of assessment as at the end of 1988-89, as reported by the departments were as follows:

<i>Year of assessment</i>	<i>Agricultural Income tax</i>	<i>Sales tax</i>
	<i>(Number of cases)</i>	
Up to 1981-82	681	2193
1982-83	178	1760
1983-84	555	2514
1984-85	1629	4932
1985-86	2824	7625
1986-87	4004	15,063
1987-88	6481	33,613
1988-89	7754	16,090

### 3.4.12. Arrears in recovery of loans

In respect of loans to municipalities, local bodies, statutory corporations, etc., the detailed accounts of which are maintained by the Accountant General (Accounts and Entitlement) the arrears in recovery of principal and interest thereon increased steadily from Rs. 74.72 crores at the end of 1982-83 to Rs. 168.01 crores by the end of 1988-89. Details of such arrears at the end of each year are given below:—

<i>Year</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
	<i>(Rupees in crores)</i>		
1982-83	9.13	65.59	74.72
1983-84	13.27	87.49	100.76
1984-85	17.58	100.62	118.20
1985-86	18.39	114.37	132.76
1986-87	16.32	132.22	148.54
1987-88	20.43	105.26	125.69
1988-89	29.53	138.48	168.01

During the above period interest on loans given to Kerala State Electricity Board amounting to Rs. 58.42 crores pertaining to the period 1984-85 to 1986-87 was converted into a fresh loan to the Board.

Particulars of arrears as at the end of 1985-86 and 1986-87 in recovery of loans, the detailed accounts of which are maintained by the departmental officers were not furnished by any of the departmental officers. The arrears in recovery of loans during the remaining years furnished by certain departments are shown below:—

<i>Year</i>	<i>Name of Department</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
<i>(Rupees in crores)</i>				
1982-83	Food, Agriculture, Education, Local Administration & Social Welfare, Transport, Fisheries & Ports	13.91	4.04	17.95
1983-84	Industries	1.17	0.40	1.57
1984-85	Education	0.01	0.01	0.02
1987-88	Food and Education	11.23	8.15	19.38
1988-89	Food, Education, Agriculture, Transport, Fisheries & Ports	9.21	8.13	17.34

### **3.4.13. Conversion of electricity duty into loan to Kerala State Electricity Board**

In terms of Section 3 (1) of the Kerala Electricity Duty Act, 1963, every licensee has to pay a duty to Government at 6 paise per unit of energy sold at a price of more than 12 paise per unit. Section 4 of the Act prescribes levy of electricity duty on consumers at varying rates ranging from 10 to 30 per cent of the price of energy billed for. The licensee has to collect the duty from the consumers and remit it to Government. During the period 1982-83 to 1988-89, Rs. 41.09 crores due to Government towards electricity duty under Section 3 (1) of the Act and Rs. 11.67 crores under Section 4 of the Act have been converted as a fresh loan to Kerala State Electricity Board.



### 3.4.14. Cash management

Though more resources could have been mobilised by finalising the pending assessments and by intensive collection drive of revenue and recovery of outstanding loans, to tide over short-fall in the minimum balance needed to be maintained (Rs.60 lakhs on all days) with the Reserve Bank of India, Government had to obtain from the Bank heavy amounts as ways and means advances and overdrafts as given below:—

#### (i) Ways and means advances

<i>Year</i>	<i>Advance drawn</i>	<i>Advance repaid</i>	<i>Interest paid</i>	<i>No. of days on which advances were drawn</i>
<i>( Rupees in crores)</i>				
1982-83	79.62	70.13	1.28	65
1983-84	118.26	115.56	3.24	48
1984-85	16.49	16.20	3.50	8
1985-86	2.59	33.07	2.71	3
1986-87	142.99	139.55	0.36	76
1987-88	493.02	459.40	2.13	222
1988-89	661.77	688.55	2.11	233

#### (ii) Overdraft

<i>Year</i>	<i>Overdraft drawn</i>	<i>Overdraft repaid</i>	<i>Interest paid</i>	<i>No. of days on which overdraft was drawn</i>
<i>(Rupees in crores)</i>				
1982-83	287.09	350.35	6.32	228
1983-84	461.85	398.16	4.80	309
1984-85	717.73	589.10	14.85	357
1985-86	459.47	651.79	14.88	180
1986-87	27.61	27.61	0.02	9
1987-88	311.01	311.01	0.42	100
1988-89	265.28	265.28	0.39	76

There was excessive financial dependence on this source particularly during 1984-85 and 1985-86 resulting in huge payment of interest to the tune of Rs. 29.73 crores during these years.

In order to help the State Government to clear 90 *per cent* of their overdrafts outstanding as on 28th January 1985, the Centre extended a medium term non-plan loan assistance of Rs. 241.86 crores on 1st October 1985 repayable in four annual instalments from 1986-87 with interest at 8 *per cent*. Of this, Rs.181.40 crores had been repaid to end of March 1989.

In order to contain the ways and means within permissible limits, the State Government imposed (November 1987) certain monetary limit for withdrawal of money from treasuries except in the case of salaries and wages. Amounts in excess of the limit prescribed were to be drawn only after getting prior clearance from the Finance Department. The restrictions on payment from treasuries continued till the end of March 1989. However, as many as 173 items of payments were exempted from time to time from the restrictions originally imposed.

Payment on behalf of Government of Kerala was stopped by the RBI from 16th December to 23rd December 1987 consequent on the State Government maintaining the overdraft with the Bank for a continuous period of more than seven days.

### **3.4.15. Guarantees**

In a number of cases Government had given guarantees to financial institutions for loans raised by Statutory Corporations, Boards, Government companies, Co-operative Societies, etc. Details of guaranteed sums outstanding and arrears in collection of guarantee fee from the institutions at the end of each year were as shown below:—



<i>Year</i>	<i>Maximum amount guaranteed at the end of the year</i>	<i>Sums guaranteed outstanding at the end of the year (including interest)</i> (Rupees in crores)	<i>Arrears of guarantee fee at the end of the year</i>
1982-83	718.66	560.67	0.23
1983-84	928.94	676.33	0.88
1984-85	972.87	739.68	2.31
1985-86	1158.28	655.80	3.23
1986-87	1273.06	765.42	4.18
1987-88	1508.77	913.67	3.73
1988-89	1438.27	988.01	11.56

It has been seen that the guarantees were given without taking adequate steps to verify the profitability and viability of the schemes for which the loans were proposed to be utilised. As the loanee societies failed to repay the loans in time, the financial institutions invoked the guarantees, compelling Government to take over the liabilities of the societies for their eventual clearance.

Seven cases where Government had to clear the liabilities amounting to Rs. 292.82 lakhs arising from invocation of guarantees during 1982-1989 are listed below:—

<i>Name of body</i>	<i>Liability outstanding</i> (Rupees in lakhs)	<i>Amount paid by Government</i>
1. Trivandrum (North) Regional Fish Marketing Co-operative Society Ltd., Anjengo	115.61 (as on 30-6-1985)	46.60 (part payment)
2. Kozhikode Regional Fish Marketing Co-operative Society Ltd., Pudiappa	60.99 (as on 30-6-1985)	24.72 (part payment)
3. Regional Fish Marketing Co-operative Society, Parappanangadi	133.09 (as on 31-1-1987)	114.65
4. Kerala Fisheries Corporation Ltd.	36.00	36.00
5. Joint Farming Co-operative Society for cultivation in Q.S. & T blocks in Kuttanad	32.06	32.06
6. Foam Mattings (India) Ltd.	20.00	20.00
7. Kairali Beedi Workers Central Co-operative Society Limited, Shoranur	18.79	18.79

In addition Government paid loans to the following three institutions to enable discharge of liabilities for which guarantees had been given by the Government:—

<i>Name of institution</i>	<i>Amount of loan (Rs. in lakhs)</i>	<i>Period of payment</i>
1. Kerala State Rural Development Board	46.94	March 1979 to April 1984
2. Trivandrum Rubber Works Ltd.	98.77	April 1987
3. Kerala State Industrial Enterprises Ltd.	29.00	April 1988 and March 1989

### 3.4.16. Financial results of irrigation projects

Eight completed projects (Peechi, Chalakudy, Periyar Valley, Cheerakuzhy, Malampuzha, Walayar, Mangalam and Meenkara) had been declared as commercial. The aggregate revenue receipts from these projects did not cover their total working expenses in any of the years from 1982-83 to 1988-89 as shown below:—

<i>Year</i>	<i>Capital outlay to the end of the year</i>	<i>Revenue realised</i>	<i>Working expenses and maintenance charges</i>	<i>Interest on capital outlay</i>	<i>Loss</i>	<i>Percentage of loss</i>
<i>(Rupees in crores)</i>						
1982-83	54.49	0.50	0.78	4.16	4.44	8.15
1983-84	58.95	0.79	1.14	5.15	5.50	9.33
1984-85	64.61	0.71	1.20	5.73	6.22	9.63
1985-86	68.13	0.63	1.46	6.60	7.43	10.91
1986-87	70.38	0.71	1.60	7.68	8.57	12.18
1987-88	72.87	0.76	1.24	7.88	8.36	11.47
1988-89	76.75	0.74	1.39	8.82	9.47	12.34



The total net loss during the seven years amounted to Rs.49.99 crores. The percentage of deficit to capital outlay varied from 8.15 *per cent* in 1982-83 to 12.34 *per cent* in 1988-89. This was attributed by Government (September 1988) to low water rates in force and the increase in working expenses. As the rates of water cess were last revised only with effect from 1-7-1974 and there was no scope for an immediate revision, Government constituted an inter-departmental committee in 1978 to modernise and broaden the data-base for working out the average water rates so that Government could evolve a rational rate structure. But the Committee had not submitted any recommendation. Another Committee was constituted in May 1988 to review the irrigation cess. The report was awaited (January 1990). The irrigation revenue pending collection as at the end of March 1989 was Rs. 18.60 lakhs.

Apart from the above projects, Government had spent Rs. 645.60 crores upto 1988-89 on 13 major/5 medium irrigation projects which were still to be completed. Out of this, 6 major projects had been partially commissioned incurring an expenditure of Rs. 282.81 crores upto 1988-89.

## FISHERIES AND PORTS DEPARTMENT

### 3.5. Inland Fisheries

#### 3.5.1. Introduction

Kerala has an estimated 3.61 lakh hectares of inland water resources comprising 2.43 lakh hectares of brackish water resources like brackish water lakes, backwaters and estuaries and 1.18 lakh hectares of fresh water resources like rivers, reservoirs, ponds and tanks. Out of the 2.43 lakh hectares of brackish water resources, 1.21 lakh hectares are reported to be suitable for fish culture. No survey was conducted in respect of fresh water resources. About 1.97 lakh farmers are employed in inland fisheries sector, of whom 0.46 lakh farmers are active fishermen. Inland fisheries included

- (1) Reservoir fisheries
- (2) Fish seed Farms
- (3) Brackish water fish farms and
- (4) Fish Farmers' Development Agencies.

The development of inland fisheries included development of fish culture, increase in production and distribution of quality fish seeds, popularisation of improved techniques in fish culture, training in fish culture, etc.

#### 3.5.2. Audit coverage

A review of the activities under inland fisheries was conducted by Audit during August-December 1988 with reference to the records in the Directorate of Fisheries. The field offices in Thiruvananthapuram, Alappuzha, Ernakulam, Malampuzha, Azhikode, Pathanamthitta and Kottayam, National fish seed farms at Polachira and Malampuzha, Fish Farmers' Development Agencies at Kollam and Thrissur and the Harbour Engineering Divisions at Kollam and Kozhikode were also test checked.



### 3.5.3. Highlights

- Only one third of the area of reservoirs suitable for fish culture has been brought under production of fish. Even in that area the average production of fish was only 4 to 8 kg per hectare as against the minimum of 40 kg per hectare anticipated. (Paragraph 3.5.5)
- Of the three fish seed farms approved by Government of India in March 1984, the farm proposed at Thalikulathur was not started. In the other two farms at Polachira and Malampuzha, breeding operations met with failure. Expenditure of Rs. 7.44 lakhs up to October 1985 on construction of a Chinese Hatchery at Malampuzha has not become fruitful. (Paragraph 3.5.6)
- Construction of fish ponds in Poyya farm, commenced in April 1984 at an estimated cost of Rs. 23.62 lakhs has not been completed even after spending about Rs. 50 lakhs. (Paragraph 3.5.7)
- Performance of the Fish Farmers' Development Agencies in Kollam and Thrissur was poor in reclamation of tanks and ponds, in supply of inputs to farmers and in training imparted to fish farmers. (Paragraph 3.5.9)
- In a work of construction of fish farms, there was excess payment of over Rs. 9 lakhs due to non-execution of work according to the agreed specifications. (Paragraph 3.5.10)

### 3.5.4. Target and achievement

The Budget provision and expenditure for the years from 1983-84 to 1987-88 were as follows:—

Name of component	1983-84		1984-85		1985-86		1986-87		1987-88	
	P	E	P	E	P	E	P	E	P	E
(Rs. in lakhs)										
1. Reservoir fisheries	16.69	13.31	7.52	10.14	10.22	10.83	11.57	11.38	11.67	11.32
2. Fish seed farms	32.14	9.68	46.52	33.96	37.39	37.12	36.23	36.25	27.28	12.66
3. Brackish water fish farms	30.70	6.11	19.25	20.26	60.73	48.47	69.42	65.65	45.95	24.59
4. Fish Farmers' Development Agencies	10.00	9.01	14.00	6.05	13.66	9.80	10.05	10.00	14.06	12.29
5. Other activities	17.54	19.63	9.34	42.43	10.47	9.31	11.27	10.57	18.84	17.50
Total	107.07	57.74	96.63	112.84	132.47	115.53	138.54	133.85	117.80	78.36

Note: P—Provision  
E—Expenditure



In addition to the above, the capital expenditure on inland fisheries to end of 1987-88 was Rs. 244.05 lakhs. Reasons for the variation between the budget provision and actual expenditure have not been received from the department.

Physical targets were not fixed for the production of fish under inland fisheries. The year-wise details of production of fish for 1983-84 to 1987-88 were as follows:—

<i>Year</i>	<i>Quantity of fish (in tonnes)</i>	<i>Value (Rs. in lakhs)</i>
1983-84	27,240	1480.68
1984-85	27,617	1567.60
1985-86	28,578	1779.13
1986-87	28,194	2177.09
1987-88	26,932*	2423.74*
Total	1,38,561	9428.24

### 3.5.5. Reservoir fisheries

There are 30 reservoirs in the State having an area of 29,659 hectares suitable for fish culture. Fish culture activities were introduced in nine reservoirs in an area of 6,764 hectares upto 1967. No reservoir was additionally brought under fish culture to the end of 1984-85, but the activities in Neyyar dam reservoir having an area of 1,500 hectares were discontinued from 1984-85, the reason for which is awaited from the department. Though it was envisaged to cover an additional area of 15,000 hectares under fish culture during the Seventh Plan (1985-90), the actual additional coverage upto 1987-88 was only 3637 hectares. The year-wise details were as below:—

<i>Year</i>	<i>Area covered (in hectares)</i>	<i>Area tapped</i>	<i>Production of fish (in kgs.)</i>	<i>Rate of yield (kg/hectare)</i>	<i>Value of fish produced (Rs. in lakhs)</i>
1983-84	6764	5501	20,940	4	1.10
1984-85	5264	3746	22,912	6	N.A.**
1985-86	5264	5264	35,046	7	1.75
1986-87	5729	5264	43,362	8	3.22
1987-88	8901	5264	35,456	7	2.98

\*The figures are provisional

\*\*Not available

The department estimated in 1984 that in the case of reservoir fisheries there would be yield of 40 kg per hectare during the first year of harvesting which would gradually increase to 100 kg per hectare in the seventh year. However, actual production ranged between 4 and 8 kg per hectare. Government stated (March 1990) that the main reason for low production was the insufficient stocking of fish seeds in the reservoirs.

About 1500 fish seeds can be stocked in one hectare of reservoir fisheries. But the stocking of fish seeds in the six reservoirs in Palakkad district was low upto 1985-86 as detailed below; the position had, however, improved during 1986-87 and 1987-88.

<i>Name of reservoir</i>	<i>Area in hectares</i>	1983-84		1984-85		1985-86	
		<i>Number of fish seed stocked</i>	<i>Rate per ha.</i>	<i>Number of fish seed stocked</i>	<i>Rate per ha.</i>	<i>Number of fish seed stocked</i>	<i>Rate per ha.</i>
Mangalam	393	2000	5	*	..	*	..
Malampuzha	2313	1,46,700	63	*	..	1,15,430	50
Meenkara	259	14,500	56	*	..	26,700	103
Chulliar	159	*	..	*	..	*	..
Walayar	259	57,391	222	28,009	108	1,18,314	457
Pothundy	363	*	..	3,00,000	826	*	..

---

\*Not stocked



### 3.5.6. National fish seed farms

In March 1984 Government of India approved the establishment of three fish seed hatcheries-cum-farms at Polachira, Malampuzha and Thalakulathur under the Central sector scheme of National Fish Seed Programme at an estimated cost of Rs. 39 lakhs each with Central assistance of Rs. 24.36 lakhs per farm, as loan. A sum of Rs. 48.72 lakhs (1983-84: Rs. 35.00 lakhs, 1984-85: Rs. 10.00 lakhs and 1985-86: Rs. 3.72 lakhs) was released by Government of India. Though sanction was issued by the State Government in April 1984 for starting the three farms, the farm at Thalakulathur was not started as the site was subsequently found unsuitable. The position of the other two farms is stated below:

(a) The fish seed farm started at Polachira in June 1977 consisting of 8.8 hectares of natural pond and a landed area of 0.30 hectare was converted into a national fish seed farm incurring an expenditure of Rs. 31.24 lakhs up to October 1988. The natural pond was originally intended to be used as a stocking pond for brooders. But, as it was found difficult to collect and condition good brooders during the breeding season (June to August) from the pond due to rise in water level, a portion of the pond was converted in 1984 as a stocking pond by putting up an earthen bund which was again divided into two in March 1987 by constructing another earthen bund. The collection of brooders from these ponds for breeding purpose during monsoon season was practically impossible due to rise in water level. During summer months, the water level in the stocking pond was so low that it could not be used as stocking pond for brooders. A cement stocking pond having an area of 0.028 hectare and a capacity to stock 42 kg of brooders was constructed in May 1987 which was being used for stocking brooders.

Construction of a Chinese hatchery capable of producing one crore fingerlings in ten operations during a breeding season was completed in the Polachira farm in 1985-86, incurring an expenditure of Rs. 1.46 lakhs. For conducting ten breeding operations, a quantity of 1000 kg of quality brooders is required,

for which the brood stock to be maintained is 3000 kg. But the quantity of brooders maintained in the hatchery during 1984-85 to 1987-88 was only 250 kg, 338 kg, 2148 kg and 926 kg respectively. The brooders stocked during 1986-87 were reported to have escaped to the main pond during flood. Government stated (March 1990) that the Chinese hatchery constructed in the farm was not successfully utilised because of constructional defects.

Altogether only fourteen (against the target of thirty) breeding operations were conducted during 1985-86 to 1987-88, of which only three were successful, yielding 10.11 lakhs of spawns. The reasons for the failure of the experiments were stated to be presence of zoo plankton in the water in high density, bad condition of brooders due to failure of monsoon, brooders not responding and breakage of eggs due to biological condition of water.

To overcome the difficulty experienced in the non-availability of sufficient nursery and stocking ponds, a nearby site was acquired in September 1985. Works on the construction of 54 earthen and 8 cement nursery ponds and 3 earthen and one cement stocking ponds were stated to have been completed by March 1989 at the site at a cost of Rs. 37.74 lakhs. The following points were seen:

(i) The land was about half a kilometre away from the hatchery causing difficulties in transportation of brooders between the pond and the hatchery.

(ii) Against the requirement of 2 hectares, only an area of 0.2 hectare was set apart for brood stock maintenance. The three earthen stocking ponds constructed in March 1989 did not have sufficient water during summer.

(iii) Indoor hatchery unit, water-gates, and staff residence were not provided. The department stated (August 1990) that while the indoor unit and staff residence were not provided for want of space/land, the water-gates could not be provided as suitable location had not been decided.



(iv) The bottom portion including outlets of the newly constructed cement nursery ponds were immersed in water during rainy season and therefore water could not be completely drained out for better nursery managements.

(b) The experimental fish seed farm started at Malam-puzha in 1962 was developed into a National fish seed farm in July 1985 by renovating the nursery and stocking ponds which were in dilapidated condition, incurring an expenditure of Rs. 58.62 lakhs. The water area available in the farm consisted of 0.7 hectare for nursery ponds, 0.61 hectare for rearing ponds and 1.10 hectare for stocking ponds and a land area of 6 hectares. Construction of a Chinese hatchery capable of producing one crore fingerlings in a breeding season was completed in the farm in July 1984 at a cost of Rs. 2.10 lakhs. Construction of a filter well, pump-house, water tank and laying of pipes were completed in July-October 1985 at a cost of Rs.5.12 lakhs. A 15 HP pump-set costing Rs. 0.22 lakh was purchased in July 1985. As the pumpset required 400 volts against 300 volts of electricity available at the hatchery, water supply could not be assured. Consequently the Chinese hatchery could not be put to use so far (March 1990) even after spending Rs. 7.44 lakhs. Residential quarters for staff remained to be constructed.

### **3.5.7. Brackish water fish farms**

The position of the nine brackish water fish farms were as follows:

The Njarakkal and Malippuram farms were transferred to the Kerala Inland Fisheries Development Corporation Limited in 1981 and thereafter to the Kerala State Co-operative Federation for Fisheries Development Limited (Matsyafed) in December 1984. The Palaikkara farm was also transferred to the Matsyafed in January 1985. The terms and conditions of the transfer in the three cases had not been specified. There were no fishing activities for over five years in Eda Kochi and Arattupuzha farms as they were not in good repair. In Ayiramthengu and Kadappuram farms, even after execution of major repairs, defects persisted and fish culture was not progressing well. The Eranholi farm had been leased out.

The Poyya farm was started in January 1979 with Central assistance. The total expenditure incurred to end of March 1983 was Rs.20.96 lakhs. In April 1984 Government of India approved the construction of fish ponds at a cost of Rs.23.62 lakhs offering 50 *per cent* assistance and stipulating completion within two years. The work was awarded to a contractor in November 1984 for Rs.44.26 lakhs stipulating completion by November 1986. As the contractor failed to complete the work, the contract was terminated in November 1986. The value of work executed till then was Rs. 39.64 lakhs. The balance work was awarded to another contractor in November 1987 for Rs. 44.04 lakhs stipulating completion by November 1988; the expenditure till July 1988 was Rs.10.13 lakhs. Further details about completion of the work were awaited. Thus the construction works commenced in April 1984 at an estimated cost of Rs.23.62 lakhs had not been completed even after spending Rs.50 lakhs till July 1988.

### **3.5.8. Regional Shrimp Hatchery, Azhikode**

The shrimp hatchery started in 1979 at Azhikode in Thrissur district with provisional facilities was converted as a Regional shrimp hatchery in 1981 with the targeted capacity to produce 40 million seeds of penacid prawn per annum. Construction of the indoor hatchery which was to produce 25 million prawn seeds, started in 1981-82 was completed only by January 1987 at a cost of Rs. 5.46 lakhs. During 1987-88 the quantity of prawn seeds produced was only 48 lakhs (20 *per cent* of capacity). The shortfall was attributed to shortage of experienced technical staff, non-receipt of spawners in time and delay in off-take of seeds.

The total receipts of the hatchery during 1984-88 was only Rs. 5.45 lakhs against the expenditure of Rs.10.08 lakhs, excluding capital expenditure of Rs. 2.38 lakhs.



### 3.5.9. Fish Farmers' Development Agencies

Under a scheme assisted by Government of India, three Fish Farmers' Development Agencies (FFDA) were started in the State registering them as societies in Palakkad (October 1976), Kollam (March 1979) and Thrissur (July 1979) districts. Another FFDA was started at Kannur during 1987-88. The objectives of the FFDA are popularisation of improved techniques in fish culture, reclamation of fallow culturable fishery resources and bringing them under optimum fish production, provision of training in fish culture and popularisation of fish farming as a new vocation to strengthen the rural economy.

During 1982-88, a sum of Rs. 22.91 lakhs (grant:Rs. 11.60 lakhs and loan: Rs.11.31 lakhs) was received as assistance from Government of India.

The following points were seen in the working of FFDA Kollam and Thrissur:

(i) From March 1985, the area of operation of FFDA, Kollam covered Thiruvananthapuram, Kollam and Pathanamthitta districts and that of FFDA, Thrissur covered Ernakulam and Thrissur districts.

(ii) Against the target of 100 hectares fixed for reclamation of tanks and ponds per annum for each Agency, on payment of subsidy at 25 *per cent*, the cumulative achievement was 9.05 hectares in Kollam by 1987-88. In Thrissur, the achievement ranged between 16.80 hectares in 1983-84 and 47.30 hectares in 1986-87.

The low achievement by the FFDA, Kollam was attributed to the difficulty experienced by farmers in getting loan from banks. Government stated (March 1990) that the non-achievement of target in FFDA, Thrissur was due to the insufficient demand from the farmers and that the attitude of some of the banks in Thrissur was not encouraging to the farmers to avail of the financial assistance from them.

(iii) FFDA was to supply inputs such as fish seed, fish feed and fertilizers for fish culture. The quantity of fish seeds supplied to farmers was generally low *vide* details below:—

Year	Progressive area brought under fish culture (in hectares)	Fish seeds required for culture at 4000 per hectare (Number in lakhs)	Fish seeds supplied
<i>FFDA Kollam</i>			
1983-84	113	4.52	1.47
1984-85	211	8.44	4.73
1985-86	315	12.60	3.05
1986-87	418	16.72	3.69
1987-88	488	19.52	2.01
<i>FFDA Thrissur</i>			
1983-84	62	2.48	3.91
1984-85	113	4.52	4.06
1985-86	238	9.52	4.82
1986-87	308	12.32	4.94
1987-88	399	15.96	6.24

The low supply of fish seeds was attributed to the non-availability of fish seed farms of their own.

(iv) Under a scheme of lease of ponds and tanks for fish culture, ponds and tanks owned by Government/Panchayats were to be leased out to fish farmers sponsored by the FFDA for 10 to 15 years. Under FFDA Kollam, three reservoirs belonging to Irrigation department having an area of 76 hectares were leased out to two fish farmers' associations in July 1982 for a period of one year and extension was stated to have been under consideration. In the meantime, the lessee reported that the Irrigation department opened the shutters of one of the reservoirs in May 1984 and fish worth Rs. 4 lakhs were washed away. A suit filed by the lessee was stated to be pending decision in court (November 1988). An amount of Rs. 0.40 lakh towards repayment of loan and interest was due to the FFDA from the



lessee as on March 1988. Under the FFDA, Thrissur, one reservoir having an area of 20 hectares owned by the Irrigation department was leased out for fish culture for a period of five years in January 1984. The lessee discontinued fish culture from April 1986 observing that large quantity of fish was lost due to frequent let out of water by the Irrigation department. An amount of Rs. 0.10 lakh towards repayment of loan was due from the lessee to the FFDA as on March 1988.

(v) Each FFDA was to impart training to 20 fish farmers in long term courses of three months each and to 75 fish farmers in short term courses of fifteen days each every year. No long term courses were conducted by the two FFDAs reportedly due to lack of facilities to conduct the courses. The FFDA, Thrissur conducted short term courses for 264 persons only against the target of 375 persons to be trained during 1983-88. The shortfall was attributed to inadequate incentives provided to trainees.

Thus the performance of the FFDAs at Kollam and Thrissur was very low in reclamation of tanks and ponds, in the supply of inputs to farmers and in the field of training imparted to fish farmers.

### **3.5.10. Irregularities in a work**

The work of construction of brackish water fish farms at Njarakkal and Malippuram was entrusted to a contractor in March 1985 for Rs. 62.40 lakhs (57 per cent above estimate rates), stipulating completion by August 1987. The work had not been completed (July 1989). On the directions of the Chief Engineer, the Executive Engineer, Harbour Engineering Division Kollam conducted in November 1987 a physical verification of the work executed. According to the report furnished by him to the Superintending Engineer in December 1987, in the actual work done, the average thickness of gravel layers for the outer bunds was about 15 cm. and that for the inner bunds was about 10 cm. only as against the stipulated thickness of 30 cm. and 15 cm. respectively. Further, in the case of the dry stone packing

he recommended to recover 20 *per cent* of the cost paid for the item in view of several large cavities or hollows found inside the stone packing and due to the poor quality of workmanship. The details of further action taken on the matter had not been received. In respect of the quantities of work paid for as per the last part bill in July 1987, the recovery to be effected for the deficient work done would be over Rs. 9 lakhs under supply and spreading gravel earth and dry stone packing work.



## HEALTH AND FAMILY WELFARE DEPARTMENT

**3.6. Working of the Drugs Control Department****3.6.1. Introduction**

The Drugs Control Department is responsible to exercise control over the manufacture, sale and distribution of drugs and ensure that drugs of standard quality are produced and made available to the public at controlled prices. The department has two wings, viz., the Enforcement Wing and the Testing Wing. As at the end of March 1988 there were 940 manufacturing units (Allopathy : 192, Ayurveda : 715 and Homoeopathy : 33) and 5,546 selling units under the licensing control of the department.

The expenditure and receipts of the department during the period 1983-84 to 1987-88 were as follows:—

Year	Expenditure		Receipts	
	Budget Provision	Actuals	Budget Provision	Actuals
	(Rs. in lakhs)			
1983-84	26.94	25.43	4.10	5.27
1984-85	30.42	26.88	5.50	4.79
1985-86	33.81	31.71	6.00	5.29
1986-87	38.36	37.75	8.00	6.33
1987-88	40.39	41.56	5.00	6.83

**3.6.2. Organisational set up**

The Drugs Controller (DC) is the head of the department. In the Enforcement Wing he is assisted at headquarters by the Deputy Drugs Controller (Ayurveda), two Assistant Drugs Controllers, a Technical Assistant, and Administrative Assistant, a Legal Assistant and other supporting staff. There is

an Intelligence Branch consisting of a Chief Inspector and a Drugs Inspector. There are three regional offices with headquarters at Kollam, Ernakulam and Kozhikode each under the charge of a Regional Drugs Inspector, assisted by three Drugs Inspectors in each office. There are eleven district offices headed by a Drugs Inspector each, except for the newly formed districts of Kasaragod, Wayanad and Pathanamthitta. In Kottayam, Thrissur and Kannur districts there is also an Additional Inspector. In the Testing Wing, the Drugs Testing Laboratory is under the charge of a Government Analyst (Grade I) assisted by six Grade II Analysts and eight Grade III analysts and other supporting staff. At the end of March 1988, the total strength of staff of the department was 169 (technical : 62 and non-technical : 107).

### **3.6.3. Audit coverage**

Mention was made in paragraph 3.4 of the Report of the Comptroller and Auditor General of India for the year 1980-81 (Civil) about the shortcomings in the working of the department. The Committee on Public Accounts (1984-86) recommended in its 84th Report, *inter alia*, that as any laxity in the enforcement of the Drugs and Cosmetics Act and the rules framed thereunder was fraught with risk, Government should ensure that the various measures prescribed in the Act were enforced in letter and spirit scrupulously and unfailingly. The results of further audit of the working of the department and utilisation of manpower for the period 1983-84 to 1987-88 conducted between July 1988 and November 1988 with reference to the records of the Office of the Drugs Controller, Drugs Testing Laboratory, three Regional Offices and District Offices at Kollam, Ernakulam, Thrissur, Palakkad and Kozhikode are stated in the succeeding paragraphs.

### **3.6.4. Highlights**

- There was no increase in the number of posts of Drugs Inspectors even though number of allopathic units to be inspected increased from 3401 in 1983-84 to 5738 in 1987-88.

(Paragraph 3.6.5)



- Intelligence wing did not advise adequate number of samples for analysis to prevent spurious/adulterated drugs entering the market.

(Paragraph 3.6.6)

- Licences to blood banks were granted without insisting on minimum facilities. Private hospitals stocking and dispensing drugs were not brought under the umbrella of licence.

(Paragraph 3.6.8)

- There was shortfall of 40 *per cent* in inspection of manufacturing units.

(Paragraph 3.6.9)

- There was shortfall in drawing samples for analysis. There were considerable delays in getting samples analysed and in taking preventive or penal action before the expiry of potency of drugs.

(Paragraph 3.6.11)

- Owing to non-construction of an animal house for the laboratory, pharmacological analysis of drugs could not be conducted and the staff in the unit had no adequate work and equipments remained unutilised.

(Paragraph 3.6.12)

- There was considerable delay in finalising prosecution actions.

(Paragraph 3.6.14)

### **3.6.5. Inadequate strength of technical staff in allopathic units**

The work load of the department depends on the number of manufacturing and selling units. Though the total number of such units in the State increased from 3401 in 1983-84 to 5738

in 1987-88 there was no proportionate increase in the number of posts of inspectors and ministerial staff. The task force appointed in June 1982 by Government of India to study the adequacy of drugs control set up in the country recommended (October 1982) that there shall be one Drugs Inspector for every 25 manufacturing units and one Drugs Inspector for every 100 selling units. On this basis the number of posts of Drugs Inspectors required in the State ranged from 38 in 1983-84 to 63 in 1987-88, but only 25 posts were operated in the State during the period. The shortage in staff was stated (November 1988) to be due to paucity of funds.

### 3.6.6. Inadequate number of samples analysed by Intelligence Wing

This wing comprises a Chief Inspector, a Special Branch Drugs Inspector and three Drugs Inspectors one in each regional office. This wing is responsible to check the menace of spurious/adulterated drugs and illicit possession of government drugs. There was substantial shortfall in the number of samples drawn for analysis as detailed below:—

Year	Target (Number of sam- ples to be drawn)	Number of samples drawn			Percentage of shortfall		
		Kollam	Ernakulam	Kozhikode	Kollam	Ernakulam	Kozhikode
1982-83	120	110	..	19	8	100	84
1983-84	120	121	..	42	Nil	100	65
1984-85	120	50	60	26	58	50	78
1985-86	144	68	27	28	53	81	81
1986-87	144	125	24	13	13	83	91
1987-88	144	37	5	4	74	97	97

During 1981-88, a case of illicit manufacture of veterinary drugs at Perinthalmanna (1982), another case of manufacture of drugs without licence (1984) and two cases of manufacture of spurious drugs (1986) were detected by this branch besides a case of illicit disposal of cocaine and another case of misuse of pethidine.



### 3.6.7. Delay in issue/renewal of licences

All drug manufacturing and selling units are required to obtain licences in their respective trade activities. A licence is valid upto 31st December of the year following the year in which it was granted or renewed. The control registers maintained at the headquarters office and field offices to watch the prompt renewal of licences were incomplete. There were also delays in processing the applications for licences and forwarding them to the DC. A test check in Regional Office, Kozhikode revealed that the delay was over one year in 20 cases and between 3 months and one year in 45 cases. Even after the receipt of applications there was considerable delay in issuing licences by the DC. The delays were attributed (February 1990) to shortage of technical and ministerial staff.

### 3.6.8. Non-enforcement of Drugs and Cosmetics Act

(i) There were 41 licenced blood banks in the State. A scrutiny of the inspection reports of the Drugs Inspectors revealed that many of these blood banks were functioning without the minimum facilities such as air-conditioned donor room, refrigerators, separate laboratory for testing blood, etc. Though each blood bank was to be inspected at least twice in a year many of the blood banks had not been inspected for one or two years. There was a case of death in 1986 in a hospital at Kozhikode soon after the administration of blood. The departmental inspection conducted after the event revealed that the blood was obtained from a private blood bank which did not have the minimum facilities and was not maintaining proper records regarding donors of blood. Yet no action was taken against the blood bank by the DC.

(ii) A firm manufacturing soap since March 1983 applied for licence only in March 1985 and was granted in August 1988. The reason for the delay in granting the licence had not been stated.

(iii) As per Drugs and Cosmetics Rules, 1945, a hospital or dispensary maintained or supported by Government, local body or charitable or voluntary organisation is exempted from taking sale licence for supply of drugs. As the private hospitals have not been included under this category, these should take licence for stocking and supplying drugs. But no licence had been issued to any private hospital though there were about 2000 private hospitals in the State. The recurring loss of revenue was about Rs. 1.20 lakhs per annum, apart from the fact that the quality of the medicine and reasonableness of price charged by them had not been ensured by the department. Government stated (February 1990) that dearth of staff did not permit enforcement of the law.

### 3.6.9. Inspections

(i) A person appointed as Drugs Inspector can exercise powers and perform duties legally only after notification regarding his appointment is published in the gazette. On a test check it was seen that in eight cases, the delay in publication of the notification ranged between 1 and 36 months. Consequently the inspectors could not have exercised their responsibility effectively during the interim period. For instance, a case of collection of excess price for aspirin tablets by a dealer in Kozhikode district noticed in June 1986 could not be processed against the dealer as the appointment of the Drugs Inspector was pending notification at that time.

(ii) As the jurisdiction of the Additional Drugs Inspectors in the regional offices and the District Inspectors had not been specified there was overlapping of functions. There were instances of inspection of the same premises by both the inspectors.

(iii) According to the Drugs and Cosmetics Rules, a unit shall be inspected at least twice in a year. However, target fixed for an inspector was 25 units per month and this covered only about 60 per cent of the number of inspections required



under rules. Even the target fixed at a lower level was not achieved in full as shown below:

<i>Year</i>	<i>Number of allopathic units</i>	<i>Number of inspections required</i>		<i>Number of inspections actually conducted</i>	<i>Shortfall in percentage with refer- ence to col. 3</i>
		<i>under the Rules</i>	<i>As per tar- gets fixed</i>		
(1)	(2)	(3)	(4)	(5)	(6)
1984-85	4,205	8,410	5,268	4,860	42
1985-86	5,106	10,212	5,637	5,581	45
1986-87	5,664	11,328	6,694	6,963	39
1987-88	5,738	11,476	6,744	6,377	44
Total		41,426	24,343	23,781	43

Government stated (February 1990) that targets were fixed considering the availability of travelling allowance funds, availability of ministerial staff to process the inspection reports, etc.

### **3.6.10. Manufacture/sale of banned drugs**

In January 1984, Government of India banned the use of Methaqualone through a notification. This was republished in Kerala Gazette only on 22nd October 1984. In February 1985, the department found that a firm in Kozhikode had manufactured and sold during October-November 1984 maldrox tablets utilising methaqualone hydrochloride. The firm stated that they came to know of the ban only in December 1984. This was an instance where the intelligence wing could not unearth, in time, the manufacture of a banned drug formulation. According to Government (October 1989), the firm had not been granted licence to manufacture methaqualone formulation and the inspection of its premises was conducted in February 1985 on the basis of a letter received in January 1985 from the Commissioner, Food and Drugs Administration, Maharashtra intimating that a Bombay firm had supplied 25 kilograms of methaqualone hydrochloride to the Kozhikode firm in July 1984.

Government also stated (February 1990) that the ban imposed by Government of India in January 1984 was known to the DC only in September 1984 and that the intelligence wing would not know the ban unless a communication was received from the Drugs Controller (Government of India). Government dropped prosecution against the firm for the reason that the offence was not a motivated one.

### 3.6.11. Analysis of samples

(i) The target number of samples to be drawn monthly for analysis had been fixed as 12 (10 numbers prior to April 1985) for each District Inspector and 10 (5 numbers prior to 1985) for each Regional Drug Inspector. On this basis, 17,610 samples should have been drawn in the State during the period 1981-82 to 1987-88 against which the actual number of samples drawn was only 7194 (41 *per cent*). The achievement ranged from 71 numbers by Additional Drugs Inspector, Kozhikode (9 *per cent* of target) to 693 numbers by Drugs Inspector, Alappuzha (86 *per cent* of target). During the period no samples were drawn for 37 to 56 months by six inspectors. No sample of vaccine had been drawn from manufacturing units for analysis reportedly due to non-availability of dry ice for packing. No remedial action was taken. Government stated (February 1990) that sampling activities were suspended for a total period of 14 months during 1981-82 and 1982-83; reasons for the suspension were, however, not indicated by Government.

(ii) According to the Drugs Technical Advisory Board, a trained analyst can test 150 drugs annually. But the target was fixed at a lower level of 96 per annum per Grade II analyst and 144 per annum per Grade III analyst. The six Grade II analysts and eight (nine from 1987-88) Grade III analysts had tested only 5609 samples during the period 1981-88 against 7194 samples drawn and the targeted number of 12,240. Another 1000 samples were got analysed by other laboratories on payment of charges.



(iii) The analysis of the samples and communication of results are to be done quickly so that the movement of sub-standard drugs could be checked before the stock was exhausted and the potency period expired. Unless penal action against the dealer is taken before the expiry of the potency period, the case would become weak as the opportunity to defend himself by asking for reanalysis of the sample left with him would not be available. Further, when there is no scope for preventive/penal action when a drug is found sub-standard, the cost paid for the samples and the expenditure on analysis become waste. Notwithstanding these requirements, there were considerable delays at all stages in sending samples to the laboratory, in conducting analysis, in intimating the result to DC, in taking action by the DC in preventing movement of sub-standard drugs and in taking penal action against the dealers. Out of 2365 samples drawn during 1981-88 by four inspectors 923 samples were forwarded to the laboratory after one month. Out of 2717 samples analysed by the laboratory for which details were noted in the registers, 1322 test results were communicated six months after the receipt of samples. Out of 1196 samples pending analysis as on 31st March 1988, 407 samples were those received prior to 1984-85. Government stated (February 1990) that the delay occurred due to lack of adequate staff.

(iv) During 1985-86 the Director of Health Services purchased 68,500 packets of absorbent gauze for Rs. 9.32 lakhs for use in hospitals. Samples taken in February 1986 from Palakkad and Kozhikode District Medical Stores and analysed in the laboratory showed that the item was sub-standard. Before the test result was circulated by the DC in January-March 1987, the bulk of the stock was consumed. Even after knowing the test result, the sub-standard material was used in Cherpalassery hospital on the ground that there was no other stock. In this case the time taken to forward the sample to laboratory was over two months, for analysis over six months and for communication of result over one month. A few other cases of delay are stated in Appendix 14.

(v) When a sample is drawn a portion of the sample is to be left with the dealer to enable him to defend himself later on if necessary. The cost for this portion of the sample is also paid by Government. Instructions have been issued by the department regarding the manner of disposal of sample retained by the department but no such instructions had been issued in the case of samples left with the dealers where there was no initiation of penal action. A test check in six offices showed that the value of such samples restored to the dealers during the period 1981-88 where the drugs were declared as of standard quality was Rs. 0.35 lakh. Government stated (February 1990) that there is no provision in the law to deal with the sample otherwise and there is no impropriety in it.

(vi) The samples should be drawn only after tendering the fair price. Details received from twelve offices showed that the samples were often drawn without payment of price. The amount payable at the end of 1987-88 was Rs. 1.60 lakhs for samples drawn from 1981-82 onwards.

(vii) Rules 45 (2) and 166 (2) of the Drugs and Cosmetic Rules 1945 stipulate that a Government Analyst appointed under the provisions of Drugs and Cosmetics Act should forward reports to Government periodically on the basis of the results of analysis and research work done for their publication at the discretion of Government. No such research reports have been forwarded by the Government Analyst.

### **3.6.12. Animal house**

The construction of an animal house for the Drugs Testing Laboratory was sanctioned by Government in June 1976 at an estimated cost of Rs.1.62 lakhs. There was no further development till December 1986 when the work was awarded at a cost of Rs.5.31 lakhs for execution. The work due for completion by December 1987 has not been completed (September 1988). Consequently no drug has been subjected to pharmacological analysis in the laboratory. The staff of the pharmacological unit did not have adequate work except assisting other units in analysis of common samples and hence the establishment expenditure of the unit



viz., Rs.1.85 lakhs for the period 1981-88 was largely unproductive. The equipments purchased for the animal house from 1976 to 1981 at a cost of Rs. 1.30 lakhs have not been put to use so far (March 1990).

### **3.6.13. Ayurveda wing**

No sample of drug was analysed in the Ayurveda wing prior to March 1986. Since April 1986, an average of 26 *per cent* of the target of 432 samples per annum only was achieved. Out of 54 samples drawn by the Inspector, Ernakulam region during April 1986 to December 1987, 41 samples were sent to the laboratory 15 days after collection. Out of 138 samples analysed in the laboratory 31 *per cent* of the drugs was found sub-standard. In the case of drugs declared sub-standard no further action was taken even after lapse of one year. Government stated (February 1990) that no legal action was possible on drugs found sub-standard as no official standards had been fixed by law.

### **3.6.14. Prosecution cases**

Out of 152 prosecution cases initiated during the period 1981-88, 66 cases (1981-82 to 1984-85:51, 1985-86 :8, 1986-87:5 and 1987-88:2) were pending disposal at the end of March 1988. These included 38 cases pending with the department, 21 cases under trial and 6 cases pending in courts.

The details of few pending cases are stated in Appendix 5.

### **3.6.15. Training arrangements**

The department has no training programme of its own for imparting training to its staff. The only training imparted by the department was in blood testing in 1986-87. The training courses arranged by the Central Government were being occasionally made use of by the department for imparting training to the Drugs Inspectors and Drugs Analysts. Of the 28 Drugs Inspectors only five persons and of the 14 Drugs Analysts only two have undergone training in modern techniques during the period 1981-88. Government stated (February 1990) that only limited number of staff could be trained every year due to paucity of funds for travelling allowance.

### 3.7. India Population Project III

#### 3.7.1. Introduction

India Population Project III, a World Bank assisted scheme covers four districts in Kerala, namely, Idukki, Palakkad, Malappuram and Wayanad. The project planned for five years from 1984-85 has been extended for one year, till the end of March 1990. The objectives of the project are to support the attainment of India's population goals, reduce fertility and lower infant and maternal mortality by focussing on specific programme interventions and generating demand for services and ameliorate programme constraints at State and district levels by improving service coverage and quality, management, planning, monitoring and evaluation.

The total estimated cost of project was Rs. 5159.02 lakhs. Government of India had agreed to share 90 *per cent* of the total cost and the balance 10 *per cent* was to be borne by the State Government. Rupees 3067.49 lakhs were received from Government of India by the State Government till March 1988.

The component-wise details and category-wise details of the estimated cost of the project and actual expenditure incurred till 1987-88 are stated below:

Component-wise details	Total estimated cost of the project	Estimated cost to end of 1987-88	Expenditure to end of 1987-88
<i>Components of the project</i>	<i>(Rupees in lakhs)</i>		
Service delivery	3188.00	2639.01	2603.50
Information, Education and Communication	214.95	185.22	83.42
Population Education	37.53	33.33	17.81
Research and evaluation	135.59	104.39	24.98
Project Management	282.53	234.63	144.32
Physical and Price contingencies	1052.28	760.18	Nil
Taxes	248.14	213.40	Nil(a)
Total	5159.02	4170.16	2874.03

(a) Expenditure on taxes stands included in the expenditure against components concerned.



*Total estimated cost of the project*      *Estimated cost to end of 1987-88*      *Expenditure to end of 1987-88*

(Rupees in lakhs)

Category-wise details

Category

*Investment cost*

Civil Works	1898.62	1727.11	2041.47
Furniture	102.20	90.18	58.96
Equipment	398.41	311.32	99.51
Vehicles	144.88	144.89	111.14
Total	2544.11	2273.50	2311.08

*Recurring costs*

Salaries	815.78	533.57	349.80
Vehicle operation and maintenance	87.18	67.78	47.56
Other operation and maintenance costs	411.53	321.73	144.71
Total	1314.49	923.08	542.07
Physical and price contingencies	1052.28	760.18	Nil
Taxes	248.14	213.40	20.88(b)
Grand Total	5159.02	4170.16	2874.03

(b) Only a portion of the expenditure on taxes was booked under this head separately and the balance was booked against the respective category.

### **3.7.2. Organisational set up**

The Director of Health Services (IPP & FW) is the Project Co-ordinator. The District Project Office in each of the four districts implements the scheme. The activities are carried out through Primary Health Centres (PHC), Subsidiary Health Centres (SHC), Sub Centres, etc. The Kerala Health Research and Welfare Society (KHRWS), Thiruvananthapuram, is entrusted with the execution of civil works under the project.

### **3.7.3. Audit coverage**

An audit review of the implementation of the project was conducted during August-December 1988 with reference to the records in the office of the Project Co-ordinator, supplemented by a test check of the records of the four district project offices and selected PHCs, SHCs, Sub Centres and training institutions. Certain details were also collected from the Kerala Health Research and Welfare Society.

### **3.7.4. Highlights**

—Entire construction work of the project estimated to cost Rs. 1898.62 lakhs was entrusted to the Kerala Health Research and Welfare Society without executing any agreement. Rs. 2041.47 lakhs have already been reported spent. The accounts furnished by the Society were accepted by the Project Co-ordinator without scrutiny. In several cases the expenditure exceeded estimates substantially. (Paragraph 3.7.5)

—Out of 887 works taken up, only 573 had been administratively approved. Executed quantities of uniformly designed buildings varied from work to work. Amounts paid far exceeded contracted amounts in many works.

(Paragraph 3.7.5)



- Rs. 43.67 lakhs were due from cement suppliers for short supply. Similarly Rs. 16.18 lakhs were due from suppliers of steel for short supply.

(Paragraph 3.7.5)

- 995 tonnes of cement valued at Rs. 2.16 lakhs was not traceable in stock records. Out of Rs. 630.30 lakhs of purchase of stock only Rs. 74.51 lakhs have been adjusted against works.

(Paragraph 3.7.5)

- The achievements reported under the programme were inflated since several cases were double counted. The figures of couple protection rate were arithmetically derived instead of being actually recorded. The family education centres were reported as set up without being set up. Mahila Samajam camps were not set up as envisaged. 510 youth libraries not set up were reported as set up.

(Paragraph 3.7.6 and 3.7.7)

- Against 315 female health supervisors to be trained only 259 were trained.

(Paragraph 3.7.8)

- Three printing machines purchased at a cost of Rs. 40 lakhs and commissioned in April 1986 were entrusted on contract basis, but the terms and conditions of the contract had not been fixed.

(Paragraph 3.7.10)

- Delay in placing orders with the Kerala State Film Development Corporation resulted in extra expenditure of Rs. 1.39 lakhs.

(Paragraph 3.7.7)

- **Out of two lakh students who were to receive information through non-formal education channel, only 45,600 students were trained.**

(Paragraph 3.7.7)

- **The State Level Co-ordination Committee required to meet quarterly had met only four times in four years.**

(Paragraph 3.7.9)

### 3.7.5. Civil Works

(i) One of the major components envisaged in the project was construction of buildings for health centres, staff quarters, hostels for students, etc. The entire construction work (estimated cost: Rs. 1898.62 lakhs) was entrusted to the KHRWS without executing any agreement with the Society. Neither the State Level Steering Committee nor the Project Co-ordinator had any control over the expenditure incurred by the Society. Though the total estimated cost of civil works provided in the project was Rs. 1898.62 lakhs, based on the unit cost of Rs. 1815 per sq.metre, the requirement was reassessed by the Society in 1986 as Rs. 2564.60 lakhs, unit cost being Rs. 2500 per sq.metre. The Project Co-ordinator had reassessed the total cost as Rs. 2701 lakhs including price contingencies and other structural contingencies which had been approved by the Government of India in September 1988. Even though many of the major items of work had not been completed, the expenditure on civil works to end of 1987-88 was Rs. 2041.47 lakhs. The position of works completed as at the end of March 1988 was as follows:—

<i>Type of building</i>	<i>Total number proposed</i>	<i>Number taken up for construction</i>	<i>Number commissioned</i>
Sub Centres	568	568	411
Health assistant quarters (female)	155	155	65
Multipurpose worker (female) training school quarters	42	42	28



<i>Type of building</i>	<i>Total Number proposed</i>	<i>Number taken up for con- struction</i>	<i>Number commi- ssioned</i>
Upgrading of primary health centres/dis- pensaries to subsidiary health centres	82	76	24
Upgrading of PHCs to community health centres	9	9	..
Improvements to PHCs	18	18	12
Improvements to taluk hospitals	11	11	6
Multipurpose worker (male) schools	4	4	1
Multipurpose worker (female) training centres	3	3	3
Female health supervisors' hostels	1	1	1
Total	893	887	551

The details of expenditure on completed works, works-in-progress and estimated further expenditure to complete the remaining works were not furnished.

(ii) The Society was paid advances for execution of work. The Project Co-ordinator was not regular in adjusting the advances by debit to concerned items of expenditure based on the monthly accounts furnished by the Society. Against advances amounting to Rs. 2759 lakhs paid till March 1988, the expenditure incurred by the Society upto 1987-88 was stated to be Rs. 2210.08 lakhs. But component-wise details of expenditure were available only for Rs. 2173.66 lakhs. Substantial amount was left with the Society towards surplus advances. The Project Co-ordinator had not enquired about the interest earned by the Society on the surplus advances and taken action for crediting it to the project. The Project Co-ordinator stated (December 1988) that the issue of crediting the interest earned out of the balances with the Society would be taken up with the State Level Steering Committee. Further report in the matter had not been received (May 1990).

The Society furnished monthly statements of expenditure to the Project Office without any supporting vouchers. These figures were included in the monthly accounts furnished to the Government of India for reimbursement, without scrutinising the correctness and reasonableness of the expenditure.

(iii) The following deficiencies were also seen in the execution of civil works.

(a) A special sub committee of the Project Steering Committee was to meet at least once in three weeks to approve tenders of Rs. 5 lakhs or more and 12 *per cent* in excess of the approved estimates. But without the approval, the Society had entrusted works to contractors for execution.

(b) Out of 887 works taken up by the Society, administrative sanction from Government/Project Co-ordinator was available only for 573 works.

(c) In a number of cases, the expenditure exceeded largely the agreed amount of contract *vide* instances below:—

<i>Name of building</i>	<i>Contracted amount</i>	<i>Actual expenditure</i>
<i>(Rupees in lakhs)</i>		
SHC, Kanchiyar	7.97	14.85
,, Kannampuram	7.66	15.01
,, Kodikulam	7.47	13.39
Sub Centre, Kadukka Kandom	1.69	3.12
,, Anakkara	1.56	3.23
,, Anaviratty	1.38	2.32
,, Poochapra	1.00	2.10

Reasons for the excess had not been ascertained by the Project Co-ordinator.



(d) Though the design of the Subsidiary Health Centre buildings constructed at various centres was the same, large variations in quantities of RCC work for roof slabs between estimates and actuals were noticed. Against the estimated quantity of 28000 dm<sup>3</sup> for RCC roof slab, quantity executed in 6 SHCs was as shown below:

<i>Name of SH Centre</i>	<i>Executed quantity (in dm<sup>3</sup>)</i>
Idukki District	
Kodikulam	39,370
Kumili	38,802
Rajakumari	40,657
Palakkad District	
Kannampuram	37,192
Valiapuzha	37,708
Anakatty	37,986

(e) The total expenditure on civil works (Rs. 2041.47 lakhs) incurred by the Society to end of 1987-88 included Rs. 630.30 lakhs under the suspense head 'Stock' for purchase of construction materials, of which only Rs. 74.51 lakhs were adjusted against issues to works. The Project Co-ordinator had not verified whether there was surplus of stores or issue of stores to works executed by the Society under other contracts.

(f) Out of advances of Rs. 346 lakhs paid by the Society and its divisions for supply of cement, an amount of Rs. 45.17 lakhs was due from the firms towards short supply of cement. Against this, Rs. 1.50 lakhs received back from the firms were taken as 'credit' by the Society in its accounts and not under the 'Stock' account of the project.

Similarly, out of advances of Rs. 104.17 lakhs paid by the Society to firms for supply of steel, balance amount receivable towards short supply was Rs. 16.18 lakhs.

(g) Even though the Society was regularly getting controlled cement from M/s. Malabar Cements Limited, Palakkad,

1110 tonne cement was purchased from open market in June 1985, incurring an additional expenditure of Rs. 8.09 lakhs.

(h) In Manjeri Division of the Society, 995 tonne non-levy cement was purchased from the Kerala State Warehousing Corporation and the Kerala State Civil Supplies Corporation Limited during May 1985 to September 1986 at a cost of Rs. 2.16 lakhs. The item was not traceable in the register of stock or statement of cement or other records of works furnished by the division to Audit for verification.

(i) The Project Co-ordinator had not gathered information from the Society regarding the details of vehicles, furniture and other equipments purchased by it for Rs. 7.75 lakhs in connection with the execution of the civil works of the project. Though the project estimate provided for only Rs. 6.28 lakhs towards operational cost of vehicles for civil works, the expenditure incurred by the Society till the end of 1987-88 was Rs. 16.88 lakhs. Reasons for the excess have not been ascertained by the Project Co-ordinator.

### 3.7.6. Targets and Achievements

(i) The total targets and achievements under the various programmes during 1984-88 in the four districts were as follows:—

	<i>Target</i>	<i>Achievement</i>	<i>Percentage of achievement</i>
	<i>(Number of acceptors)</i>		
Sterilisation	2,18,500	1,84,710	85
IUD	91,600	61,291	67
Nirodh users	1,32,400	1,12,886	85
Oral pills users	45,600	22,526	49

The figures under achievements were inflated in several cases since achievements made by private institutions were included twice—once by Primary Health Centres and again by the District Medical Officers. In Idukki district, there



were large variations between the figures of achievement in IUD insertion furnished by field offices and those shown in progress reports of the District Medical Officer. Achievements for March were abnormally larger than those in any other month of the year in Palakkad, Malappuram and Idukki districts. Against 55.95 lakh Conventional Contraceptives (CC) supplied by the DMOs in Palakkad, Malappuram and Wayanad districts, 69.88 lakhs were shown as distributed.

(ii) The effect of the performance is in protecting the eligible couples. The number of eligible couples and couple protection rate for 1983 and 1987, compiled by the Research, Monitoring and Evaluation Cell of the project were as follows:—

<i>District</i>	<i>Eligible couples (in lakhs)</i>		<i>Couple protection rate (Percentage)</i>	
	1983	1987	1983	1987
Palakkad	3.20	3.28	19	36
Malappuram	3.90	4.08	14	29
Wayanad	0.90	0.89	9	40
Idukki	1.30	1.59	24	40
Total for the four districts	9.30	9.84	17	34
Total for the State	36.90	40.00	37	51

The number of eligible couples was compiled from the estimated population and the number of couples per 1000 population in each district. The number of couples protected was compiled from the number of acceptors of various methods by applying attrition rates due to death and crossing of 44th year of age by the wife. Regarding IUD, the retention rate was also applied, while for CC the effect was taken only for the year concerned. For effectively protected number, 95 *per cent* of IUD acceptors and 50 *per cent* of CC and oral pills users were taken and added to the couples protected by sterilisation. Thus the figures of achievement reported were those arithmetically arrived at, and not those taken from the details of actual performance entered in the records of the District Project Offices. It was seen during audit that in many of the sub centres test checked

important primary registers such as survey register, family health register, eligible couple register, maternity and child health register and general information register were either not maintained or maintained in an incomplete shape, thereby rendering collection of data impossible.

### **3.7.7. Inadequacies in Information, Education and Communication**

(i) The target of setting up of 5000 Family Education Centres (FECs) has been reported as achieved by the end of 1987-88. Training lasting three days with a subsequent re-orientation for two days was stated to have been given to target number of 5000 persons by 1987-88. However, the complete details of the persons trained have not been maintained in the project offices. Again, a scrutiny of the records of the District Project Office, Idukki revealed that as against 40 centres each stated to have been set up during 1984-85 and 1985-86, no centre was actually set up in the district during these years.

(ii) The mahila samajams were to form the base for a network of FECs and orientation training camps were to be conducted at the FECs. Against the target number of 2310 camps to be held, the achievement has been reported as 2258 upto 1987-88. The details regarding the conduct of the camps were not available in a complete shape in the District Project Offices. The records produced to Audit for scrutiny did not indicate that visual aids and other equipments like folders and posters on topics such as delaying the marriage, spacing the pregnancies, individual co-contraceptive methods, oral rehydration and the benefit of immunisation were made available at the camps and that camps were supervised by medical officers. Payments were made to the organisers of the camps in lumpsums at the rates specified, but detailed accounts were not obtained in support of actual expenditure. Even though mahila samajams were to organise the camps, payments have been made to youth clubs also (Rs. 0.14 lakh) to organise camps in Idukki district. Expenditure incurred included Rs. 0.44 lakh spent on conduct of family welfare camps and universal immunisation camps which were not covered by the project.



(iii) In March 1987 Government sanctioned conduct of 150 camps in Malappuram district for 4500 madrasa teachers at a cost of Rs. 60,000 at Rs. 400 per camp. Only 60 camps for 3160 teachers were, however, conducted, with the entire amount of Rs. 60,000 being spent. Between October 1987 and March 1988, another 16 camps were conducted in the district for 1111 madrasa teachers incurring expenditure of Rs. 25,000.

(iv) The programme of community education included displaying of plaques on the walls of FECs to reinforce the main themes of instruction imparted to married and single women. Even though FECs were established from 1984-85, plaques were produced and distributed from 1986-87 only. In Idukki district, the Project Office registers did not indicate the receipt of display plaques. The stock registers of District Project Office, Palakkad and PHC, Wandoor indicated undistributed stock of plaques.

(v) Thirty projectors (8mm) available with the State Family Welfare Bureau were distributed during 1984-85 to Project districts for circulating among the mahila samajams, with the films received from the Films Division of Government of India, for exhibition in mini theatres. However, the programme did not work as almost all the projectors went out of order.

(vi) The target number of setting up of 1000 youth libraries was reported to have been achieved by September 1986. However, the details gathered from the District Project Offices showed that the achievement was inflated to the extent of 370 numbers in Malappuram district, 80 numbers in Wayanad district and 60 numbers in Idukki district. In the District Project Office, Idukki no records were maintained for the receipt and distribution of books under the programme. One of the books distributed (1000 copies) was reported to contain adverse statements against immunisation programme propagated by the project. The Project Co-ordinator, however, stated that the book was selected by the Selection Committee appointed by the Government and that it would not hamper the programme as several other books distributed have advocated the advantages of immunisation.

(vii) The films made in Kerala under Family Welfare Programme were stated to have been adjudged by the Film award judgement committee as sub-standard. There was a recommendation of the Project Steering Committee in October 1985 that film production might be entrusted to private individuals of high reputation also. Notwithstanding this, 65 prints each of six films were procured during March 1986 at a cost of Rs. 2.44 lakhs from the Kerala State Film Development Corporation Limited (KSFDC). Five out of six films were reported to be poor in quality. In November 1986 KSFDC gave a quotation for Rs. 6.51 lakhs for the supply of three documentary films. In November 1987, the company raised the cost to Rs. 7.90 lakhs. Purchase order was placed in March 1988 making advance payment of Rs. 7.90 lakhs and the films were received during July-October 1988. No enquiry was made with any private firm for these supplies. Under the financial rules of Government, the Government company need be given a price preference of 5 per cent only with reference to other local firms. Placement of further orders with the Corporation for producing and supplying the films, without exploring the possibility of getting the films made by men of reputation in the field was not correct especially when the films produced and supplied by the Corporation earlier were of poor standard. Further, the delay exceeding one year in placing orders with the Corporation had resulted in extra expenditure of Rs. 1.39 lakhs to the department due to increase in cost of the films.

(viii) With a view to creating a general awareness of population problems among the younger generation and adults through formal and non-formal education, population education was carried out through colleges, the Kerala Association for Non-Formal Education and Development (KANFED) and mahila samajams. The implementation at college level was done by the Director of Collegiate Education. The total expenditure incurred during 1984-85 to 1987-88 was Rs. 8.65 lakhs. From 100 colleges in the State, 200 teachers were given training. Out of 2 lakh students expected to be trained under the scheme within five years the total number of students trained during the four years ending 1987-88 was only 45,600. Against the annual



target of 1200 lecture classes to be conducted the number of classes conducted during 1984-85 to 1986-87 was 463, 820 and 846 respectively. The reader in population education was compiled only in December 1986 and details regarding printing and distribution to the two lakh students were not available.

### **3.7.8. Training**

In the Female Health Supervisors Training School, Kozhikode, Junior Public Health Inspectors Training School, Meenagadi and Training School at Panamaram, the entire sanctioned posts of teaching staff were not filled up. Consequently, training could not be given to the required extent. Transport facilities required to be provided during practical training in hospitals were not adequately provided. Even though a number of posts of female health supervisors were lying vacant for want of trained hands and there was capacity to train 315 persons in the seven batches of training conducted up to May 1988 in the Female Health Supervisors Training School, Kozhikode, only 259 were trained.

### **3.7.9. Project management**

(i) In January 1984, a State Level Co-ordination Committee (SLCC) with the Chief Secretary as Chairman and Senior State Government officers as members was set up. A State Level Steering Committee (SLSC) was also set up with the Chief Secretary as Chairman. The SLCC required to meet quarterly had met only four times during 1984-1988, of which three meetings were common for SLCC and SLSC.

(ii) The Project envisaged establishment of health and family welfare advisory committees at sub centre, block and district levels. The sub centre level committees were to meet once in two months and the other two committees twice in a year. The Project Offices have not maintained details regarding number of committees convened in each year. The points noticed in selected offices are stated below:

(a) Requirement of meeting of the committee once in two months was not observed in 27 sub centres under PHC, Muttom, 18 sub centres under PHC, Chalissery, 5 sub centres under PHC, Wandoor and one sub centre under PHC, Perannur.

In PHC, Muttom, the block level committee did not meet during 1986-87. In PHC, Chalissery, the block level committee had not been constituted. In Idukki and Palakkad, the district level committees had not been constituted.

(b) The minutes of the meetings did not show the advance planning of activities of the centres.

(iii) The Project envisaged strengthening the capacity of the State to monitor and to evaluate programme performance along the lines developed under the first and second India Population Project already implemented in Karnataka, Andhra Pradesh and Uttar Pradesh and aimed at evolving a management information and evaluation system which could provide accurate information quickly to enable the State to fix target for performance more realistically. No consultations were, however, made with the Governments who implemented the first and second India Population Projects. The Project Co-ordinator stated that a workshop was conducted in February 1985 inviting experts in the field and the State Government officers were deputed to Karnataka to study the activities in that State. It was also stated that Kerala required a different strategy and it was not felt necessary to follow the methods adopted by other States. The report on baseline survey prepared by the Department of Economics and Statistics (DES) in November 1985 was found deficient by the Project Co-ordinator and a re-survey was considered necessary but the DES conducted only a sample re-check and forwarded the revised report in June 1985. This report was discussed at a workshop attended by specialists in August 1986 and on the basis of their recommendations it was redrafted in September 1987. Thus the benefit of the report was not available to the project for the first three years of implementation. Similarly, studies on 'Some determinants of effectiveness of sub centres,' 'Management factors responsible for performance of PHCs' and 'Skill gap survey' were completed only during 1988-89 and the reports were made available still later. A report required to be furnished to the World Bank in September 1986 after conducting the midterm review of the project based on the performance data, had not been forwarded so far (March 1989).



### **3.7.10 Other points of interest**

Three offset printing presses costing about Rs. 40 lakhs purchased (two numbers of single colour double demi offset printing machines and one single colour single demi offset printing machine) were commissioned in April 1986. The running of the press was entrusted to the KHRWS on contract basis initially for a period of one year. In January 1988, the World Bank Mission which reviewed the implementation of the Project observed that since the printing shop was envisaged as a permanent facility, it would be important for the posts (14 numbers) to be established on a permanent basis; yet, the posts were not operated and the contract with the Society was extended till the end of March 1989. The Society did not have the expertise in printing technology. The terms and conditions of the contract with the KHRWS had not been fixed (July 1990).

## INDUSTRIES DEPARTMENT

### 3.8. Industrial development of backward areas

#### 3.8.1. Introduction

With a view to promoting growth of industries in industrially backward districts/areas and thereby reducing regional disparities in development, Government have implemented the Investment subsidy schemes and the Concessional finance schemes. Investment subsidy is paid for setting up new industrial units or for substantial expansion of existing industrial units. In the districts considered as industrially backward (Idukki, Wayanad, Alappuzha, Malappuram, Kannur, Thiruvananthapuram, Thrissur, Kasaragod and part of Pathanamthitta district) the scheme is fully assisted by Government of India. In other districts the State Government has extended the scheme meeting the entire expenditure. The assistance under the Central scheme ranged between 10 to 25 *per cent* of fixed capital investment subject to certain monetary ceilings. The assistance under the State scheme is 10 *per cent* of fixed capital investment subject to a maximum of Rs. 10 lakhs, except in the case of Kollam district, where it was raised to 15 *per cent* and Rs. 15 lakhs from April 1981.

For the Kasaragod district newly formed in May 1984, in addition to Central subsidy, State subsidy of 10 *per cent* of fixed capital subject to a maximum of Rs. 10 lakhs was also admissible. For the Pathanamthitta district newly formed in November 1982 the pattern of assistance was partly Central and partly State. The scheme of Central assistance for development of infrastructural facilities was not implemented in the State as the two 'No Industry Districts' (Idukki and Wayanad) were declared by the Government of India in February 1987 as protected eco-fragile districts.

#### 3.8.2. Organisational set up

The Department of Industries and Commerce is responsible for the implementation of the schemes. A State level committee, with the Director of Industries and Commerce as the member-



secretary has been set up for selection of eligible units and sanction of subsidy. There are District level committees with the General Manager of the District Industries Centre as the member-secretary for selection of industrial units and sanction of subsidy. From March 1987, subsidy is disbursed through the Kerala State Industrial Development Corporation Limited and Kerala Financial Corporation with whom lumpsum funds are placed by Government in advance.

### 3.8.3. Finance and expenditure

The details of number of units assisted, budget provision and actual expenditure under the Central investment subsidy and the State investment subsidy schemes are stated below:—

<i>Year</i>	<i>Number of units assisted</i>	<i>Central investment subsidy</i>		<i>Number of units assisted</i>	<i>State investment subsidy</i>	
		<i>Provision</i>	<i>Expenditure</i>		<i>Provision</i>	<i>Expenditure</i>
		<i>(Rs. in lakhs)</i>			<i>(Rs. in lakhs)</i>	
1983-84	997	200.00	200.24	432	139.00	130.24
1984-85	878	200.00	198.85	340	127.00	126.71
1985-86	530	175.00	175.13	515	200.00	200.00
1986-87	769	330.00	330.18	886	338.00	337.94
1987-88	804	200.00	200.35	361	170.00	134.57
1988-89	635	350.00	360.19	936	417.00	315.00
Total	..	1455.00	1464.94	..	1391.00	1244.46

In respect of the Central scheme, the expenditure is initially met by the State Government and subsequently got reimbursed from Government of India. Out of Rs. 1464.94 lakhs reimbursable by the Government of India for the years 1983-84 to 1988-89, Rs. 1410.92 lakhs relating to expenditure incurred upto October 1988 have been reimbursed. The expenditure from November 1988 onwards was pending reimbursement.

### **3.8.4. Audit coverage**

A review of the scheme was conducted in audit during February-May 1989 in the Directorate of Industries and Commerce and District offices of Alappuzha, Kannur, Ernakulam, Idukki, Pathanamthitta and Kollam.

### **3.8.5. Highlights**

- **Subsidy paid to three units was in excess by Rs. 1.60 lakhs over the admissible amount.**  
(Paragraph 3.8.6)
- **Two units had received Central subsidy and also subsidy from an autonomous body. Excess subsidy amounted to Rs. 8.11 lakhs.**  
(Paragraph 3.8.7)
- **Delays in processing and releasing subsidy resulted in delays in setting up new industries in a backward district. In the case of 180 industrial units where subsidy of Rs. 14.39 lakhs was paid during 1981-82 and 1982-83, the whereabouts of the units were not known.**  
(Paragraph 3.8.8)
- **Rupees 85 lakhs drawn during 1984-86 for the infrastructure assistance scheme in no-Industry Districts of Wayanad and Idukki remained blocked or were diverted by the implementing officers.**  
(Paragraph 3.8.9)

### **3.8.6. Payment of excess subsidy**

- (i) Subsidy of Rs. 0.69 lakh was sanctioned to an industrial unit in Kannur district in May 1987 towards the additional capital investment on modernising the existing machinery at a



cost of Rs. 4.61 lakhs. The unit had received subsidy of Rs. 4.34 lakhs during 1977-84 towards machinery installed for Rs. 30.20 lakhs. According to rules, the value of machinery purchased for modernisation programme is to be reduced by the sale value, written down value or market value, whichever is the highest of the old machinery. In this case, as old machinery costing Rs. 25.45 lakhs was discarded, no subsidy was due. Further the value of the new machinery was only Rs. 4.61 lakhs while the value of discarded machinery was Rs. 25.45 lakhs. There was no increase in production capacity over the original position. The subsidy of Rs. 0.69 lakh paid was thus not admissible.

(ii) A tourist hotel in Kannur district was sanctioned subsidy of Rs. 3.57 lakhs in March 1987, considering the fixed capital investment of Rs. 23.77 lakhs on land, building, plant, etc. Out of the total carpet area of 1070 sq. metre of the building (cost: Rs. 23.49 lakhs) a portion (263.37 sq. metre) was let out. The capital cost excluded on the account was only Rs. 1.58 lakhs. Details of computation for excluding only Rs. 1.58 lakhs were not on record, and on a proportionate basis Rs. 5.78 lakhs should have been excluded. The excess subsidy paid was thus Rs. 0.63 lakh.

(iii) The claims for Central investment subsidy should be accompanied by a Chartered Accountant's certificate on the capital investment and a certificate of an authorised Engineer regarding the extent of civil work done. In Idukki district, a tourist home was paid subsidy of Rs. 5.67 lakhs in November 1987, towards the capital investment on a building, which was valued at Rs. 20.69 lakhs by the Chartered Accountant. But, the building had been valued at Rs. 20.19 lakhs by the PWD Engineer. The lower value having not been adopted, the capital invested considered for subsidy was more by Rs. 0.50 lakh. Further the value of Rs. 20.19 lakhs included cost (Rs. 0.61 lakh) of kitchen equipments, furniture, furnishing, etc., which were to be excluded. The excess payment of subsidy amounted to Rs. 0.28 lakh.

### 3.8.7. Irregular payment of subsidy

The Central investment subsidy is not admissible to the extent the subsidy has been availed of from other sources. Two units had received subsidies from Government and also from an autonomous body as detailed below:—

(i) An industrial unit in Alappuzha district was sanctioned subsidy of Rs. 11.07 lakhs in October 1986, out of which Rs. 9.41 lakhs were paid in December 1986. The unit had by then received subsidy of Rs. 13.55 lakhs from the Marine Products Export Development Authority, Kochi (MPEDA). The Central investment subsidy of Rs. 9.41 lakhs paid was to be recovered in lumpsum. Instead the unit has refunded only Rs. 2.20 lakhs by March 1989. Action taken for recovery of the balance amount had not been stated.

(ii) Another unit in Alappuzha district was paid subsidy of Rs. 3.11 lakhs during 1983-84 and Rs. 11.89 lakhs in August 1988, totalling to the maximum admissible subsidy of Rs. 15 lakhs. As the unit had already received subsidy of Rs. 0.40 lakh in January 1986 and Rs. 0.50 lakh in June 1987 from the MPEDA, the amount paid in August 1988 was in excess by Rs. 0.90 lakh.

### 3.8.8. Other topics of interest

A test check of 75 cases revealed that there were delays ranging from four months to four years in sanctioning subsidy by the District Industries Centre, Alappuzha after receipt of applications. There were further delays from four to seventeen months in making payment after sanction of subsidy. This delay resulted in the delayed setting up/expansion of the industrial units.

In the case of units which go out of production within five years of commencement of production, the subsidy paid is to be recovered from them. In Kannur district, in 180 cases where subsidy of Rs. 14.39 lakhs was paid during 1981-82 and 1982-83, the whereabouts of the units were not known.



### **3.8.9. Central infrastructure assistance scheme**

The State Government paid Rs. 59.67 lakhs in February/ March 1986 to Kerala Small Industries Development Corporation (SIDCO) to implement the scheme in Wayanad District. Another sum of Rs. 25.33 lakhs was placed at the disposal of the Revenue Divisional Officer, Idukki in August 1984-May 1985 to acquire land in Thodupuzha taluk in Idukki district for the same purpose. Consequent on the declaration of Wayand and Idukki districts as protected eco-fragile districts in February 1987 by Government of India, the schemes were to be cancelled. The SIDCO utilised the amount to meet its own requirement but the amount has not been recovered so far. Government stated (May 1990) that SIDCO was experiencing financial crisis and hence was unable to refund the amount. The land acquired in Thodupuzha in September 1985 remained unutilised resulting in blocking of capital.

### **3.8.10. Monitoring and evaluation**

An evaluation of the achievements of the scheme *vis-a-vis* the objectives has not been conducted by Government. Instructions issued by Government of India in June 1988 required creation of a monitoring cell in the State Government to review the position at least twice in a year, which are yet to be complied with (June 1989).

### **3.9. Unfruitful investment in a society**

A Co-operative Society was set up in March 1983 in Shoranur, with jurisdiction in the districts of Thrissur, Palakkad and Malappuram with the object of functioning as the central organisation for the development, production and marketing of beedies produced by the member societies and also to uplift the socio-economic condition of the beedi workers. During 1983-84 Government paid Rs. 9 lakhs to the Society as share capital. In March 1985, Government again paid another Rs. 5 lakhs as share capital, though the primary member societies which started functioning in March 1984 had become defunct in January

1985 for want of funds and the Society was running at huge loss. Though some of these primary societies were revived in December 1985, they were again closed in July 1986 for want of funds. Rupees 1.30 lakhs was again subscribed in March 1986 as share capital without ensuring the proper functioning of the Society. The Society also raised share capital worth Rs. 1.66 lakhs from member societies and substantial loan from banks. Departmental inspection conducted in September 1987 revealed that the societies failed mainly due to lack of planning and co-ordination between the apex Society and member societies. As a sequel, the Society was wound up in February 1988.

The accumulated net loss of the Society to the end of September 1987 was Rs. 17.44 lakhs. The main reasons for the loss were defective production, lack of adequate marketing strategy and sale of beedies on several occasions at a price less than the cost price. This included a loss of Rs. 1.77 lakhs on sale of unsold stock of beedies in November 1984 and July 1985. Beedies worth Rs. 10.11 lakhs remained unsold and decayed. Due to defective marketing strategy, the investment of Rs. 15.3 lakhs by Government in the Society became unfruitful. Government stated (October 1989) that a liquidator had been appointed for realisation of available assets and that the liquidation work was in progress.

### **3.10. Acquisition of land unsuitable for industrial development**

For the establishment of a new Development area in Pudussery Central Village in Palakkad district, 216 hectares of land was acquired during 1984-85 to 1986-87 at a cost of Rs. 153.18 lakhs. This, however, did not form a compact block as some pockets of forest land were lying interlocked. Without the forest land, the formation of roads and setting up of an industrial area at the site were reportedly not possible. In accordance with the guidelines of Government of India, any forest area subjected to deforestation should be exchanged with double the area of non-forest land for afforestation. A proposal to surrender 73 hectares of acquired land in lieu of 37 hectares of forest land was forwarded



by the General Manager, District Industries Centre, Palakkad in January 1989 to the Forest department. The transfer of forest land could, however, be made only with the concurrence of Government of India.

Meanwhile, 25 hectares of acquired land was transferred to the Kerala State Electricity Board (KSEB) in December 1988, free of cost, for establishment of a 220 KV Sub station with the condition that the KSEB shall at their cost acquire and hand over an equal extent of nearby land to the Industries Department.

Owing to the acquisition of scattered pieces of land, no development work could be commenced and the expenditure of Rs. 153.18 lakhs on land acquisition remained locked up for four to five years.

Government stated (March 1990) that as it was not advisable to surrender twice the area of ordinary land in lieu of forest land, it had been decided to plan the project by constructing link roads connecting the isolated pockets of acquired land for which the extent of forest land to be acquired would be only 0.68 hectare. Government also stated that development works had since been commenced in 20.23 hectares of land in August 1989.

## LAW DEPARTMENT

**3.11. Litigation activities of the Government Departments****3.11.1. Introduction**

Government Law Officers like Advocate General, Additional Advocate General, Public Prosecutors and Government Pleaders are appointed to defend cases filed by/against the Government before any Court or tribunal in the State and also before the Supreme Court of India. Besides the above Law Officers, there are Law Officers attached to the offices of Heads of Departments to assist the departments in legal matters.

Details of budget provision and actual expenditure on legal advisors and counsels for the period from 1983-84 to 1987-88 are given below:

<i>Year</i>	<i>Provision</i>	<i>Expenditure</i> (Rs. in lakhs)
1983-84	52.12	48.89
1984-85	54.92	55.63
1985-86	73.02	71.49
1986-87	89.64	90.08
1987-88	86.00	89.03

The Collector is in sole charge of litigation in courts subordinate to High Court and pertaining to the departments of which the Board of Revenue is the head and with regard to the other departments, he will act as a channel of communication between Head of the Department and Government Law Officer.

Once the suit is filed against Government, the Government Law Officer, who receives summons shall immediately address the Collector or the Head of the Department concerned, who shall forward to Government in the Administrative Department the copy of the plaint or appeal memorandum together with draft statement of facts. The written statement after approval



by Government and on due verification is sent to the Government Law Officer for being filed in the Court. The Law Officer will watch the progress of proceedings at all stages and carefully and effectively safeguard Government interests.

### **3.11.2. Audit coverage**

A review of the litigation cases was conducted during April-July 1989 with reference to records in the Offices of the Forest, Public Works and Revenue (LA) Departments in the districts of Thiruvananthapuram, Kollam, Ernakulam and Kozhikode and the Offices of the Advocate General, Ernakulam, Board of Revenue and Collectorates of Kollam, Ernakulam and Kozhikode.

### **3.11.3. Highlights**

- **Management information systems regarding litigations against the Government were not available with Law Secretary, Registrar of Co-operative Societies or Board of Revenue. Only in June 1989 corrective action was taken in respect of Revenue Department. In respect of other departments, data regarding court cases are not available at any nodal point.**  
(Paragraph 3.11.4)
- **For want of deposit of Rs. 300 a petition filed by the Government was dismissed.**  
(Paragraph 3.11.5)
- **7723 reference applications disputing land awards are pending with 38 Land Acquisition Officers.**  
(Paragraph 3.11.5)
- **Non-filing of objection statement in a case in the lower court resulted in payment of Rs. 5.24 lakhs, excluding interest to a contractor. Similarly, delay in filing appeal resulted in payment of Rs. 3.23 lakhs.**  
(Paragraph 3.11.5)

- In a land acquisition case where Government acted only as an agency for a private company Government had to incur an expenditure of Rs. 31.66 lakhs upto February 1990 solely due to delay in forwarding the reference applications to Court. (Paragraph 3.11.5)
- There was total indifference on the part of the Land Acquisition Officer in the conduct of a case and the method of valuation adopted by him was not proved before the court resulting in extra expenditure of Rs. 1.92 lakhs. (Paragraph 3.11.6)
- Lack of proper co-ordination in the conduct of a case between the Government Law Officer and the departmental officer resulted in payment of additional compensation to the extent of Rs. 0.68 lakh in a land acquisition case. The delay in communicating the sanction by Government for filing the appeal resulted in a decree and the amount paid was Rs. 1.06 lakhs.

(Paragraph 3.11.7)

### 3.11.4. Functioning of the Government Law Officers

According to the Administrative Report of the Law Officers Department, the percentage of unfavourable disposals among civil appeals (AS, LAA and EFA) filed by the State as well as against the State during the period from April 1986 to March 1989 was on the high side as shown below:

	<i>Appeals filed during the period including those pending at the beginning of April 1986</i>	<i>Disposals during the period</i>					<i>Percentage of unfavourable disposals to total disposals</i>
		<i>Favourable</i>	<i>Unfavourable</i>	<i>Other disposals</i>	<i>Total disposals</i>		
Appeals filed by State	1792	28	669	102	799		84
Appeals filed against State	1019	94	321	41	456		70



The Government Law Officers are responsible to take such prompt steps as may be necessary to protect the interests of the Government. According to Government, several instances of lapses or misconduct and loss sustained by Government as a result of careless handling of Government cases by the Law Officers had been brought to the notice of Government.

In a case of gross dereliction of duty by a District Government Pleader resulting in loss of Rs.1.11 lakhs, the Committee on Public Accounts (1987-89) in their twenty-sixth Report had recommended that such officers should not be allowed to continue in their posts and that in no case should they be reappointed at any post in Government service.

In a statement of action taken on this recommendation, the Government stated (August 1989) that the possibility of making further provisions in the Rule to take action against erring Law Officers will be considered by the Law Department and that when the Kerala Public Accountants (Amendment) Bill, 1987 is passed and becomes an Act, the Law Officers can be proceeded against under the provisions of the said Act for the loss caused to the State by them.

The system of appointing Law Officers in the Offices of the Heads of Departments to render assistance on legal matters commenced in 1962. The officers of the Law Department of the Secretariat are posted as Law Officers in other Government Departments. Their duties and responsibilities were not, however, defined till June 1987, when the Law Officers were made responsible to watch the litigation pending against the Government and they had to suggest measures to the Head of Department to safeguard the interests of the Government. The Law Officers were required to keep a register of all litigation cases pending against Government and submit the register to the Law Secretary once in every three months. It was noticed during test check that the registers had not been submitted to the Law Secretary by the Law Officers attached to the Public Works Department and Registrar of Co-operative Societies. The omission was attributed by the two Law Officers to inadequacy of staff.

Details regarding maintenance and submission of the register to the Law Secretary by the other Law Officers called for in August 1989 have not been received.

With a view to avoiding delays in filing appeals in respect of land acquisition cases, Government ordered in October 1985 that a senior officer of the Board of Revenue should be designated as Nodal Officer to watch the progress of the land acquisition cases pending in courts. The Nodal Officer was to monitor the progress made in these cases and report delays to Government by obtaining reports from the District Collector of all cases referred to courts and maintaining a register to record the details of all such cases. Though the Nodal Officer started functioning from April 1986, no register was maintained by him to enable monitoring of the progress of land acquisition cases.

Apart from the Nodal Officer, a Liaison Officer was appointed in October 1980 to monitor the cases relating to the Revenue Department filed in the High Court. A scrutiny of the records maintained in his office revealed that he did not have details of all cases pending in the High Court and there were delays on the part of the departmental officers in furnishing all relevant records required for filing appeals in the High Court. The functioning of this office was not effective, and numerous cases of failure to monitor the revenue cases came to the notice of Government. It was only in June 1989 that corrective measures were taken by Government giving additional duties and functions to the Liaison Officer and making him function directly under the Revenue Department of Government and providing for half yearly inspection of his office. Thus, for nine years since the post of Liaison Officer was created, neither did his office function effectively nor was any effective control over its functioning exercised by the concerned department.

### **3.11.5. Administrative delays in taking action in litigation cases**

In spite of specific instructions of the Government regarding the need for immediate intimation to the Chief Engineer, PWD



of filing of awards in court, obtaining of certified copy of the judgement/decreed expeditiously and sending them to the Collector/Head of department, fixation of liability for the loss caused to Government against the persons responsible for the loss, setting 30 days advance time limit for submission of relevant papers for preparing appeals, etc., a test check in audit revealed several cases of delay/failure on the part of the Government Law Officers as well as departmental officers in dealing with cases under litigation as below:—

(i) The Law Officers are required to apply for certified copies of judgement and decree on the same day on which the judgement is pronounced and forward them to the departments concerned with recommendation on further action to be taken in the light of judgement. It was noticed from a report of January 1989 by the Special Tahsildar (LA), Kochi Corporation to the District Collector, Ernakulam that in seven cases, where notices had been received by him from the court that execution petitions were posted for hearing, copies of judgements/decrees had not been received by him in any of the cases. The total amount to be deposited in the court in these cases amounted to Rs. 3.74 lakhs. Another instance of 12 cases where the courts had passed decrees and where the concerned Land Acquisition Officers had not received the certified copies of judgements and decrees as also the legal opinion was reported to Government in March 1988 by the District Collector, Ernakulam. In one of these cases, the Land Acquisition Officer had deputed a member of the staff of his office to the concerned Sub Court to copy down the decree and judgement and also to prepare calculation statement in support of the decretal amount of Rs. 0.43 lakh so as to avoid attachment of the Revenue Divisional Officer's car.

(ii) On an award passed by the Arbitrator in October 1986 in respect of the work 'Kallada Irrigation Project—formation of left bank main canal from Chainage 29.49 km to 38.80 km' the Principal Sub Court, Thiruvananthapuram passed a decree on 30th March 1987 ordering acceptance of the award as the Government Pleader did not file any objection before it. An appeal was filed later in the High Court, but the High Court

held (July 1988) that the appeal was not maintainable since no objection was filed in the lower court. The Supreme Court also confirmed this in January 1989. It was seen that on an application of 27th January 1987 of the Government Pleader for more time to file the objection, the lower court granted extension of time till 28th March 1987, but even then the Government Pleader did not file the objection which resulted in payment of Rs.5.24 lakhs (excluding interest) to a contractor.

According to the Chief Engineer, Project III, Kottarakkara (May 1989) the Superintending Engineer did not receive the court notice reported to have been sent on 9th January 1987 by the Government Pleader nor did the Pleader reply to the enquiries made in March 1987, April 1987 and July 1987 by the Superintending Engineer. The Chief Engineer held that the Government Pleader had failed to intimate the date of hearing which resulted in huge loss to Government and it was also not known how the Government Pleader stated before the lower court that there was no objection.

(iii) An appeal against a decree passed by the Sub Court, Thiruvananthapuram in August 1986 in terms of an award of an Arbitrator in the work 'Reconstructing Kilikollur bridge at 3/8 of Kollam-Shenkottah road' was to have been filed in the High Court before 15th January 1987. The appeal was, however, filed only on 27th February 1987. The delay was attributed to the misplacement of the file which was discovered in the Office of the Government Pleader only on 20th January 1987. A petition filed (February 1987) to condone the delay in filing the appeal was dismissed by the High Court in August 1987, commenting that the court saw no reason to condone the delay caused by the 'negligence of the concerned persons at the cost of the exchequer'. Rupees 3.23 lakhs were remitted by the department in terms of the decree in May 1988. A special leave petition filed by the department in the Supreme Court was dismissed in January 1989.

(iv) The Court of the Principal Sub-Judge, Alappuzha passed a decree in September 1986 accepting the award of an



Arbitrator appointed in connection with the work 'Constructing a salt water barrier at Thanneermukkam'. The time limit for filing the appeal against the decree expired by 20th December 1986, but the appeal was actually filed only on 18th October 1988 resulting in a delay of more than 21 months. It was noticed that the application for certified copy of judgement was made by the Government Pleader only on 9th January 1987, i.e., nearly 4 months after the date of decree and also after the expiry of the period fixed for filing appeal. A petition filed by the department for condoning the delay in filing the appeal was dismissed by the High Court in March 1989.

(v) A petition filed by department in the High Court against the decision of the Forest Tribunal was dismissed on the ground that the department did not deposit Rs.300 representing the cost of condonation of delay as required by the Court. The amount had been paid on an appropriate receipt on 14th March 1980 to the then Additional Advocate General, but was not remitted by the Additional Advocate General resulting in the dismissal of the condonation petition and consequently the department could not file an appeal against the order of the Forest Tribunal.

(vi) The compensation fixed by the Land Acquisition Officer (Rs.50,373) while acquiring 0.1395 hectare of land in R.S. 24/3 in July 1974 for construction of staff quarters and police station buildings in Mavoor, Kozhikode was enhanced by Rs. 71,454 with interest by the Sub Court, Kozhikode (November 1986) which included enhancement in the value of the building in the acquired land. This building was valued by the PWD adopting approved rates and detailed valuation statement in support thereof was sent to the Government Pleader by the Land Acquisition Officer in November 1982. However, according to the judgement no evidence as to the valuation was produced and even the detailed valuation statement was not produced and hence the court fixed the value of the building as prayed by the claimant. According to the Land Acquisition Officer, the reasons for not filing the detailed valuation statement of the PWD and for not examining the officer

who made the valuation of the building in the court were to be clarified by the Government Pleader. An appeal was filed in the case in the High Court. The High Court wanted an additional affidavit to be filed by the Government Pleader who conducted the case in the lower court. When this was not filed even during the extended period, the High Court, while granting further time, expressed displeasure over the state of affairs. According to the Government Pleader, the delay was due to non-availability of copying paper/stamps in his office.

(vii) Applications filed by land owners disputing the awards passed by the Land Acquisition Officers (LAO) are to be forwarded by the Land Acquisition Officers to the concerned courts through the District Collectors. It was seen from a report of April 1988 of the Board of Revenue (LA) that 7723 of such reference applications were pending with 38 Land Acquisition Officers. Delay in forwarding these applications to court is fraught with the risk of the liability to pay interest to the land owners from the date of acquisition/award if the courts were to award enhanced compensation in these cases.

It was noticed during test check that out of 2109 reference applications pending in the office of the Special Tahsildar (LA) Periyar Valley Irrigation Project, Aluva, 511 reference applications received between 1979 and 1988 were sent to the court only in April-June 1988. This included 268 applications received by another Land Acquisition Officer between 1979 and 1984, but which were transferred to the LAO, Aluva only in September 1985. The details of action taken to forward the remaining reference applications to court called for (January 1990) had not been received.

(viii) An extent of 15.90 hectares of land was acquired by Government in Mavoor Village in Kozhikode Taluk on behalf of a private company, under section 42 of Kerala Land Acquisition Act. As per the award passed in July 1977, an amount of Rs.6.20 lakhs was paid by the company to the land owners, who went in for reference to court for getting enhanced land value. Even-



though the reference applications were received by the department in 1977 itself, there was a delay of over six years in forwarding them to court. Out of 41 cases that came up before the Sub-Court, Kozhikode, 38 cases had been decided upon during the period September 1986 to September 1987 awarding enhanced compensation towards additional land value, solatium and interest under Kerala Land Acquisition Act 1984. Against the total amount of Rs.64.91 lakhs payable to land owners, the company has paid only Rs. 14.63 lakhs and the Government has so far (February 1990) remitted Rs. 31.66 lakhs into court. The company refused to pay the amounts relating to enhanced benefits conferred by the amended Land Acquisition Act, which came into being with effect from 30th April 1982, stating that they were not liable to pay the amounts, as these benefits would not have been payable to the land owners had the reference applications been sent to court in 1977 itself. Though Government had ordered (July 1989) the District Collector to take immediate steps to realise the amount from the company, no effective measures have been taken so far. Thus in a land acquisition case, where Government acted only as an agency for a private company, Government had to incur huge expenditure solely due to the delay in forwarding the reference applications to court.

(ix) The Sub-Court, Kollam passed a decree in March 1987 awarding enhanced compensation of Rs. 45,313 towards additional land value and interest in respect of acquisition of 20.76 acres of land in Karunagappally for the Kerala State Road Transport Corporation. According to the Law Officer (August 1988), there was scope for a successful appeal. The Advocate General was addressed by the District Collector in August 1988 to file an appeal in the High Court, but the relevant papers for filing the appeal were not sent to him. The Advocate General reminded the District Collector through a telex message of 8th September 1988 for sending the documents and also to send an officer to swear an affidavit in the court. The District Collector addressed (14th September 1988) the Assistant Collector, Kollam to forward the documents, though the matter was dealt with by the Tahsildar, Kollam. The Special Tahsildar who

went to the Advocate General's Office in October 1988 to swear an affidavit could not do so, as he did not have the necessary details to explain the reasons for the delay in filing the appeal. An Upper Division Clerk who was deputed for the same purpose on 6th January 1989 could not also swear an affidavit as the collectorate files had not been handed over to the Senior Government Pleader. Thus, even after the expiry of more than 2 years since the decree was passed, the appeal against the judgement had not been filed in the High Court (April 1989).

(x) A certified copy of the decree passed by the Sub Court, Thalasserry in April 1987 on a land acquisition case was made available to the Land Acquisition Officer in December 1987. The Land Acquisition Officer noticed that the decree was not in conformity with the judgement. An application for correction of the decree was filed in December 1987 but the court returned it. The relevant papers were received by the Land Acquisition Officer in March 1988 for filing an appeal in the High Court. The appeal was actually filed in May 1988 after a delay of more than 4 months. A petition filed (May 1988) for condonation of delay in the High Court was dismissed by the High Court. It was noticed that the action of the Land Acquisition Officer in returning the decree to the court for correction when it required no correction in terms of the judgement mainly contributed to the delay in filing the appeal. The Government Pleader also failed to analyse the necessity for correction in the decree, while moving the court for the purpose.

### **3.11.6. Failure to produce required evidence/data before court**

(i) In the awards passed in September 1978 by the Land Acquisition Officer on the acquisition of 1 acre and 50 cents of land for the construction of a fire station and staff quarters at Panniyankara in Kozhikode, the land value was fixed at Rs. 888.25 per cent on the basis of a document. A petition was filed for enhanced value and the Sub Court, Kozhikode refixed the value at Rs. 1500 per cent observing that the method of valuation adopted by the Land Acquisition Officer was not



proved before the court and that there was total indifference on the part of the respondents (LAO) in the conduct of the case and the court was left with no alternative but to enhance the value to Rs. 1500 per cent as recommended by the Commission appointed by the court. The total excess expenditure on this account amounted to Rs. 1.92 lakhs.

(ii) In a dispute as to the extent of land acquired in June 1978, the land owner stated that an area of 1 acre and 35 cents was acquired while the Land Acquisition Officer stated it was 1 acre and 21 cents based on survey records. On a petition filed by the claimant, the court held that 1 acre and 33 cents had been acquired on the basis of evidence produced by the petitioner and that the department failed to produce the basic survey record before the court. The appeals filed in the High Court and Supreme Court by the Government were also dismissed. Failure of the department to survey the property and find out the actual extent before passing the award as well as non-production of basic resurvey records before the lower court resulted in the case being judged against the State.

(iii) In the work of 'Driving a tunnel from Chainage 5357 Metre to 6287 Metre to form a segment of the left bank main canal of Kallada Irrigation Project', the contractor went in for arbitration (June 1985). The Arbitrator passed his award in April 1986 which was decreed by the court in March 1987 and accepted by Government in December 1987. The decretal amount of Rs. 20.38 lakhs including Rs. 1.12 lakhs towards interest at 6 per cent was paid in February 1988.

After the examination of the award, the Law Officer of the department opined (August 1987) that failure on the part of the department to adduce evidence in support of its contentions had adversely affected the interest of Government and consequently the chances for further appeal were remote. On a scrutiny of the case, the Chief Engineer noted that (i) though the department had furnished some records to the Government Pleader, no departmental officer had briefed him properly, (ii) in the defence statement several mistakes had crept in and (iii) there was failure on the part of the Superintending Engineer

in providing exhibits along with the defence statement. In October 1988 the Government confirmed the above facts and stated that the circumstances leading to non-production of evidence in support of the objections filed in the case in the Sub Court, Thiruvananthapuram would be investigated and further action pursued.

### **3.11.7. Other lapses/failures**

(i) For acquiring 0.439 hectare of land in Chevayur Village for the purpose of formation of treatment plant for Kozhikode drainage scheme, an amount of Rs. 0.27 lakh was awarded as compensation. On a reference petition filed by the applicant, the Sub Court, Kozhikode (August 1980) did not grant any enhancement as the claim for enhancement was not proved by filing supporting statement. However, the case was subsequently re-opened by the Court and enhancement was also granted in a common judgement pronounced in September 1985 to the extent of Rs. 0.68 lakh. In a letter of January 1988 addressed to the District Collector, Kozhikode the Land Acquisition Officer stated that he was not aware of the circumstances under which the case was re-opened by filing restoration petition. While the Law Officer failed to furnish sufficient information regarding the case to the Land Acquisition Officer, there is no information as to whether the LAO had at any time monitored the case. The fact remains that for want of proper co-ordination in the conduct of the case between the Law Officer and the departmental officer, the Government had to pay additional compensation to the extent of Rs. 0.68 lakh to the claimant.

(ii) The formation of left bank main canal from Chainage 28766 Metre to 29000 Metre of the Kallada Irrigation Project including construction of a bridge at MC Road crossing was entrusted to a contractor in April 1982, but the contract was later on (May 1984) terminated at the risk and cost of the contractor, as he did not show sufficient progress in the work. The contractor went in for arbitration (March 1985) and the award passed (November 1985) was decreed in court in August 1986, the decretal amount of Rs. 1.06 lakhs was paid in March 1987.



As in the opinion of the Law Officer of the department, there was scope for filing an appeal against the decree, the Superintending Engineer sought (October 1986) Government's sanction for filing the appeal. On 25th November 1986 Government informed him that the chance for a successful appeal was very remote, but later on (21st January 1987) revised their stand and telegraphically instructed the Superintending Engineer to file an appeal. Meanwhile, the time limit for filing the appeal was over by 30th December 1986. The petition filed in the High Court (July 1987) praying for condonation of delay in filing the appeal was dismissed by the High Court. The delay in communicating sanction by Government for filing the appeal resulted in non-filing of the appeal in time.

Though in the opinion of the Advocate General (December 1987) it was a fit case for appeal in the Supreme Court, Government decided (January 1988) otherwise as they had already accepted the award and deposited the amount in the court.

## REVENUE DEPARTMENT

**3.12. Unproductive expenditure on a printing machine**

An offset printing machine purchased during 1968-69 for the Central Survey Office, Thiruvananthapuram, at a cost of Rs. 4.12 lakhs went out of order in March 1981. After inspection of the machine in January 1982 the firm which supplied the machine proposed repairs for Rs. 0.88 lakh. The Director of Survey and Land Records informed Government in October 1982 that there was scope for utilising the machine in the department only for less than two months in a year, even if it was repaired and modernised. The Committee constituted by Government with the Revenue Secretary as Chairman to monitor the useful working of the machine, proposed in May 1983 to transfer the machine to the new Government Press under construction at Mannanthala, as soon as it was commissioned. However, the commissioning of the Press at Mannanthala was delayed. In October 1986, Government suggested disposal of the machine by public auction. There were no further developments and the machine was lying idle in the Survey Department (July 1989).

As the machine was not in working condition from March 1981, the expenditure of Rs. 0.95 lakh on the pay and allowances of the photographer attached to the machine for the period 1981-89 was infructuous. In the meantime colour printing works of the department were being got executed through other presses and an expenditure of Rs. 1.26 lakhs was incurred on the account during 1984-89. Government stated (January 1990) that steps were being taken to dispose of the machine at the earliest.



## SCHEDULED CASTES AND SCHEDULED TRIBES DEVELOPMENT DEPARTMENT

### **3.13. Hostels for Scheduled Caste/Scheduled Tribe students**

To promote educational interests and to prevent drop out of students belonging to Scheduled Caste/Scheduled Tribe (SC/ST) from schools/colleges, hostel facilities have been provided by Government. There are, at present, 92 pre-matric, 19 post-matric and 109 tribal hostels in the State. Accommodation and mess are free of cost to the boarders. Lumpsum grant for purchase of books and pocket money are also given to post-matriculantes. Other facilities granted included a pair of dresses annually to the boarders in pre-matric and tribal hostels and to and fro bus or train fares for the journeys to homes during Onam and Christmas holidays and summer vacation.

Against the student population of 7 lakhs belonging to SC/ST in the State, the total accommodation available in the 220 hostels is for 8484 students (5902 boys and 2582 girls) only. Even the limited occupation capacity was not fully utilised in many hostels. In the hostels of nine taluks test checked, against the total sanctioned strength of 410 boarders, the total occupancy ranged between 204 and 235 during 1986-87 to 1988-89. The reasons for the shortfall had not been intimated (April 1990).

Adequate facilities were not provided in the hostels. Details collected from 53 hostels revealed that six hostels were at a distance of 3 to 6 kms. from the corresponding school/college. While in many hostels even minimum furniture like table, stool, cot, etc., were not available, in three hostels there was neither any bathroom nor a latrine. Facilities for medical aid are not available in several pre-matric hostels. In post-matric hostels, as the remuneration paid to the medical officer was only Rs. 100 per month (Rs. 50 per month upto June 1988) for fortnightly visits, they seldom visited the hostels. Facilities like living space, dining hall, library, play ground, etc., were also not adequately provided in many hostels.

Of the 220 hostels, 162 are accommodated in rented buildings. Though there was a total budget provision of Rs. 96 lakhs during 1980-85 for construction of hostel buildings, the amount utilised was only Rs. 42 lakhs. Again, during 1985-88, out of the total provision of Rs. 274 lakhs expenditure incurred was Rs. 136 lakhs. Government stated (July 1990) that non-availability of suitable land, delay in acquisition of land, delay in getting estimates/administrative sanction, etc., contributed to the shortfall in utilisation of funds.

For construction of buildings for girls' hostels, 50 *per cent* assistance was available from Government of India. Against the total assistance of Rs. 46.95 lakhs received from Government of India during 1980-89, only Rs. 34.07 lakhs were utilised. A sum of Rs. 3.64 lakhs was refunded during 1986-87. The unspent balance of Central assistance retained was Rs. 9.24 lakhs (March 1989).

One of the two blocks of the building constructed at a cost of Rs. 3.20 lakhs in March 1988 as pre-matric hostel for boys, Bodiadukka has not been occupied due to leakages of roof.



## GENERAL

**3.14. Misappropriations, losses, etc.**

One hundred and thirty-six cases of misappropriations, losses, etc., involving Government money and reported to Audit to the end of March 1989 were pending finalisation at the end of September 1989. Department-wise details of the cases are given in Appendix 6. Year-wise analysis of the outstanding cases is given below:—

<i>Year</i>	<i>Number of cases</i>	<i>Amount (Rs. in lakhs)</i>
1983-84 & prior years	90	33.15
1984-85	8	2.58
1985-86	12	3.75
1986-87	9	9.19
1987-88	10	5.98
1988-89	7	1.04
Total	136	55.69

The reasons for pendency are indicated below:-

	<i>Number of cases</i>	<i>Amount (Rs. in lakhs)</i>
(i) Awaiting departmental and criminal investigation	35	16.72
(ii) Departmental action started but not completed	49	22.11
(iii) Awaiting orders for recovery/write off	25	6.27
(iv) Pending in courts of law	27	10.59
Total	136	55.69

**3.15. Writes off, waivers and ex-gratia payments**

According to the information received by Audit, 1004 sanctions were issued by various authorities during 1988-89 ordering writes off (926 items for Rs. 881.04 lakhs), waivers (76 items for Rs. 1.48 lakhs) and *ex-gratia* payments (2 items for Rs. 0.75 lakh). Department-wise details are given in Appendix 7.

## CHAPTER IV

### WORKS EXPENDITURE

#### FOREST AND WILDLIFE DEPARTMENT

##### **4.1. Forest Engineering Wing**

**4.1.1.** The Forest Engineering Wing was attending to the works of construction and maintenance of forest roads, bridges and buildings. The wing was abolished in August 1986. A review of certain works undertaken by the wing brought out the following points.

##### **4.1.2. Purchase of energisers**

An estimate for Rs. 4.61 lakhs for construction of 20 Km. power fencing at Shanamangalam in Sulthanbathery Wild Life Division submitted to Chief Conservator of Forests on 29th March 1989 was not sanctioned. However, the Assistant Wild Life Warden, Tholpatty, placed orders with a firm at Bangalore (who was not a monopoly dealer) for the supply of energisers on 11th March 1989, without inviting tenders overlooking the provisions of Stores Purchase Manual. Consequent on the supply of equipments, the firm was paid an amount of Rs. 1.74 lakhs on 31st March 1989, though there was neither provision for incurring such expenditure during the year nor a sanction from proper authority.

##### **4.1.3. Execution of a flood relief work**

The Executive Engineer, Forest Engineering Division, Kozhikode reported to the Chief Conservator of Forests (CCF) in March 1986 that soling of Bagur-Dasankata road taken up as flood relief work in January 1986 had been completed at a cost of Rs. 2.24 lakhs. The work was closed and security deposit was released in April 1986. After the abolition of the Forest Engineering Wing, the work came under the jurisdiction of Roads Division, Kalpetta. The Executive Engineer, Roads



Division, Kalpetta reported to the CCF in April 1988 that only formation of the road had been done and soling and metalling had not been done. The action taken by the CCF on the basis of the latter report has not been intimated.

#### **4.1.4. Unfruitful outlay**

An expenditure of Rs. 6.20 lakhs incurred on four works had not served the intended purpose as the works had not been completed and put to use as shown below:—

(i) The contract for construction of an office building and staff quarters at Sulthanbathery awarded in January 1979 for Rs. 4.78 lakhs was terminated in October 1980, alleging the work as unsatisfactory. The contractor filed a case before the Arbitrator. In satisfaction of the award an additional amount of Rs. 0.62 lakh was paid in October 1983. As the balance work had not been taken up the expenditure of Rs. 1.92 lakhs remained unfruitful.

(ii) The work of construction of a vented causeway and approach road at Pulinchi in Achenkoil was awarded to a contractor in May 1983 for Rs. 2.95 lakhs. As the progress of work was very slow, the contract was terminated in April 1986 at the risk and cost of the contractor. There was no further action to complete the work. The expenditure of Rs. 1.79 lakhs incurred on the work so far remained unfruitful.

(iii) The work of construction of six number of forest quarters at Cheeyambam in Wayanad district was awarded to a contractor in July 1985 for Rs. 2.89 lakhs. Construction up to basement level was completed by March 1986 incurring an expenditure of Rs. 0.80 lakh. For want of funds, there was no further progress on the work (July 1989).

(iv) A building for a wireless station at Kurichiarmala in Wayanad district constructed in July 1986 at a cost of Rs. 1.69 lakhs had not been put to use, pending execution of rectification works towards leakages noticed in the roof and walls.

## IRRIGATION DEPARTMENT

### 4.2. Pamba Irrigation Project

#### 4.2.1. Introduction

Pamba Irrigation Project envisaged construction of a pick-up barrage across Kakkad river and net work of canals to irrigate 21,135 hectares of land in Alappuzha and Pathanamthitta districts. The project was partially commissioned in January 1976 and the second stage was commissioned in January 1987. The work on barrage, main canal, right bank and left bank canals, aqueducts and flume has been completed by December 1988. Construction of 37 Km. of branch canals and distributaries out of 458 Km. proposed were yet to be completed.

#### 4.2.2. Revision of estimates

The project sanctioned in 1965 was estimated to cost Rs. 383 lakhs. This was revised in 1975 and 1980 to Rs. 2016 lakhs and Rs. 4297 lakhs respectively and approved by the Planning Commission. The increased estimated cost was attributed to escalation in cost of labour, materials and land, establishment charges and inadequate provision in earlier estimates. A further revision to Rs. 6269 lakhs based on 1986 schedule of rates and proposing additional works, was pending approval of the Chief Engineer. The total expenditure to end of 1987-88 was Rs. 5285.49 lakhs.

#### 4.2.3. Targets and achievements

Against the targeted potential of 21,135 net hectares, the potential created up to March 1988 was reported to be 20,718 net hectares. However, a joint verification by Irrigation and Revenue Authorities reported the created potential as 8398 hectares. Further, only 882 hectares had been brought under assessment of water cess. The inadequacy of staff for the preparation of ayacut registers, issue of notices, etc., was stated to be the reason for shortfall. In Chengannur taluk alone where water cess could not be assessed amounted to Rs. 34 lakhs.



Details of cropping pattern in the area were not available in the Irrigation Department reportedly due to non-intimation of the details by the Agriculture Department. Against the additional production of 81,650 tonnes of paddy targeted for an year, the actual additional yield during 1983-87 ranged between 10,000 and 29,000 tonnes, showing also decline from 1983-84 achievement *vide* details given below:—

<i>Year</i>	<i>Actual production during the year</i>	<i>Production prior to the commissioning of the project</i> (in tonnes)	<i>Increase</i>
1983-84	82,202	53,400	28,802
1984-85	71,125	53,400	17,725
1985-86	63,968	53,400	10,568
1986-87	67,284	53,400	13,884

The shortfall in additional production was mainly due to lesser achievement of ayacut. There was no information regarding the achievement under cultivations like sugarcane, vegetables, sesamum, etc. Works on pisciculture, boating and angling and wild life sanctuary contemplated in the project report have not been taken up.

Collection of betterment levy had not been started for the project. In August 1966 Government had decided to keep the betterment levy in abeyance pending enactment of unified law. Such a legislation was yet to be enacted in the State (March 1990).

#### **4.2.4. High rate of establishment expenditure**

Details of works and establishment expenditure for the period 1984-89 were as follows:—

<i>Year</i>	<i>Works expenditure</i> (Rs. in lakhs)	<i>Establishment expenditure</i>	<i>Percentage of establishment expenditure to works expenditure</i>
1984-85	469.56	64.74	14
1985-86	219.07	63.46	29
1986-87	112.11	46.85	42
1987-88	22.07	34.55	157
1988-89	59.20	33.47	57

Eventhough there was steep fall in works expenditure, there was no proportionate reduction in establishment cost and during 1987-88 the establishment cost was 157 *per cent* of the works expenditure.

#### **4.2.5. Unfruitful expenditure**

The formation of Karthikappally distributary No. III from Chainage 0 to 1380 metres of Haripad branch canal, estimated to cost Rs. 4.38 lakhs to irrigate an ayacut of 82 hectares was entrusted to a contractor in June 1984 for Rs. 6.27 lakhs, stipulating completion by June 1985. After executing a portion of the work for which Rs. 1.87 lakhs were paid, the contractor stopped further work from May 1985 and demanded (October 1985) 30 *per cent* increase over the agreed rates for resuming the work. As the contractor failed to resume the work in spite of issue of several notices between May and October 1985, the Superintending Engineer terminated (December 1985) the contract at his risk and cost and made alternative arrangement observing that it was imperative to complete the work urgently in public interest. The balance work estimated to cost Rs. 3.11 lakhs was awarded to another contractor in October 1986 for Rs. 4.14 lakhs but he did not start the work, reportedly due to resistance from public who suffered loss due to slippage of soil into canal which was at a level lower than the fields as there was no side wall. In March 1988 the Executive Engineer proposed to drop the work due to scarcity of construction materials and paucity of funds. The expenditure of Rs. 1.87 lakhs already incurred had thus become unfruitful.

#### **4.2.6. Extra expenditure due to defective construction**

The aqueduct on first kilometre of Cherukolpuzha branch canal collapsed in March 1983, reportedly due to the defective design and workmanship. Rectification works were completed in December 1988, incurring expenditure of Rs. 3.69 lakhs. The ninth, tenth and eleventh spans of the first aqueduct between Chainage 30 and 230 metres of Vallamkulam branch canal also collapsed in January 1987, along with eighth to eleventh piers.



Rectification works in the area were completed in February 1988 at a cost of Rs. 1.37 lakhs. Further, an additional amount of Rs. 0.51 lakh was spent towards alternative arrangements for providing irrigation facilities during the interim period. Extra expenditure due to defective execution of works was Rs. 5.57 lakhs.

#### **4.2.7. Other points of interest**

(i) An area of 1410 hectares of ayacut became water logged due to excessive seepage and for want of drainage facilities rendering the area unsuitable for cultivation. Out of this, 244 hectares of land was made suitable for cultivation by executing rectificatory works. The remaining area has not been made suitable for cultivation.

(ii) A mobilisation advance of Rs. 10.65 lakhs was paid to the Kerala State Construction Corporation Limited in September 1983 in connection with the execution of the balance works of construction of Kottamukku flume of the left bank canal. Only Rs. 4.75 lakhs was recovered from part bills till March 1985. As per the final bill under scrutiny of the department for the work completed in February 1986, the net amount payable to the contractor was about Rs. 4.37 lakhs. The excess advance of Rs. 1.53 lakhs left with the Corporation remains unrealised.

### 4.3. Anti-sea erosion works

4.3.1. Kerala has a coastline of 562 km of which 320 km is subject to severe erosion resulting in recession of shore line, loss of property and threat to communication system. To protect the coast, anti-sea erosion works have been executed since 1959 in 311 km of the coastline at a cost of Rs. 87.65 crores to the end of March 1989.

4.3.2. In 1986 it was estimated that out of 478 km of coastline vulnerable to sea erosion, 320 km would have protective structures by 1989-90 and 70 km of coastline of the entirely damaged construction would have restoration.

The final consolidated measurement of finished structure is not being recorded by the department. The physical achievement has been calculated based on the quantity of stones dumped and the total length of sea walls constructed to end of 1988-89 had been calculated as 311 km and reformation works executed as 44 kms. The Director, Coastal Engineering Field Studies, Thrissur stated (January 1989) that exact length of the protective sea wall and its condition was under verification along with the preparation of a stability map.

4.3.3. **Defective execution of works:** A test check of 15 works executed in five divisions showed that the sea walls were severely damaged during construction period or soon after completion of works and the expenditure amounted to Rs. 315.42 lakhs. The reasons for damages during construction were analysed and seen to be defective programming, improper selection of sites, etc., which are detailed below:-

(i) The working season for execution of anti-sea erosion works is from October to March as the sea will be very rough during other months (monsoon period). The execution of works should therefore 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





ANYTHING LESS THAN STANDARD—NO  
PROTECTION TO SEA EROSION





during working season. For the reason that partly completed structures would not be able to withstand erosion successfully, the Chief Engineer (Irrigation) had instructed (January 1974) the departmental officers that the works taken up for execution should be completed with armour stones well before the outbreak of monsoon. A review of nine works in five divisions revealed that works were executed during monsoon period and as a result the works suffered extensive damages and met with considerable sinkage *vide* Appendix 8.

(ii) Wherever sea walls are newly constructed, the formation should be done for the complete section of walls, so that damages resulting from part formation can be avoided. The sea walls required packing in the end with armour stones of 175-225 cubic dm. In the original construction of 3 works in Kollam Division no packing was done resulting in sinkage in erosion *vide* Appendix 9.

(iii) The construction of sea walls for 250 metres towards south of 300 metre sea wall at Kizhunna was taken up in April 1981. By July 1982 about 64 *per cent* work was completed which was damaged completely. According to the Superintending Engineer, the problems at the site were peculiar. The work was stopped and it was decided to subject the behaviour of the coast to close observation for two or three seasons. Due to improper location of the site for sea wall, there was infructuous expenditure of Rs. 6 lakhs.

(iv) The work of construction of a sea wall at Azheekal north of Sraikad for 854 metres from Chainage 45000 to 45854 taken up in September 1978, was terminated in the middle in March 1981 due to problems raised by local people regarding provision for fishing gap. Almost the entire work was washed away as the stones dumped were not packed. Total expenditure incurred on the work was Rs. 6 lakhs.

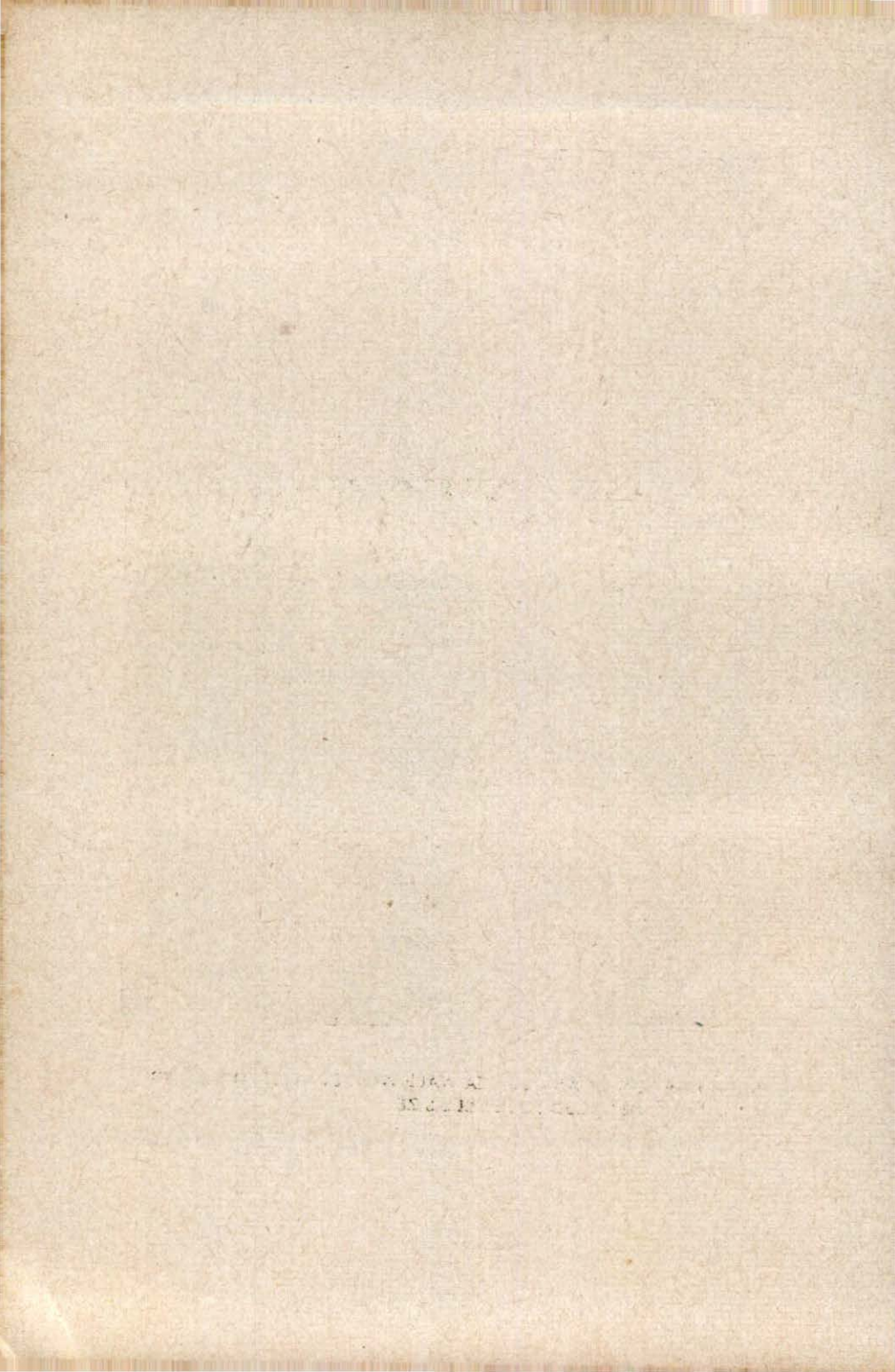
(v) The construction of sea wall for 300 metres in Cheri-yathodu-Valiyathodu was taken up in May 1983. The original contract was terminated after execution of work for Rs. 4 lakhs due to demise of the contractor in October 1983. The







SUNKEN PORTION OF AN OLD SEA WALL WITH SCATTERED STONES  
REDUCED TO PEBBLE SIZE





balance work was re-arranged only in April 1987. In the meantime there were sinkages in the work done by the deceased contractor. The work is reported to be in progress.

4.3.4. A member of the Beach Erosion Board had in 1971 opined that if the sea wall was not maintained properly, it will not be an effective protection against waves and recommended an annual maintenance provision of 10 *per cent* of the cost of construction. The Additional Director of the Central Water and Power Research Station, Pune, who inspected the Kerala coast during January 1986 had also recommended about 5 to 10 *per cent* of the capital cost for annual maintenance. According to this criterion, at least Rs. 1568 lakhs (at 5 *per cent* per annum) should have been allotted and utilised for maintenance during the period 1985-86 to 1988-89. However, only Rs. 386.02 lakhs (1.23 *per cent*) were spent on maintenance during the period. If the sea wall is not maintained properly the armour stones, the toe protection and the filter will get damaged and the sea wall will no longer be an effective protection against waves. Information regarding the number of anti-sea erosion work redone due to inadequate maintenance during 1985-86 to 1988-89 and the total expenditure incurred for redoing the completed works is awaited from the department.

4.3.5. (i) The construction of a breakwater wall to the fishing gap at Cheriyakadavu at Chellanam was taken up for execution in December 1983, at the request of the fishermen, though there was no approved design for the work and it would also cause erosion on the other side of the breakwater. The work was, however, stopped in July 1984 after completion of about 30 *per cent* of the work, observing that the work executed had been completely washed away in the severe erosion and resumption of the work with the existing design was not advisable. The execution of work without proper assessment of the site condition and approved design resulted in an infructuous expenditure of Rs. 2.34 lakhs.

(ii) The construction of a sea wall for 500m from Chainage 55500 m to 56000 m at Arattupuzha was awarded to a contractor

in June 1984. The work was completed for a length of 300 metres only. Due to resistance from the local people, formation of wall in the remaining 200 metres length was abandoned in October 1986, leaving the reach as a fishing gap. In the meantime, stones costing Rs. 3.88 lakhs had been supplied and dumped in the reach intended as a fishing gap. The expenditure of Rs. 4.25 lakhs including dumping charges did not serve any purpose and thus became infructuous.

(iii) The construction of a land wall on the western side of Kayamkulam kayal was awarded to a contractor in November 1982. After receipt of Rs. 1.12 lakhs in May 1983 towards stones supplied, the contractor abandoned the work without forming the wall. The contract was terminated in June 1985 at his risk and cost. However, in July 1986 the Executive Engineer reported that the region no longer required protection, following sand accretion and no further progress of work had taken place. The supply of the stones has not served any purpose even after six years.

The matter was reported to Government in November 1989, reply has not been received (March 1990).

#### **4.4. Extra expenditure due to departmental lapses**

Construction of an aqueduct between Chainage 3745m and 3865m of the left bank canal of Kallada Irrigation Project was awarded to a contractor in May 1981 at the agreed cost of Rs. 21.57 lakhs (estimate cost: Rs. 22.38 lakhs). The work scheduled for completion by November 1982 was completed in August 1983.

The sanctioned estimate provided for construction of four spans of 15 metres each and all the trestles were proposed on well foundation. However, during execution of the work, as sub soil was found hard, well foundation was changed to open foundation on economic considerations. A proposal for construction of wing walls was made in March 1982 and was approved



by the Superintending Engineer in October 1982, though the estimate did not provide for any such construction. On account of the above changes and additions carried out during execution of work, there was considerable excess over the estimated quantities under certain items like earth work (estimate: 900 cu.m; actuals: 3195 cu.m.), rock blasting (estimate: 1100 cu.m; actuals: 2714 cu.m.) etc. There was also failure on the part of the department in providing power supply in time. Observing that deviations made and excess quantities executed delayed the completion of the work, the contractor filed a petition before the Arbitrator in November 1984 claiming enhanced rates and compensation for losses incurred by him. The Arbitrator passed an award in June 1985 admitting certain claims. The award was decreed by Sub Court, Thiruvananthapuram in December 1986.

Government confirmed (September 1989) that an amount of Rs. 4.26 lakhs including interest of Rs. 0.38 lakh was paid to the contractor in October 1987 in satisfaction of the decree. Inadequate investigation at the estimate stage and large scale deviation in the nature, scope and volume of work done resulted in delay in execution of the work and additional expenditure as per the award.

#### **4.5. Unfruitful expenditure**

To provide irrigation facilities to the Central Rice Research Station and Central Orchard at Pattambi, a pump-house was constructed on the bank of Bharathapuzha river and pipelines were laid in such a way that water is initially pumped to a collecting cistern in the Research Station compound and from there pumped again to the distribution point. The civil works started in October 1977 were completed in August 1982 and four pump sets purchased at a cost of Rs. 0.92 lakh in January 1978 were erected in March 1981 and were energised only in June 1983 due to the objection raised by the local people for the extension of 11 KV line through their property. As the flow in the river shifted to opposite bank, water was not available in the pumping station. Even after the construction of a leading channel to the pump-house across the river beds, sufficient water was not

reaching the cistern. Further, the transformer had capacity to operate only one pump at a time. During the trial run conducted in February 1986 it was noticed that there were heavy leakages at several joints in the pipelines. According to the Chief Engineer (Irrigation) adequate water supply was not possible as the pipes laid would not supply water efficiently and there was no sufficient water in the pumping station. In spite of the heavy leakage at all the 584 joints and suspected leakage of tank, no rectificatory work has been carried out so far (January 1990) and the scheme remained uncommissioned. The expenditure upto October 1989 was Rs. 12.84 lakhs. Government stated (November 1989) that few joints were strengthened and even then the heavy leakage could not be contained due to water pressure at the joints and that investigation was going on for rectification.

For the Central Orchard, water is at present conveyed through tanker lorries from a distance of three kilometres at high costs. Due to the delay in rectifying the defects and commissioning the scheme, the expenditure of Rs. 12.84 lakhs incurred on the scheme remained unfruitful (January 1990).

#### **4.6. Excess expenditure due to adoption of incorrect data**

The work "Irrigation facilities to Edakkara Panchayat—Moochiparatha lift irrigation scheme" in Malappuram district was awarded to a contractor in January 1982 at 38 *per cent* above the estimate rates for completion by January 1983. Since the contractor expired in April 1983 before completion of the work, the balance work was awarded to another contractor in February 1987 at 150 *per cent* above the estimate rates and was completed in September 1988. The work included earth work excavation in hard soil and depositing on bank with 100m head load over the initial lead with estimate rate of Rs.116.65 per 10 cubic metres (cu.m). In the estimate for this item, the rate for 100m head load was wrongly adopted as Rs. 6.37 per cu.m instead of the correct rate of Rs. 4.40 per cu.m. This resulted in excess expenditure of Rs. 0.90 lakh on the work. The error was accepted by the Superintending Engineer in June 1989,



The rate of Rs. 116.65 per 10 cu.m in the estimate was for the composite work of earth work excavation and depositing the earth on bank with additional lead. Even though the excavation portion alone had been executed by the former contractor for 10774 cu.m, payment was made at the full rate applicable for the composite work. As the contractor had not executed the portion of depositing the earth on the banks of the canal with additional lead, it resulted in excess payment of Rs. 0.45 lakh (which included excess of Rs. 0.17 lakh attributed also to the incorrect data mentioned above). The matter was reported to Government in July 1988; reply has not been received (March 1990).

#### **4.7. Unproductive establishment expenditure**

The Vamanapuram Irrigation Project was sanctioned by Government in April 1983 at an estimated cost of Rs.3640 lakhs, envisaging construction of a storage dam across Kallar river and construction of branch canals, so as to facilitate irrigation in an area of 18,014 hectares within a period of five years. Even before the sanction of the Project, a sub-division was functioning from September 1977 for the preliminary works connected with the project. In May 1981, a new division with three sub-divisions and ten sections having total complement of 156 staff under various categories was sanctioned by Government. It was proposed to obtain 320 hectares (subsequently reduced to 236 hectares) of forest land and also another 35 hectares of forest land for resettlement of 'Kanikars' residing in the submersible areas.

Any forest land or any portion thereof may be used for non-forestry purposes only with the prior approval of the Central Government. Further the indenting department was to find out the availability of alternative land for afforestation, to make good the loss of forest land. But no provision was envisaged in the project estimate to compensate for the loss of forest land. The site for resettling 'Kanikars' was also not located. According to Government (January 1983) the land required for rehabilitation of the 'Kanikars' could not be made available from forest

land as Government of India had indicated in similar cases that utilisation of forest land for resettlement programme could not be allowed in principle. Government therefore directed the Chief Engineer (January 1983) to locate alternative non-forest area for the purpose. Neither survey and demarcation of the forest area required for the project was done nor the alternative non-forest area for settlement purpose was located. In July 1988, Government directed the Chief Engineer to stop all works including land acquisition on the project, pending a final decision to be taken on the future of the project.

Though after the formation of the new division the works expenditure incurred was much less than even the establishment expenditure and the Government was aware of the difficulties in providing alternative land for afforestation as well as for resettling the Kanikars, the decision to discontinue the works was taken only after a delay of  $5\frac{1}{2}$  years in July 1988. Construction of 12 units of staff quarters estimated to cost Rs.12.24 lakhs commenced in March 1988 was stopped in October 1988, when the work had reached the basement level and after Rs. 1.26 lakhs had been spent. As against the total expenditure of Rs.62.12 lakhs on works (investigation: Rs. 22.12 lakhs, canals: Rs. 20.76 lakhs, roads: Rs. 6.91 lakhs, office buildings and quarters: Rs. 5.38 lakhs and tools and plant/furniture: Rs.6.95 lakhs) for the period from 1977-78 to 1988-89, the establishment expenditure was Rs. 159.87 lakhs. The establishment expenditure was thus largely unproductive.

The matter was reported to Government in September 1989; reply has not been received (May 1990).

#### **4.8. Extra expenditure due to payment made at enhanced rates**

The contracts for works of the Kallada Irrigation Project stipulated that the agreed rate would apply in all cases where the quantity executed under any item did not vary by more than 30 per cent and that where the variation exceeded this limit, the rate for such item was to be revised by mutual agreement.



This provision was modified in September 1984 to the effect that where the actual quantity under any item exceeded the tendered quantity by more than 30 *per cent*, the rate for the excess over 30 *per cent* was to be revised, but the revised rate was not to exceed the item rate quoted and where the quantity under any item was less than 70 *per cent* of the tendered quantity, its rate was to be revised by mutual agreement, ensuring that its cost did not exceed the cost of 70 *per cent* of the tendered quantity at the item rate quoted. Thus for quantity increases, no enhancement in the quoted rate was payable. While communicating the modification which was applicable to the tenders to be invited subsequently, the Chief Engineer stated that in respect of already executed contracts also the spirit of the modification was to be taken as guideline while negotiating the rates where quantities varied over 30 *per cent*.

A few cases of payments made at enhanced rates for items of work where quantities executed exceeded 30 *per cent* of the estimates were mentioned in paragraph 4.1.2 of the Report of the Comptroller and Auditor General of India for the year 1984-85 (Civil). In another case of the contract for constructing cut and cover from Chainage 25785 metre to 26616 metre of the left bank main canal concluded in July 1982 the quantity of rock blasting was done for 71,716 cu.m which was 45 *per cent* more than the estimated quantity of 49,200 cu.m. The supplementary agreement executed in December 1988 by the Superintending Engineer provided for payment for the entire quantity of 71,716 cu.m under this item at Rs. 70 per cu.m as against the original rate of Rs. 40 per cu.m. Thus the supplementary agreement entered into with the contractor was not in conformity with the guidelines issued by the department which resulted in an extra expenditure of Rs.19.19 lakhs.

The matter was reported to Government in June 1989; reply had not been received (April 1990).

#### **4.9. Extra expenditure due to departmental lapses**

The work "Formation of Enadimangalam distributary-lining of the bottom and sides of the canal from Chainage 0 to 6285m" estimated to cost Rs. 6.53 lakhs was entrusted to a contractor

in May 1985 for the agreed amount of Rs. 4.03 lakhs. One of the items of work was supplying and laying 100 micron LDPE black heavy duty film below the lining concrete to cover the bed and sides of the canal (quoted rate Rs. 0.56 lakh). The contractor did not carry out any work till December 1985 when he requested the department to terminate the contract as the film was not available in the market. The contract was terminated on 23rd January 1986 without risk and cost to the contractor. Thereafter, the item of supplying and laying of the film was excluded and the work having a revised estimate of Rs. 6.07 lakhs was retendered on 29th January 1986. The work was awarded in April 1986 to the same contractor for Rs. 5.33 lakhs. The work was completed in March 1987 at a cost of Rs. 5.29 lakhs. The department stated that laying of the film beneath the lining of the canal was a requirement approved by the World Bank and its exclusion was also approved by the World Bank subsequently and that the exclusion has not affected the quality of work in any way.

According to the conditions of the contract the film was to be procured by the contractor himself. When the contractor asked for supply, the Indian Petro Chemicals Limited, Bangalore stated (July 1985) that the supply would be made only through the Irrigation Department. When orders were placed by the Executive Engineer, the company stated (September 1985) that as the price of the film had not been finalised it was not possible to arrange the supply. According to the agreement the work was to be completed within three months from the date of issue of work order. Owing to non-availability of the film the work was not started till December 1985. The order terminating the contract was issued on 23rd January 1986 and thereafter it was decided to exclude the item of laying of film and the work was retendered on 29th January 1986. Considering the fact that the accepted offer in the case was an advantageous one (Rs. 4.03 lakhs against estimated cost of Rs. 6.53 lakhs) the decision for exclusion of the item could have been taken before ordering the termination of the contract and the order to start work excluding the item could have been issued; failure to do so resulted in excess expenditure of Rs. 1.88 lakhs, due to enhanced rates quoted in the retender.



## PUBLIC WORKS AND TRANSPORT DEPARTMENT

### 4.10. Extra expenditure due to retender

Construction of a building for sub treasury, Koothattukulam was sanctioned by Government in August 1981. The single tender received in March 1982 for Rs 4.33 lakhs which was 60 *per cent* above the estimate was not accepted by Government (June 1982) though the Chief Engineer, Buildings and Roads Division had recommended (May 1982) the tender for the reason that the contractors were not coming forward to take up building works owing to the high cost of materials and labour charges. After retenders, the work was finally awarded to a contractor in May 1984 for Rs. 6.02 lakhs which was 79.5 *per cent* above the estimate revised on the basis of the 1982 schedule of rates. The work was completed in May 1987 at a cost of Rs. 5.92 lakhs. Non-acceptance of the tender initially received in March 1982 in spite of the recommendations made by the Chief Engineer for its acceptance at a time when revision of schedule of rates was imminent was not prudent and resulted in extra expenditure of Rs. 1.59 lakhs.

### 4.11. Delay in completion of a school building

A contract for construction of a building for Government High School, Kumaranallur, in Palakkad district was awarded in March 1981 for Rs. 10.62 lakhs stipulating completion by June 1982. Though extension of time up to January 1984 was granted, the work could not be completed due to the delay in issuing departmental materials and due to non-payment of bills to the contractor in time. As the contractor declined (February 1984) to proceed with the work, the contract was terminated in March 1984 without any risk and cost. The remaining works have not been commenced so far (August 1989) due to lack of response from the contractors and also due to rejection of a negotiated quotation by the Chief Engineer in May 1989, as the rates quoted were considered exorbitant. The expenditure of Rs. 7.56 lakhs incurred on the work remained unfruitful and inability of providing the student community a modern building

having 18 class-rooms and 4 halls was denied for over seven years. The Chief Engineer (Buildings and Local Works) stated (November 1989) that the execution of balance work would be arranged soon.

#### **4.12. Excess expenditure on seigniorage charges**

The Kerala Minor Mineral Concession Rules, 1967 (the Rules) classified 'ordinary earth' as an item of minor mineral and specified levy of 45 paise per cubic metre of ordinary earth quarried. The Public Works Department schedule of rates also stipulated inclusion of 45 paise per cubic metre as seigniorage charge in the preparation of estimate for works involving supply of ordinary earth. Observing that ordinary earth would not be covered by the definition of minor mineral, the Rules were amended in December 1977 deleting ordinary earth from the list of minor minerals for which royalty was payable. However, corresponding amendment was not introduced in the PWD schedule of rates. Consequently the estimates prepared by the departments continued to include the element of seigniorage charge for ordinary earth though no royalty was payable by the contractors, resulting in excess expenditure on works paid at estimate rates with plus or minus tender percentage. A test check of payments made during 1986-87 to 1988-89 in respect of 52 works in eight divisions in Kollam district and two works in one division in Thrissur district revealed that the excess expenditure on this account was Rs. 4.39 lakhs.

The estimates prepared by the departments for the supply of building stones, metal for concrete, road metal, etc., included seigniorage charge at 90 paise per cubic metre. Under the Rules a valid quarrying permit or quarrying lease after payment of royalty is necessary before removal of such materials from quarries. A test check of the works executed by Public Works and Soil Conservation departments in Kollam district revealed that payments made during 1986-87 to 1988-89 included Rs.11 lakhs towards seigniorage charges for about 8 lakh cubic metres of such materials supplied by the contractors. However, the



amount of royalty on such materials accounted in Kollam district during the period was only Rs. 0.87 lakh which was found as not relating to materials supplied for Government works. It would appear therefore that there had been illegal quarrying by contractors without payment of royalty. The absence of instructions to verify quarrying permit/lease and proof for payment of royalty before passing bills which include amounts towards seigniorage charges on such materials had resulted in excess expenditure on works. According to the Director of Mining and Geology, enforcement of the rules in the State had not become effective.

## CHAPTER V

### STORES AND STOCK

#### HEALTH AND FAMILY WELFARE DEPARTMENT

##### 5.1. Idle equipment

A power laundry unit (a washing machine, a hydro-extractor and a drying tumbler) costing Rs. 2.12 lakhs purchased in March 1986 for a Sanatorium at Pariyaram in Kannur district has not been commissioned mainly due to lack of proper planning in obtaining the additional power load for the unit. Construction of cement platforms and other modifications to the building as also three-phase electrical wiring which were taken up subsequent to the arrival of the machine were completed only in April 1987 and September 1987 respectively. Based on the application for power allocation to service the additional load (May 1986), the Kerala State Electricity Board allocated power of 51 KW in February 1987. The power connection had not, however, been provided to the equipment pending installation of a 100 KVA transformer in the Sanatorium compound. Though the department was requested to make a deposit (Rs. 0.32 lakh) in October 1987 for installation of the transformer on a priority basis the department could not remit the amount for want of funds till August 1988, when the deposit amount was enhanced to Rs. 0.49 lakh by the Board under a different scheme 'Own Your Electric Connection'. The deposit amount was finally remitted in April 1989; the power supply was yet to be provided (September 1989).

The guarantee period for the power laundry unit expired in February 1987 and according to the supplier firm, the electrically heated equipment was liable to get fungussed resulting in improper functioning. The equipment had thus remained unutilised even after a lapse of more than 3 years. The Director of Health Services stated that action was being pursued with the Board to ensure early power supply. Government endorsed (September 1989) the views of the department.



## **5.2. Delay in commissioning of an X-ray Unit**

An X-ray unit costing Rs. 2.01 lakhs was purchased in March 1987 for the Government hospital, Mala. The Director of Health Services instructed (June 1987) that the equipment should be temporarily installed in the newly constructed pay ward belonging to the Lions Club, pending construction of a permanent building in the hospital by the Public Works Department. The Public Works Department was not, however, prepared to execute electrical and civil works for the installation in a private building. The equipment was transferred to a room in the hospital building in August 1988, but has not been commissioned so far (August 1989).

## **5.3. Supply of sub-standard water for injection**

Between January 1986 and March 1987, 53 lakh ampules of water for injection, costing Rs. 23.96 lakhs was purchased for eight District Medical Stores. Without ensuring the quality of the supply, payment of Rs. 16.72 lakhs for 38 lakh ampules of the material supplied to six stores was made. Payments in respect of the supply to Tirur Store (10 lakh ampules) and Palakkad Store (5 lakh ampules) had not been made (April 1989). The Palakkad store had neither taken the material to stock nor sent samples for testing nor arranged any distribution to hospitals. The entire quantity of 5 lakh ampules supplied to Ernakulam store was distributed without quality testing. Information about distribution and quality test of the material by the Idukki store (10 lakh ampules) had not been received. Results of test of samples from 13 batches (15 lakh ampules) supplied to the other five Stores (including Tirur store) intimated by the Drugs Controller during June 1988 to November 1988 showed that the materials were sub-standard and unfit for use as they contained sediments of suspended particles and glass pieces. In July 1988, the Director of Health Services informed all the District Medical Officers that the sub-standard material should not be used and samples from other batches also should be sent for testing. The sub-standard quantity lying unused (October 1989) with the five stores was 14.91 lakh ampules costing Rs. 6.71 lakhs. Details regarding results of test of other samples, quantity

of material consumed before receipt of the adverse test results and action taken against the firm for the supply of sub-standard materials were awaited (October 1989).

Failure of the department to stipulate necessary conditions in the tender or supply order to facilitate testing of samples before making payment resulted in acceptance of sub-standard water for injection in the Health Services Department.

## HOME DEPARTMENT

### 5.4. Fire Force Department

#### 5.4.1. Fabrication of industrial water tenders

The work of fabrication of seven industrial water tenders was entrusted to a Madras firm in May 1987 at a total cost of Rs. 16.66 lakhs, excluding duty and taxes. The firm intimated the department in January 1988 that the vehicles were ready for inspection. The inspection was, however, conducted by the Commandant General and the Director (Technical) only in September 1988. The delay in getting clearance from the Finance Department on account of economy measures was attributed as the reason for the delay in inspection. After inspection, test and trial run (September 1988) a sum of Rs. 15.66 lakhs being 90 *per cent* of the cost was paid in September 1988. The vehicles were received at Thiruvananthapuram in October 1988. The Commandant General thereupon ordered (October 1988) constitution of a Board of Officers for conducting a thorough check up of the vehicles on the technical point of view. The report of the Board of Officers pointed out certain major fabrication defects. After rectification of the repairable defects, the vehicles were supplied to various fire stations. Certain other defects were reported by the field officers. Pending assessment of the cost of further repairs to be done, balance ten *per cent* of the cost had not been paid to the firm. The further details and position regarding the fitness of the vehicles for use were awaited (March 1990).



### **5.4.2. Fabrication of snorkel**

Chassis costing Rs. 7.22 lakhs was supplied in September 1986 to a New Delhi firm for fabrication of snorkel at a cost of Rs. 22.60 lakhs excluding duty and tax and delivery within eight months. However, the snorkel had not been supplied (March 1990) even after the lapse of three years. The firm has attributed the delay to labour problems, heavy load shedding and difficulties in getting imported components.

## **IRRIGATION DEPARTMENT**

### **5.5. Ground Water Department**

Several equipments and items of stores costing Rs. 11.51 lakhs purchased during November 1982 to June 1987 had not been put to use (December 1989). Several other equipments were also kept in the stores unutilised pending repairs (December 1989) for periods ranging from 1 to 7 years. The details are stated in Appendix 10.

Government stated (December 1989) that the question of using the pipes, pumpsets, valves, etc., for other deposit works in the Ground Water Department would be considered. Government also stated that action would be taken to dispose of the Calyx Drill as the calyx method of borewell drilling had become obsolete now-a-days and it was uneconomical to get the drill repaired.

Nine rock roller bits costing Rs. 0.88 lakh purchased in January 1983 and five button bits costing Rs. 0.12 lakh purchased in September 1988 were found defective. The items had neither been replaced by the suppliers nor been repaired. A Charlyn motor and hydraulic pump purchased during December 1987 to February 1988 at a cost of Rs. 0.57 lakh (payment not made till June 1989) were found unsuitable for the rig for which they were purchased. The items had not been replaced. The rig was also kept idle for want of the spares.

## PUBLIC WORKS AND TRANSPORT DEPARTMENT

### 5.6. Chamravattom Project Division

Even at the investigation stage of the work of construction of Regulator-cum-Bridge and connected works of Chamravattom, the division started purchasing steel and cement required for the project. During 1985-86 to 1988-89, 519 tonnes of steel and 1654 tonnes of cement were purchased. Finding that there was no immediate need for utilisation in the project, 192 tonnes of steel and 1018 tonnes of cement were transferred to other divisions during 1986-87. The extra expenditure incurred by 8 divisions on transportation charges was Rs. 0.72 lakh. Of the remaining stock, 72 tonnes of steel and the entire balance of 636 tonnes of cement were consumed on the works of the division up to July 1989. The balance quantity of 255 tonnes of steel costing Rs. 14.77 lakhs kept in open space in the division store near sea coast are exposed to vagaries of nature. Because of surplus purchase, a sum of Rs. 0.88 lakh was also spent on rent of godowns to keep the stock of cement prior to consumption/transfer.

### 5.7. Bitumen hot mix plants

Seventeen bitumen hot mix plants were sanctioned (September 1986) for purchase from five firms at a cost of Rs. 41.33 lakhs for use in 17 Public Works Divisions.

It was stated by Government (April 1987) that to avoid delay in procurement orders were placed with five firms and that the Chief Engineer (Mechanical) had inspected the operation of the machines offered by various firms and his report was examined and the purchases were recommended by the Technical Committee of Chief Engineers.

The details furnished by divisions in respect of eleven plants received during February-September 1987 showed that three plants had supply defects and hence were not utilised so far (June 1990). While the percentage of utilisation ranged between



5 and 33 in respect of six plants, it was negligible (77 hours) for the remaining two plants during the period March-April 1987 to March 1989.

The defects in the plants and large scale idling would show that the purchase was unnecessary and unproductive.

Government stated (January 1990) that due to heavy pendency of bills on account of financial stringency, the tempo of road work had been generally slow during the last two years and this accounted for the low utilisation of the plants in some divisions.

## 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 31st March 1989, there were three 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 in preparation of *pro forma* accounts by the above commercial undertakings is indicated in the following table:

Sl. No.	Name of undertaking	Period for which preparation of <i>pro forma</i> accounts is in arrears	Remarks
1.	Text Books Office, Thiruvananthapuram.	1978-79 to 1988-89	The Text Books Officer, Thiruvananthapuram stated that the arrears in the preparation of <i>pro forma</i> accounts was due to (i) lack of staff trained in commercial system of accounting, (ii) non-reconciliation of figures and (iii) non-receipt of <i>pro forma</i> accounts from sub-depots.
2.	State Water Transport Department, Alappuzha	1984-85 to 1988-89	



- |   |  |   |
|---|--|---|
| 3. Kerala State Insurance Department,<br>Thiruvananthapuram | April 1967 to December 1967,<br>1968 to 1982,<br>1985 to 1988. | Government stated (May 1989) that it would be difficult to prepare the <i>pro forma</i> accounts for the periods from April 1967 to December 1967 and 1968 to 1982 at this distance of time in the absence of proper records. |
|---|--|---|

(b) Besides the undertakings mentioned above, *pro forma* accounts were due from Bleaching and Calendering Plant, Pappanamcode\* for the years 1974-75 to 1980-81.

(c) *Pro forma* accounts of the following trading schemes/activities have also not been received from the Agriculture (Animal Husbandry) Department for the years shown against each.

Sl. No.	Name of scheme	Period for which due
1.	Intensive Poultry Development Blocks at Muvattupuzha and Pettah	1970-71 to 1988-89
2.	Egg Collection and Marketing Scheme, Chengannur	do.
3.	Poultry Feed Manufacturing and Distribution Scheme, Chengannur.	do.
4.	Livestock and Poultry Feed Compounding Factory, Malampuzha.	1965-66 to 1975-76 and April 1976 **

\*The Bleaching and Calendering Plant, Pappanamcode was transferred to the Kerala State Textile Corporation Limited (a Government Company) with effect from 1st April, 1981.

\*\*Transferred to Kerala Livestock Development Board with effect from 1st May, 1976.

## HOME DEPARTMENT

**6.2. Rubber plantation at the Nettukaltheri open prison**

An open prison was started at Nettukaltheri in Thiruvananthapuram district to which about 196 hectares of forest land was transferred during July 1962 to December 1963. Of this, 8 hectares of land was utilised for internal roads and buildings, 14 hectares of land for cultivation of paddy, coconut, vegetables, etc. and 93 hectares of land for rubber cultivation. About 81 hectares of land remained unutilised for over 25 years. Government stated (January 1990) that for want of manpower and due to paucity of funds, plantation activities were not extended and that as part of a Centrally Sponsored Scheme 'Modernisation of Prison Administration' action was in progress from July 1989 to bring the unutilised land under cultivation by planting rubber trees and for this purpose, the maximum number of eligible prisoners from other Central prisons had been transferred to the open prison.

The rubber plantation in 93 hectares was raised during 1962 to 1966. As against the total expenditure of Rs. 69.74 lakhs from 1962-63 to 1988-89, the receipts from the plantation upto 1988-89 was Rs. 140.57 lakhs. The yield of rubber during 1979-80 was 86,769 kg. As maximum yield from rubber trees is expected from 14th to 25th year of plantation, there should have been good yield from 1980-81 onwards. However, during 1980-81 to 1986-87, the yield ranged between 34,692 kg and 71,669 kg only. Government stated (January 1990) that the low yield was due to the peculiar circumstances in an open prison such as inability to engage outside labour, shortfall in number of prisoners deployed for tapping and unusual growth of weeds in the plantation.

Of the rubber sheets produced during 1980-81 to October 1987, only 9 *per cent* was graded as good quality, while 89 *per cent* was sold as RMA IV category and 2 *per cent* as ungraded category. The Superintendent stated that absence of a modern smoke house affected the quality of the product. From November 1987 onwards the entire rubber sheets were sold as ungraded



category, the price for which was lower than that for RMA IV category. The Superintendent stated (September 1989) that the Kerala State Co-operative Rubber Marketing Federation Limited to whom the products were being sold had raised objections in the earlier years regarding the grading done by the prison and hence as advised by Government, the products were shown as ungraded category. Even if the entire quantity was graded as the RMA IV category, the receipt would have been more by Rs. 0.77 lakh for 1.4 lakh kg rubber sheets sold between November 1987 and March 1989.

Besides, Rs. 5.22 lakhs being value of 33 tonnes of rubber sheets supplied to the Trivandrum Rubber Works Limited in July 1982, had not been realised, as the company still continued as a relief undertaking (January 1990).

## CHAPTER VII

### FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

#### 7.1. General

**7.1.1.** Autonomous bodies are authorities set up to discharge generally non-commercial functions of public service. They execute by and large the programmes of the State with substantial financial assistance from Government. Government also pays 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. The salary of the teaching and non-teaching staff of bulk of the private educational institutions in the State is also directly paid by Government.

#### 7.1.2. Audit arrangements

The accounts of autonomous bodies and other institutions which are receiving financial assistance from Government are being audited by the Comptroller and Auditor General of India under various provisions of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

**7.1.3.** During the year 1988-89 a total financial assistance of Rs. 5,26,81 lakhs was paid to autonomous and other bodies broadly grouped as follows:—

<i>Name of institution/group</i>	<i>Assistance paid (Rs. in lakhs)</i>
Kerala Khadi and Village Industries Board	2,62.26
Kerala Water Authority	83,45.09
Command Area Development Authority	8,01.55
Kerala Institute of Labour and Employment	3.55



<i>Name of institution/group</i>	<i>Assistance paid (Rs. in lakhs)</i>
District Rural Development Agencies	66,19.04
Eleven individual institutions	7,38.43
Private colleges and polytechnics	55,82.32
Aided schools	2,44,43.11
Universities	17,73.36
Co-operative societies	7,81.37
Corporations, Municipalities, Townships, Panchayats and Development Authorities	11,46.74
Other Institutions	21,84.14
Total	5,26,80.96

#### **7.1.4. Delay in furnishing copies of accounts**

In order to identify the institutions which attract audit under Section 14/15 of the Act, Government/Heads of Departments are required to furnish to Audit every year detailed information about financial assistance given to various institutions, the purpose of assistance and the total expenditure of the institutions. Information for 1988-89 requested in April 1989 was still awaited (June 1990) from one department of Government and six heads of departments. Besides, copies of accounts of institutions which received financial assistance of Rs. 25 lakhs or more are to be furnished to Audit to examine whether the institutions attracted audit under Section 14. Such accounts and details had not been received (June 1990) from twelve institutions.

Copies of annual accounts of bodies which are audited under Section 19/20 should be made available to Audit on 30th June following the year of account. Owing to non-receipt of

accounts the audit could be completed only to the extent shown below:—

<i>Name of body</i>	<i>Year upto which audited</i>	<i>Year upto which Audit Reports of the bodies have been placed before Legislature</i>	<i>Reasons for non-finalisation of Audit Report</i>
Kerala Khadi and Village Industries Board	1987-88	1985-86	Accounts for 1988-89 have not been received
Kerala Water Authority (from 1984-85)	1984-85	1984-85	Not furnished.
Command Area Development Authority (from 1985-86)	1985-86	Nil	Accounts for 1986-87 and 1987-88 were received for Audit in January-February 1990. Reasons for delay in finalisation of accounts for 1988-89 have not been received.
Kerala Institute of Labour and Employment	1986-87	Not applicable	Audit Report for 1987-88 was not finalised pending receipt of certain clarifications. Reasons for the delay in finalisation of accounts for 1988-89 have not been received.

### 7.1.5. Delay in furnishing utilisation certificates

The financial rules of Government require that where grants are given for specific purposes, certificates of proper utilisation should be obtained by the departmental officers from the recipients and after verification, they should be forwarded



to the Accountant General (Accounts and Entitlement) within twelve months from the date of sanction of assistance on such lines as may be specified in each case. On 31st of March 1990, 136 certificates for Rs. 861 lakhs paid as grants upto March, 1989 were to be received in the office of the Accountant General (Accounts and Entitlement). The year-wise details were as below:

<i>Year</i>	<i>Certificates due</i>	
	<i>No.</i>	<i>Amount (Rs. in lakhs)</i>
1985-86	15	7.85
1986-87	23	39.29
1987-88	14	69.06
1988-89	84	744.37
Total	136	860.57

## HIGHER EDUCATION DEPARTMENT

### 7.2. State Institute of Languages

7.2.1. The State Institute of Languages is a society registered in April 1969 for implementation of a scheme for production of University level text books in the regional language. The accounts of the Institute are audited by the Examiner of Local Fund Accounts. The accounts also attracted audit under Section 14 of the Comptroller and Auditor General's (DPC) Act, 1971.

Mention was made in paragraph 7.5 of the Report of the Comptroller and Auditor General of India for the year 1979-80 (Civil) about some aspects in the working of the Institute. The following points were noticed during the audit conducted in February-March 1989.

7.2.2. The annual accounts for the year 1987-88 onwards had not been prepared (March 1990) though the rules stipulate that the accounts for a year should be finalised within three months.

7.2.3. In November 1983, shortage of cash of Rs. 0.35 lakh was noticed. Investigation by the State Vigilance department was continuing.

7.2.4. Physical verification of printed books conducted by the Institute in February-April 1984 revealed shortage of 6955 books costing Rs. 0.68 lakh. Physical verification conducted in January 1988 revealed a further shortage of 507 books costing Rs. 0.06 lakh besides an excess of 4167 books costing Rs. 0.43 lakh. No action had been taken to enquire into the shortages. Government stated (March 1990) that since the net shortage was very small, the Standing Committee constituted by the Governing Body had decided not to take further action in the matter. The Institute has not prepared after March 1986 the quarterly statement of the number of books printed, sold and the balance on hand.



7.2.5. The demand, collection and balance statement in respect of amounts realisable towards books issued to dealers on credit has not been prepared by the Institute. Though the rules stipulate that the dealers may retain books only upto a value equal to five times the amount of security furnished by them, there were instances of retaining books valued at six to eleven times their security amounts. Government stated (March 1990) that action was being taken including initiation of revenue recovery proceedings to recover the outstanding amounts from the agents.

7.2.6. As against the target of 1779 books to be published till end of 1987-88, the Institute published only 818 books. Government stated (March 1990) that the target could not be achieved due to shortage of funds and certain other administrative difficulties and that the target was fixed on the high side in order to achieve maximum production.

7.2.7. The Institute's press set up in May 1972 at a cost of Rs. 6.46 lakhs has been working at loss ever since its inception. The accumulated loss at the end of March 1988 was Rs. 90.18 lakhs. There were inordinate delays in printing books by the press. For instance, four books received during January-March 1980 were printed only in March-August 1982. Five books received in 1981-82 have not been printed till June 1986; latest position has not been clarified. The Committee on Public Accounts (1984-86) in their Seventy-second Report (Para 2.15) had adversely commented on the under-utilisation of the Institute's press and the irregular practice followed in entrusting part of the Institute's printing to private presses. The Committee desired that optimum utilisation of the capacity of the Institute's press should be ensured. It was, however, seen that the out-turn of the five printing machines was only about 40 per cent of the capacity during 1984. The details for the subsequent years were not furnished. In spite of the under-utilisation, books were given to private presses for printing and an expenditure of Rs. 19 lakhs was incurred during 1982-88. Government stated (March 1990) that printing of books in private presses had to be resorted to, to achieve the target.

7.2.8. Proper accounts for the paper supplied to private press for printing books and their theoretical/actual consumption have not been maintained by the Institute. A private press to which printing of four books was entrusted during 1977-80, supplied in full printed copies of one book and 2060 copies out of 10,100 copies ordered in respect of another book. Two other books were not at all printed by the press. Paper worth Rs. 0.55 lakh was retained by the press. A suit filed to recover Rs. 1.64 lakhs being three times the value of unreturned paper as per agreement condition was decreed in October 1986 in favour of the Institute with cost of Rs. 0.20 lakh. Further action for recovery has not been pursued effectively.

7.2.9. In October 1979, sanction was accorded for construction of a godown in the premises of the Institute at a cost of Rs. 2.94 lakhs through the Public Works Department. Due to procedural delays and delay in demolition of the old building at the site, scarcity of building materials, etc., contracts were terminated twice and the estimate was revised (1984) to Rs. 5.07 lakhs. The work awarded to a third contractor in June 1987 was completed in January 1989 at a cost of Rs. 8.29 lakhs. In the meantime, rent paid for hired godowns was Rs. 1.38 lakhs for 1979-88.

7.2.10. The sale proceeds of books were credited to a revolving fund and utilised for purchase of stores. The surplus was to be invested and the income from the investment was to be utilised for running the Institute after the initial period was over. The total sale proceeds upto March 1988 amounted to Rs. 95 lakhs, but the balance in the fund account at the end of March 1988 was only Rs. 46.19 lakhs. Thus, about Rs. 49 lakhs and also the interest accrued from investments had been utilised on running expenses. During 1981-82 and 1982-83, out of Rs. 18 lakhs appropriated for running expenses from the revolving fund, Rs. 13 lakhs were not recouped to the fund. Similarly, Rs. 21.90 lakhs out of amounts appropriated during 1983-84 to 1987-88 had not been recouped to the fund. Thus, the capital had been eroded to a substantial extent towards



running expenses. The reconciliation of the account balance with the bank balance of the fund has not been done any time so far.

7.2.11. The Committee appointed by Government to evaluate the working of the Institute recommended in 1974 reduction in the strength of the staff, considering the inadequate assistance received from Government of India. However, there was increase in the number of staff in the academic wing from 45 in 1974 to 75 in 1988 and press staff from 72 in 1974 to 94 in 1988. In spite of the increase in staff, there was no appreciable progress in publication and printing of books.

## FISHERIES AND PORTS DEPARTMENT

### 7.3. Assistance paid to Matsyafed

7.3.1. To encourage the development activities in the fisheries sector, Government provided substantial financial assistance to the Kerala State Co-operative Federation for Fisheries Development Limited (Matsyafed), a co-operative society registered in March 1984. Transactions relating to the grants and loans paid by Government during 1984-85 to 1987-88 for specific purposes were audited under section 15 of the Comptroller and Auditor General's (DPC) Act, 1971 with reference to the records in the Government, supplemented by a scrutiny of the records of the Federation, with the approval of Government.

7.3.2. The details of loans as well as subsidy given by Government to the Federation during 1984-85 to 1987-88 called for are awaited from Government. The first annual accounts of the Federation for the period ended June 1985 were certified by statutory auditors in May 1988. The accounts for the year ended June 1986 were yet to be audited. The accounts for 1986-87 and 1987-88 were yet to be finalised (February 1989). Owing to the delay in preparation of accounts, the final figures of expenditure incurred on the various schemes as also the correct position of utilisation of assistance received from Government were not ascertainable.

7.3.3. The Federation was paid managerial subsidy of Rs. 116.52 lakhs during 1984-88. However, Government have not framed any norms for payment of managerial subsidy to the Federation. Government stated (March 1990) that necessary norms would be framed soon.

### 7.3.4. Integrated fisheries development project-phase I

(i) Government paid Rs. 555.84 lakhs (loan: Rs. 295.21 lakhs and subsidy: Rs. 260.63 lakhs) during 1985-86 for implementation of the first phase of the integrated fisheries development project in fifteen villages, five each in Thiruvananthapuram, Ernakulam and Kannur districts. For the purpose,



Government was to get assistance of Rs. 431.70 lakhs (loan: Rs. 295.21 lakhs and subsidy: Rs. 136.49 lakhs) from the National Co-operative Development Corporation (NCDC). As per the project approved by the NCDC, the entire assistance including NCDC's share was to be provided by the State Government and NCDC was to reimburse subsequently. Owing to the slow progress of work by the Federation, Government could realise only Rs. 270.30 lakhs (loan: Rs. 195.63 lakhs and subsidy: Rs. 74.67 lakhs) till March 1988. Government stated (March 1990) that due to introduction of certain new schemes simultaneously, such as flood relief scheme, motorisation of country crafts, fishermen insurance scheme and housing scheme, etc., officers in the field were overburdened, resulting in some delay in achieving the target for two years.

(ii) The loan was repayable by the Federation over a period of nine years with moratorium for first four years; but interest was payable from 1986-87 onwards. For default in payment, penal interest at  $2\frac{1}{2}$  per cent per annum was payable in addition to losing the rebate of  $1\frac{1}{4}$  per cent per annum in the rate of interest. These terms and conditions were, however, ordered by Government only in September 1988. The Federation had not paid (March 1989) the interest due (Rs. 82.17 lakhs excluding penal interest) to end of July 1988, even after receipt of the orders.

(iii) According to the scheme, the Federation was to spend Rs. 500.49 lakhs during the first two years and the balance Rs. 55.35 lakhs during the next three years. However, the expenditure incurred by the Federation till November 1988 was only Rs. 289 lakhs (52 per cent of the amount received) as shown below:

<i>Name of item</i>	<i>Provision in project</i>	<i>Expenditure till Novem- ber 1988 (Rs. in lakhs)</i>	<i>Percentage of utilisation</i>
<i>Infrastructure facilities</i>			
Shed			
Godown-cum-packing/and auction hall	80.80	..	Nil
Transport vehicle, insulated van	20.50	8.46	41

<i>Name of item</i>	<i>Provision in project</i>	<i>Expenditure till Novem- ber 1988</i> (Rs. in lakhs)	<i>Percentage of utilisation</i>
Ice plant-cum-cold storage	25.00	..	Nil
<i>Operational inputs</i>			
Fishing craft equipments	247.50	193.21	78
Service facility for engines	23.70	2.38	10
Pre-operative expenses	30.00	30.00	100
Extension services	78.15	52.67	67
Working capital	10.00	0.85	9
Physical and price contingencies	27.85	..	Nil
Manpower training and development	12.34	1.44	12
Total	555.84	289.01	..

(iv) The main items of work where there was considerable shortfall are stated below:—

The scheme contemplated providing godown-cum-packing sheds and auction halls in fifteen villages (Rs. 80.80 lakhs), construction of two ice and cold storage plants (Rs. 25 lakhs) and purchase of five insulated vehicles (Rs. 17.50 lakhs) and three transport vehicles (Rs. 3 lakhs). Against these, the expenditure incurred was only Rs. 8.46 lakhs on the purchase of vehicles.

Out of Rs. 271.20 lakhs meant for supply of fishing crafts, out-board motors and accessories, expenditure incurred was only Rs. 195.59 lakhs. In Kannur district, Rs. 13.64 lakhs were spent in five villages which were not in the list approved by the NCDC. In Ernakulam district, Rs. 9.10 lakhs were spent towards purchase of additional inputs, which were issued treating the cost fully as loan to the beneficiaries. However, according to the scheme approved by NCDC, 40 per cent of the cost should be passed on as subsidy.



Out of Rs. 12.34 lakhs meant for manpower training and development, expenditure incurred was only Rs. 1.44 lakhs. The shortfall in expenditure was attributed by Government (March 1990) to inadequacy of staff. Government also stated that Matsyafed was trying to make up the shortfall within the targeted period.

Though the entire sum of Rs. 30 lakhs meant for pre-operative expenses had been shown as spent, Rs. 24.90 lakhs adjusted towards interest payable on Government loan had not actually been paid to Government.

Though supply of inputs under the scheme to beneficiaries started from 1985-86, action was taken by the Federation to maintain the loan accounts only in July 1988 and the work had not been completed (March 1989). The Federation had not, thus, monitored the recovery of loan from beneficiaries effectively.

### **7.3.5. Integrated fisheries development project-phase II**

The second phase of the integrated fisheries development project approved by the NCDC in March 1987 at a block cost of Rs. 1034.28 lakhs was to be implemented over a period of five years in 32 villages in seven districts including Thiruvananthapuram district covered by the first phase also. Government was eligible for assistance of Rs. 911.45 lakhs from the NCDC (loan: Rs. 884.63 lakhs and subsidy: Rs. 26.82 lakhs). Details of assistance received by Government from NCDC called for were awaited. Government paid Rs. 290.96 lakhs to the Federation during March 1987 (Rs. 195.61 lakhs) and March 1988 (Rs. 95.35 lakhs). Of this, loan was Rs. 107.43 lakhs, subsidy Rs. 92.11 lakhs and share capital assistance Rs. 91.42 lakhs.

Though the scheme contemplated expenditure of Rs. 423.55 lakhs during 1987-89, the actual expenditure of the Federation upto November 1988 was only Rs. 188.64 lakhs against Rs. 290.96 lakhs received. In Thiruvananthapuram, Kollam and Thrissur districts, there were practically no activities under the scheme. In Alappuzha district, Rs. 38.92 lakhs were spent in six villages not included in the approved list.

### 7.3.6. Subsidised housing scheme for traditional fishermen

Under the scheme of construction of 10,000 houses (later reduced to 7500 houses) for traditional fishermen at a cost of Rs. 8,000 each, sanctioned by Government in February 1985, Government was to pay subsidy of Rs. 2,000 per house. The beneficiary was to bear Rs. 2,000 by way of cash, kind or labour. The balance Rs. 4,000 was to be obtained by the Federation as loan from HUDCO for which Government agreed to give assistance for repayment of loan and payment of interest to HUDCO irrespective of the position of recovery from beneficiaries by the Federation. Government paid to the Federation subsidy of Rs. 150 lakhs in March 1986, Rs. 8 lakhs in March 1987 and Rs. 13.33 lakhs in March 1988 and loan of Rs. 20 lakhs in March 1988. Loan obtained from HUDCO upto July 1988 was Rs. 240.35 lakhs. Thus, Government had paid its share in advance and also paid Rs. 21.33 lakhs in excess of the norms. The Federation had passed on only Rs. 334.60 lakhs till November 1988 to District offices/societies and the balance Rs. 97.08 lakhs were lying unutilised with it. By March 1989, construction of 5672 houses only had been completed and construction of 1828 houses was under various stages. Government stated (March 1990) that due to increase in cost of materials and labour rates, the assistance given was not sufficient to complete the houses.

Government had not reviewed the position regarding recovery of loan and interest by the Federation from the beneficiaries. The Federation had also not maintained the register up-to-date.

### 7.3.7. Delay in implementation of other schemes

Four cases where there was considerable delay in implementation by the Federation are stated below:

(i) Government released a sum of Rs. 4 lakhs to the Federation in March 1986, for the scheme of opening retail outlets for fish marketing under cold chain programme. The loan was to be repaid to Government over a period of ten years,



with interest at 14 *per cent* per annum. Only a sum of Rs. 0.14 lakh was spent by the Federation till March 1989. The amount due for repayment in March 1987, March 1988 and March 1989 had not been paid to Government.

(ii) In March 1987, Government sanctioned the construction of a peeling shed, rest room and lavatory block at Munambam, at a cost of Rs. 3.71 lakhs, to be equally shared by Government and the Marine Products Export Development Authority (MPEDA). Government share of Rs. 1.86 lakhs was paid to the Federation in March 1987. As the share of MPEDA had not been received and the detailed plan and estimate had not been finalised, the construction work had not been started (March 1989).

(iii) Under the scheme of introduction of improved beach landing crafts, Government paid Rs. 19.70 lakhs to the Federation during 1986-87. Fifteen crafts were purchased during December 1987 to October 1988, incurring expenditure of Rs. 16.68 lakhs. One of the crafts was stated to be in damaged condition. The beneficiary groups had not so far been identified and the crafts had not been distributed (March 1989).

(iv) Under the scheme of offshore fisheries development by introduction of intermediate crafts and mother vessels, Government paid Rs. 14.97 lakhs to the Federation during March 1988. As the specification of the mother vessel had not been decided upon by the Expert Advisory Committee, the amount had not been utilised (January 1989).

### **7.3.8. Purchase and distribution of inputs**

(i) The agreement with a firm for the supply of 500 imported engines executed in February 1985 stipulated that a discount of Rs. 600 per engine was to be received by the Federation. The firm allowed discount only in respect of 360 engines and the discount not received amounted to Rs. 0.84 lakh. The omission to claim the discount was pointed out in Audit during

January-February 1987. Though the matter was taken up with the firm in March 1987, there was no response from the firm (March 1989). Further information regarding realisation of the amount had not been received.

(ii) Out of 150 numbers of engines purchased by the Federation from a firm during 1985-86 at Rs. 11,575 per engine, 61 engines which remained undistributed were taken back by the firm during March 1987 to August 1988. The firm was to repay the cost price of the returned engines, but the Federation has not maintained details of amount realised from the firm in respect of the engines taken back.

(iii) Against the order placed by the Federation in April 1986 for supply of 121 numbers of crafts costing Rs. 38.62 lakhs, before the end of December 1986, the firm supplied only 17 crafts. The Federation had, however, paid Rs. 17.57 lakhs as part payment and advance during December 1986 to April 1987, without getting a revised agreement executed. The details of completion of supply were awaited (March 1989).

(iv) Sixty-five engines purchased by the Federation in June 1988 at Rs. 16,253 each, were issued to beneficiaries at a cost of Rs. 17,476 each, without the approval of Government for distribution at higher cost.



## LOCAL ADMINISTRATION DEPARTMENT

### Kerala Water Authority

#### 7.4.1. Infertuous expenditure

In September 1985, the District Collector, Thiruvananthapuram sanctioned a water supply scheme to Tirupuram Panchayat at an estimated cost of Rs. 10 lakhs for implementation through the Kerala Water Authority (KWA), stipulating that more than 50 *per cent* of the benefit should go to the Scheduled Caste community. Though the scheme was estimated (February 1985) to benefit a population of 4000, mainly harijans, the beneficiaries were not identified either by the Executive Engineer who formulated the scheme or by the District Collector, Thiruvananthapuram. The works started in February 1986 was stopped in June 1988 based on the report (March 1988) of the District Development Officer for Scheduled Castes that the scheme taken up under the Special Component Plan did not satisfy the criteria under the plan. It was stated that there were only 18 Scheduled Caste families in the locality and adequate water supply facilities were already available to them. The proposal of the KWA for additional funds to complete the scheme under Accelerated Rural Water Supply Scheme was turned down by Government in December 1988. Failure to identify the Scheduled Caste beneficiaries before arranging the work resulted in an infertuous expenditure of Rs. 0.87 lakh on incomplete civil works. Pipes costing Rs. 5.60 lakhs purchased during 1986-88 remained unutilised.

The matter was reported to Government in September 1989; reply has not been received (May 1990).

#### 7.4.2. Extra expenditure due to rejection of the lowest tender

In response to the tenders invited in March 1987 by the Superintending Engineer (SE), World Bank Project Circle, Aluva for the work of construction of 16 mld (million litres a day)

water treatment plant at Kottayam, the lowest offer received was from a Bombay firm for Rs. 54.60 lakhs, excluding work tax/sales tax. The offer was rejected by the SE since the technical bid and the price bid had been submitted in the same envelope. The earnest money deposit (EMD) was also refunded to the firm. While evaluating the tenders, the Tender Committee in the Water Authority's Office examined this tender also and found it technically acceptable. In response to their enquiry, the firm agreed to keep their offer valid till end of March 1989. The firm clarified that if pile foundation was to be done, the rate would be Rs. 62.40 lakhs and offered to pay the EMD again. After getting the legal opinion that there was no legal objection to considering an offer which was wrongly rejected on the ground that technical bid and price bid were not in separate envelopes, the Tender Committee suggested to the Authority to consider the offer of the firm or to obtain revised reduced offers, if any, from the next lowest tenderer also, within a specified time, for further consideration. However, no final decision was taken in the matter by the Authority in the monthly meetings held in November 1988, December 1988 and January 1989. On 25th February 1989 the Authority resolved to refer the issue to Government. The Government was addressed only on 4th April 1989, of the offer after the validity expired on 31st March 1989. Meanwhile on 29th March 1989, the firm had agreed to extend the validity of the offer till end of May 1989 and the rate was revised to Rs. 68.33 lakhs. The firm once again revised the offer to Rs. 70.20 lakhs, on 20th April 1989 extending the validity to end of June 1989. On 16th May 1989, the Government informed the Authority to take its own decision. The Authority decided (23rd May 1989) to award the work to the next lowest tenderer for Rs. 71.62 lakhs inclusive of all taxes, since the revised rate of Rs. 70.20 lakhs together with work/sales tax was no longer the lowest. Thus, due to inordinate delay in taking a decision and also in giving effect to the decision there was failure to award the work to the lowest tenderer before the expiry of the validity period resulting in extra expenditure of Rs. 6.49 lakhs.



### **7.4.3. Avoidable expenditure on a water supply scheme**

With a view to providing water supply to the high level areas of Uzhavoor Panchayat, an improvement work to the existing Rural Water Supply Scheme for Uzhavoor, at an estimated cost of Rs. 4.97 lakhs, was proposed by the Executive Engineer (EE), Public Health Division, Kottayam, in November 1983. The proposal was to tap water from the Comprehensive Water Supply Scheme (CWSS), Vaikom, collect it in a sump and then boost it to a ground level reservoir to be constructed at Edakkotimala. The Superintending Engineer informed the Executive Engineer in December 1983 that the work should be arranged only after approval by the Chief Engineer. In January 1984, the Chief Engineer stated that water supply to Uzhavoor was not contemplated in CWSS, Vaikom and that alternative source might be found for the improvement scheme. Without locating alternative source, the EE made arrangements for the execution of the work. By November 1985, laying pumping main for 1797 metres and casting foundation for the sump were completed. In the meantime, the existing pumping main and pump house were dismantled, due to which water supply in the area was totally paralysed. As a crisis management, the EE restored (December 1985) water supply in the area by connecting the new pumping main to the old ground\*level tank. The balance work on the improvement scheme was abandoned (May 1986). As the pumping main and pump house of the existing scheme constructed in 1978-79 were in good condition, their premature dismantling, without any improvement to the existing water supply resulted in avoidable expenditure of Rs. 4.54 lakhs.

Government accepted (February 1990) the facts and stated that the capacity of new pumping main could be incorporated in the design of any future scheme for Uzhavoor and adjoining panchayats.

### **7.4.4. Extra expenditure on pipes**

After the formation of the new district of Wayanad with Kalpetta as headquarters in July 1983, the source of Kalpetta

Rural Water Supply Scheme commissioned during 1982-83 was found inadequate to meet the increased demand. The proposal to improve the source was stated to have not materialised for want of funds. In May 1987, the District Collector, Wayanad sanctioned the improvement scheme for Rs. 17.50 lakhs under drought relief work, stipulating completion before the end of the month, in view of the severe drought during the year. The scheme consisted of laying gravity main for 3210 metres and construction of a weir at Pulpara. The work of laying gravity main was awarded to a contractor in April 1987 for Rs. 8.78 lakhs, in anticipation of sanction for the scheme, stipulating completion within one month. It was, however, completed only in December 1987. The construction of weir was taken up in October 1987. The scheme was commissioned only in June 1988. The Superintending Engineer (SE) stated that the delay occurred as a portion of the work was to be executed within the forest area.

The estimate for the work of laying gravity main stipulated supply of 100 mm GI pipes also by the contractor. The rate of Rs. 220 per metre stated to be the then (April 1987) market rate was adopted as cost price of the pipes for the purpose of the estimate, and other elements such as contractor's profit was also allowed. According to the instructions issued by the Water Authority in July 1986, the subordinate offices shall not make direct purchase of pipes, but shall intimate the requirements to the Authority to arrange centralised purchase. The Authority entered into a centralised contract with a firm on the basis of open tender in March 1987 for supply of pipes to various other divisions, within 45 days of placing orders. As per the contract the rate of 100mm GI pipes was only Rs. 145.20 per metre. The SE stated that as the time available for the completion of the work was less than a month, no purpose would have been served by reporting the requirement of the pipes to higher authorities. The division was, however, aware that a portion of the work was to be done within forest area which may require more time. The subsequent developments also showed that the time factor was completely ignored. Thus the extra expenditure of Rs. 3.24 lakhs in arranging the supply of 3121 metres of pipes through the contractor on the ground of urgency was not justified.



#### 7.4.5. Extra expenditure on transportation of steel

In June, 1987, the Chief Engineer, Planning, Services and General, addressed the outlet offices at Bangalore and Coimbatore of the Tata Iron and Steel Company Limited (TISCO), enquiring about the availability of steel bars of various sizes from 8mm to 32mm for supply within September 1987 against the total requirement of 2500 tonnes and the rates of transportation charges to the various divisions of the Authority. TISCO, Bangalore confirmed (7th July 1987) the availability of all types of bars and quoted transportation rates ranging from Rs. 265 to Rs. 370 per tonne. TISCO, Coimbatore, intimated (17th July 1987) their ability to supply bars of sizes 16mm to 32mm and quoted transportation rates ranging from Rs. 50 to Rs. 175 per tonne. The Chief Engineer, however, instructed the divisions (21st July 1987) to purchase the entire quantity from Bangalore. The extra expenditure on conveyance in purchasing 986 tonnes of bars of sizes from 16 mm to 32mm from Bangalore, instead of from Coimbatore, where they were available for supply, was Rs. 1.99 lakhs. The Chief Engineer stated (July 1989) that details of the size-wise quantity of bars available for supply from Coimbatore office called for in his letter dated 31st July 1987 were not received and hence no orders were placed with that office. It was, however, seen that in their letter dated 17th July 1987 TISCO, Coimbatore had agreed to supply rods of 16mm to 32mm and in reply to the CE's letter dated 31st July 1987, they had reiterated it on 18th August 1987. The Chief Engineer had also addressed TISCO, Coimbatore only on 31st July 1987, after instructing the various divisions, on 21st July 1987 to effect purchase of all sizes of rods from Bangalore.

While instructing the Divisional officers to effect purchase from Bangalore, the Chief Engineer had mentioned the rates of transportation charges from Bangalore to the Divisions concerned and also stated that those rates should be compared with the existing contracts for conveyance at each Division and cheaper agency should be engaged. The Nattika Firka Division and Thrissur Division arranged the conveyance through their conveyance contractors, though those rates were far above the rates quoted for Irinjalakuda/Thrissur by TISCO, Bangalore. This resulted in further extra expenditure of Rs. 1 lakh.

#### **7.4.6. Comprehensive water supply scheme to Vakkom-Anjengo**

A comprehensive scheme for supply of water to Vakkom, Kadakkavoor, Anjengo, Chirayinkeezhu, Kizhuvallom and Azhoor panchayats in Chirayinkeezhu taluk, identified as problem villages taken up by Kerala Water Authority in December 1980 at an estimated cost of Rs. 382.60 lakhs (revised to Rs. 422.25 lakhs in June 1982) and stipulated for completion by July 1985, had not been completed (March 1989), even after spending Rs. 408.57 lakhs upto December 1988. The construction of intake well, jack well, treatment plant, service reservoir, erection of pumpsets and distribution system were yet to be completed. Works on pump house and sump, laying pumping main and transmission main have been completed and partial commissioning was made in March 1987.

The work of construction of treatment plant and service reservoir entrusted to a contractor in May 1982 for Rs. 46.08 lakhs with stipulation for completion by May 1983 did not progress in spite of extension granted upto December 1987 and the contract was terminated in June 1988 at the risk and cost of the contractor, after incurring an expenditure of Rs. 33.36 lakhs. The balance work had since been arranged at his risk and cost and an extra expenditure of Rs. 1.48 lakhs had been estimated by the division.

At the time of partial commissioning in March-July 1987, breakages at several places in the transmission main laid during 1981-83 were noticed, resulting in leakage. An extra expenditure of Rs. 10.95 lakhs had been anticipated to replace the defective lines, work on which was yet to be started (April 1989).

Against the provision for use of AC/PVC pipes for distribution system, costlier HDPE pipes were used for eight km length, resulting in an extra expenditure of Rs. 1.02 lakhs.



A surge arrester for controlling water hammer on 400mm cast iron pipe line not included in the estimate was erected in October 1987 at a cost of Rs. 2.10 lakhs, without getting technical approval.

Against the provision for purchase of four jeeps, one jeep and three cars were purchased for Rs. 3.79 lakhs by debit to this work and the vehicles were directed to be utilised in the Chief Engineer's Office (one car and jeep) and in the Directorate of Panchayats (two cars).

#### **7.4.7. Shortage of stores**

The physical verification of the PH Division-Store, Kottayam conducted by the Stock verification sub division of the Authority during September 1984 to March 1985 covering the transactions from 1972 to 1984, observed that the physical verification conducted earlier during July 1982 to March 1983 was incomplete. The verification report (July 1985) disclosed shortages in 300 items of materials, the value of which was provisionally assessed at Rs. 12 lakhs approximately. The specific periods during which the shortages arose were reported to be not determinable in the absence of handing over reports from one Assistant Engineer to another. A Divisional Accountant was appointed from October 1987 for the *ad hoc* purpose of assessment of the liability and to apportion it to different periods. There were eight changes in the incumbency, before the work was completed in 1989. In October 1989, the total liability on loss of stores was fixed as Rs. 14.83 lakhs; for taking further action. The individual liability of the three Assistant Engineers who held charge of the Store during the different periods was fixed as Rs. 4.17 lakhs (1972 to September 1979), Rs. 8.62 lakhs (September 1979 to July 1980) and Rs. 2.04 lakhs (July 1980 onwards).

The Assistant Engineer holding the charge of the Store from September 1979 to July 1980 and on whom a liability of Rs. 8.62 lakhs was assessed, however, retired from service in November 1984 with full benefits which were finally disbursed

in June 1989. Another Assistant Engineer who was held responsible for the shortages during 1972 to September 1979 was appointed as the Executive Engineer of the same division from May 1988 to July 1989, when the task of fixing his own liability in the matter was being looked into by the Division. Government stated (July 1990) that disciplinary action was being pursued by the Authority for recovery of liability in respect of two Assistant Engineers.

#### **7.4.8. Unfruitful expenditure due to selection of unsuitable source for water**

The work of providing water supply to Monipally colony in Kottayam district, as a part of drought relief programme was entrusted to a contractor in December 1983 by the Executive Engineer, Public Health Division, Kottayam at a cost of Rs. 1.63 lakhs, excluding cost of pipes. The administrative sanction from the District Collector for the work was not available (February 1990). The work comprised of construction of a well-cum-pumphouse at Monipally, a ground level tank at colony compound and laying pumping main and distribution system. After laying pipes for 4,900 metres and executing certain incidental works, further work was stopped, since the source for water proposed was found unsuitable. The Executive Engineer informed the District Collector in July 1985 that the work required substantial modifications, since the source for water had to be changed. The new source had not been located. The expenditure of Rs. 3.37 lakhs incurred so far on the work, including cost of pipes laid, remained unfruitful (February 1990). Further, pipes costing Rs. 1.29 lakhs which had been issued to the contractor were left with him without being used on the work.

#### **7.4.9. Water supply scheme to Vaikom Municipality and nearby panchayats**

A comprehensive water supply scheme sanctioned by Government in June 1971 at a cost of Rs. 125 lakhs to serve Vaikom Municipality and adjoining twelve panchayats envisaged



supply of water of 10.3 million litres per day (mld) through 523 street taps covering a net work of 126 km. pipeline. During execution, the scope of the scheme was substantially widened covering more areas in order to meet the drought situation in 1983. As at the end of March 1989, incurring expenditure of Rs. 378.20 lakhs, pipelines had been laid for 485 km. and 2057 street taps, 3052 domestic connections and 269 non-domestic connections had been provided. The work is expected to be completed by 1990. The sanction for the revised scheme executed had not been obtained, though expenditure incurred was more than three times the approved cost.

Even though the number of tap connections was increased, the total availability of water remained the same. After installing four pumps having a total capacity of 500 HP, as against 400 HP envisaged in the estimate, the scheme was partially commissioned during 1981-82. However, the discharge of water available was only 5.65 mld against 10.3 mld estimated.

Share of capital cost and maintenance charges to be borne by the municipality and panchayats had not been claimed/realised from them.

Water charges from consumers were not collected after March 1987, reportedly due to inadequacy of staff. The amount to be collected upto March 1989 was Rs. 2.42 lakhs.

In the absence of any definite proposal for enhancing the total availability of water for the scheme, the envisaged supply of 10.3 mld could not be made available even after spending Rs. 378 lakhs.

#### **7.4.10. Unnecessary acquisition of land**

The estimate for Manjeri Water Supply Scheme (MWSS) did not provide for acquisition of land for storing materials. Nevertheless, in March 1986, the Executive Engineer, Public Health Division, Malappuram took advance possession of 1.44 hectares of land in Manjeri for locating the Divisional Store proposed

to be shifted from Malappuram. When request for funds was made (June 1986), the Executive Engineer was directed to cut short the land acquisition to the barest minimum to accommodate only the buildings proposed under MWSS and also to surrender surplus land, if any, taken advance possession of. Since one hectare of land required for the buildings of MWSS was acquired in July 1986 at a cost of Rs. 19.73 lakhs, the 1.44 hectares of land already taken advance possession of for the Store was rendered surplus. In spite of specific directions from the Chief Engineer to surrender such surplus land, it was retained by the department and Rs. 29.05 lakhs were paid as compensation in November 1986, debiting the expenditure to the MWSS.

The EE stated (September 1988) that 80 per cent of the land was being utilised from March 1987 to store the materials procured for the MWSS. However, this was a case of acquisition of land without approval and misutilisation of funds borrowed from the Life Insurance Corporation of India, since the shifting of the Divisional Store to Manjeri remains to be approved (October 1989).

#### **7.4.11. Excess payments in Rural Water Supply Scheme Ayroor-Kanjettukara**

The work of laying pipeline for 19.50 km. for the distribution system of Ayroor-Kanjettukara water supply scheme in Pathanamthitta district, estimated to cost Rs. 4.44 lakhs was entrusted to a contractor in June 1984 for Rs. 2.70 lakhs, at 48 per cent below the estimate stipulating completion within six months. By April 1989 Rs. 25.48 lakhs have been spent (944 per cent of the contract amount) but the work has not been completed. Extension of pipeline to 45 km. and execution of extra items accounted for the increase in expenditure. A supplementary agreement for extra item was executed by the Superintending Engineer in June 1985 without the approval of the Chief Engineer. The total expenditure of Rs. 25.48 lakhs included irregular expenditure to the extent of Rs.18.28 lakhs as shown below:—

- (i) The agreement provided for excavation of 2340 cu. metre hard rock by blasting for trenches at Rs. 21 per cu. metre



against which only 422 cu. metre work was done. Observing that new houses have come up on the sides of the trenches, protected blasting was arranged for the balance portion and the rate of Rs. 99.63 per cu. metre was agreed to for the extra item. This rate was largely in excess, since the rate admissible for excavation in hard rock by chiselling, where blasting is prohibited, based on the Standard Data Book, was only Rs. 26.91 per cu. metre. The quantity of work also increased subsequently from 1918 cu. metre to 5960 cu. metre. The extra payment on this account was Rs. 4.33 lakhs.

(ii) The Madras Detailed Standard Specifications stipulated that the contractor should not be paid for greater width or depth than the scheduled width or depth of the trenches and will be paid only for the quantity as per sectional plan irrespective of extra earth work actually executed. Though blasting was done only for 5960 cu. metre, payment was made for 15,890 cu. metre on the basis of stack measurements of stone excavated, after deducting for voids. Thus extra payment of Rs. 9.89 lakhs was made on 9930 cu. metre at Rs. 99.63 per cu. metre.

(iii) Filling the rocky portions of the trenches was paid for at Rs. 18.75 per cu. metre for 9343 cu. metre, though the quantity of rock excavation as per sectional plan was only 6382 cu. metre. Further, as the filling was done with 'earth' the rate admissible was only Rs. 13.27 per cu. metre instead of the rate of Rs. 18.75 applicable for filling with 'gravel'. The extra payment on these accounts was Rs. 0.91 lakh.

(iv) One of the extra items executed was 'dry rubble packing' using departmentally supplied rubble along the trenches to prevent scouring during rains at sloppy portions. This item of work was unusual for the pipe laying works done by the Authority. The item in the agreement schedule included refilling after laying pipes in layers, consolidating each layer by ramming, watering, etc. which were done to prevent soil erosion. The necessity for the special item of dry rubble packing has not been recorded. Though dry rubble packing was estimated for 11,863 sq. metre payment was made for 30,722 sq. metre packing.

The rate for the item was arrived at Rs. 13.05 per sq. metre though under the standard rate it would be only Rs. 7.25 per sq. metre. The extra payments on these accounts was Rs. 3.15 lakhs.

The matter was reported to Government in May 1989. reply was not received (May 1990).

#### **7.4.12. Loss due to excess usage of chemicals**

The Manual on Water Supply and Treatment issued by the Central Public Health and Environmental Engineering Organisation provided that coagulation should be carried out within an optimum zone and failure to operate within the optimum zone would result in waste of chemicals and might also reflect in the lowered quality of the plant effluent. The raw water lifted from Periyar river for supply of drinking water to North Parur, Aluva and Greater Cochin is chemically treated at the Aluva headworks with lime and alum. No standards for use of the chemicals were specified till August 1985. In the wake of abnormal reduction of the carrying capacity of the pumping main, a Committee was constituted in June 1985 which found that the dosage of chemicals used were very high and based on their recommendation, the Superintending Engineer (SE), World Bank Project Circle, Aluva issued instructions (August 1985) to reduce the use of chemicals so that the maximum dosage of lime could be 18 parts per million (PPM) with corresponding reduction in the quantity of lime. The instructions of the SE were, however, not carried out. A study was also conducted with the assistance of the Sponsored Research Centre of the Cochin University and based on further testing, instructions were again issued in December 1986 that the optimum dosages could be within 18 PPM lime and 40 PPM alum. Thus, while no standards for usage of chemicals were fixed till August 1985, the standards fixed in August 1985 were not followed till October 1986 resulting in an avoidable expenditure of Rs. 19.60 lakhs during the intervening period, calculated at the rate of Rs. 1.40 lakhs per month as estimated by the SE. Government stated (July 1990) that the quantity of chemicals consumed in the actual operation could not be directly worked out based on the



dosage fixed in the laboratory. It was, however, observed that the average quantity of alum and lime utilised consequent on enforcement of standards (November 1986 to March 1988) was only 77 tonnes and 39 tonnes respectively, against 152 tonnes and 77 tonnes respectively utilised prior to enforcement (September 1985 to October 1986), even though the quantity of water treated was less.

#### **7.4.13. Calicut water supply scheme**

The Calicut water supply scheme commissioned in 1971 was designed to supply 36 million litres of water per day (mld). In May 1977, Government sanctioned an augmentation scheme (first stage) at an estimated cost of Rs. 482 lakhs, since revised to Rs. 813 lakhs. After incurring an expenditure of Rs. 539.42 lakhs on the first stage of augmentation, the works were reported to be at a standstill (October 1989).

Meanwhile, to ensure steady water supply, Government sanctioned (April 1979) another estimate for Rs. 76 lakhs to be taken up on emergent basis by way of interim augmentation of the scheme. This included installing high capacity pumps to increase the capacity of raw water pumping from 36 mld to 45 mld. Against the estimate of Rs. 76 lakhs, the expenditure incurred was Rs. 154.91 lakhs, with the work of installation of high capacity pumps still pending. Three pumpsets (500 HP, 600 HP and 650 HP) purchased during July 1980 to July 1981 (cost: Rs. 14.02 lakhs) and two 750 KW transformers purchased between February and August 1980 (cost: Rs. 2.78 lakhs) have not been installed and are lying idle. Only 90 per cent payment had been made for the two transformers and the 600 HP pump. The department stated (August 1989) that the works are held up because of many unforeseen problems; but did not specify the problems. While the first stage augmentation was reported to be at standstill, even the scheme of interim augmentation taken up on emergent basis had not been completed even after ten years of its commencement.

#### 7.4.14. Extra contractual payment

Orders for supply of 1,77,415 tonnes of G. I. pipes of various sizes were placed in February 1988 with a Madras firm at a total cost of Rs. 89.83 lakhs. In terms of the agreement executed, the entire quantity of materials was required to be put up for inspection in one lot and the delivery was to be completed in all respects within four months from the date of receipt of order, with proportionate quantity being supplied each month. The agreement also provided for price variation clause as per DGS&D terms and conditions, subject to obtaining of prior approval of the Chief Engineer (Planning, Services and General).

There was delay on the part of the firm to effect the supplies. The firm did not make any supply within the original delivery period of four months. Based on requests made by the firm, extension of time was granted on four occasions, the last one being upto December 1988. While granting extension each time the firm was specifically informed that no price increase would be allowed beyond the original price. Nevertheless, the firm demanded enhanced rates for the entire quantity supplied on the plea of revision of rates of supply by DGS & D. The pipes were offered for inspection in five lots between August and November 1988 and supply was completed by the firm by December 1988. Meanwhile the cost of G. I. Pipes was revised upwards five times by the DGS&D-on second and thirty-first of March, on first and fourth of May and on first of June during the year 1988. An amount of Rs. 3.73 lakhs was paid to the firm towards price escalation at the rates applicable from first of June 1988 for the entire quantity supplied.

Had the firm adhered to the delivery schedule originally fixed, the firm would have been entitled to the price increase only for proportionate quantities which were remaining to be delivered at the time of each price increase. Thus, in terms of agreement executed, the extra cost payable to the firm would have been only Rs. 1.68 lakhs, against Rs. 3.73 lakhs paid. The Chief Engineer stated (September 1989) that due to the financial problems, the Authority was not in a position to enforce the agreement conditions strictly. It was, however, observed that the supply order was placed only after receipt of finance clearance for the purchase.



#### **7.4.15. Extra expenditure on Ottappalam water supply scheme**

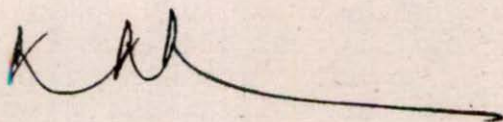
The work of construction of an infiltration gallery and well-cum-pump house under the Ottappalam water supply scheme was entrusted to a contractor in March 1984 for Rs. 5.50 lakhs (12 *per cent* below the estimated rates). The work was completed in February 1987 at a total cost of Rs. 14.06 lakhs.

The contract, *inter alia*, provided for baling out water for 4,000 KWH and shoring the sides of the gallery trenches with 5,000 sand bags, which during execution increased to 79,594 KWH and 25,566 sand bags respectively. According to specification in the agreement, the contractor estimated the amount of pumping and baling to be done, examined the provisions which he would have to make during excavation by shoring, timbering, etc., and tendered a rate to include all the contingent expenses. Accordingly, no payment was to be made for any incidental additional quantity executed for these items of work. Nevertheless, the contractor was paid an additional amount of Rs. 1.45 lakhs for shoring the sides of the trenches beyond 2.5 metre depth in 448 metres and Rs. 2.07 lakhs for baling out water for 75,594 KWH which were in excess of the agreed quantity. The payment for shoring included Rs. 0.72 lakh on account of incorrect measurement of each side of the trenches separately, though the approved unit rate was for shoring both sides combined. The Executive Engineer, Public Health Division, Palakkad stated (May 1989) that the construction of the infiltration wells/gallery was done in the river proper and hence it was very difficult to anticipate all the works and that the provision made for baling out water was inadequate.

The contract also provided for another item *viz.*, supplying and laying 370 metres stone ware pipes (200 mm) at the bottom of the infiltration gallery at a total cost of Rs. 0.11 lakh. For convenience, stone ware pipes were replaced during execution with asbestos cement pipes (200mm) supplied departmentally which necessitated drilling holes on the pipes. The contractor was paid Rs. 1.38 lakhs as extra for drilling 43,120 holes of 20mm diameter on 360 metres of pipes at 120 holes per metre; the rate allowed was Rs. 3.63 per hole fixed on the basis of

observed data. The number of holes to be drilled was taken as 120 per metre taking the diameter of the hole in the pipe as 12mm. However, the rate for drilling adopted (Rs. 3.63 per hole) showed the diameter of the hole as 20 mm and based on this diameter only 42 holes could be drilled for a metre length. Thus the total number of holes of 20 mm diameter required for a length of 360 metres would be 15,120 as against 43,120 executed. The extra payment made to the contractor for the excess 28,000 holes drilled was Rs. 0.89 lakh.

The work completed as early as in February 1987 had not been commissioned (June 1990) owing to non-completion of the overhead tanks and non-laying of pumping main. The expenditure of Rs. 14.06 lakhs incurred on the work remained unfruitful.



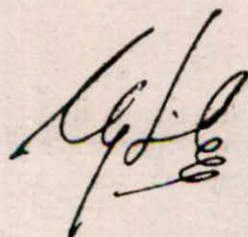
Thiruvananthapuram,

The -3 JAN 1991

(K. KRISHNAN)

Accountant General (Audit)-I, Kerala.

Countersigned



New Delhi,

The 15 JAN 1991

(C. G. SOMIAH)

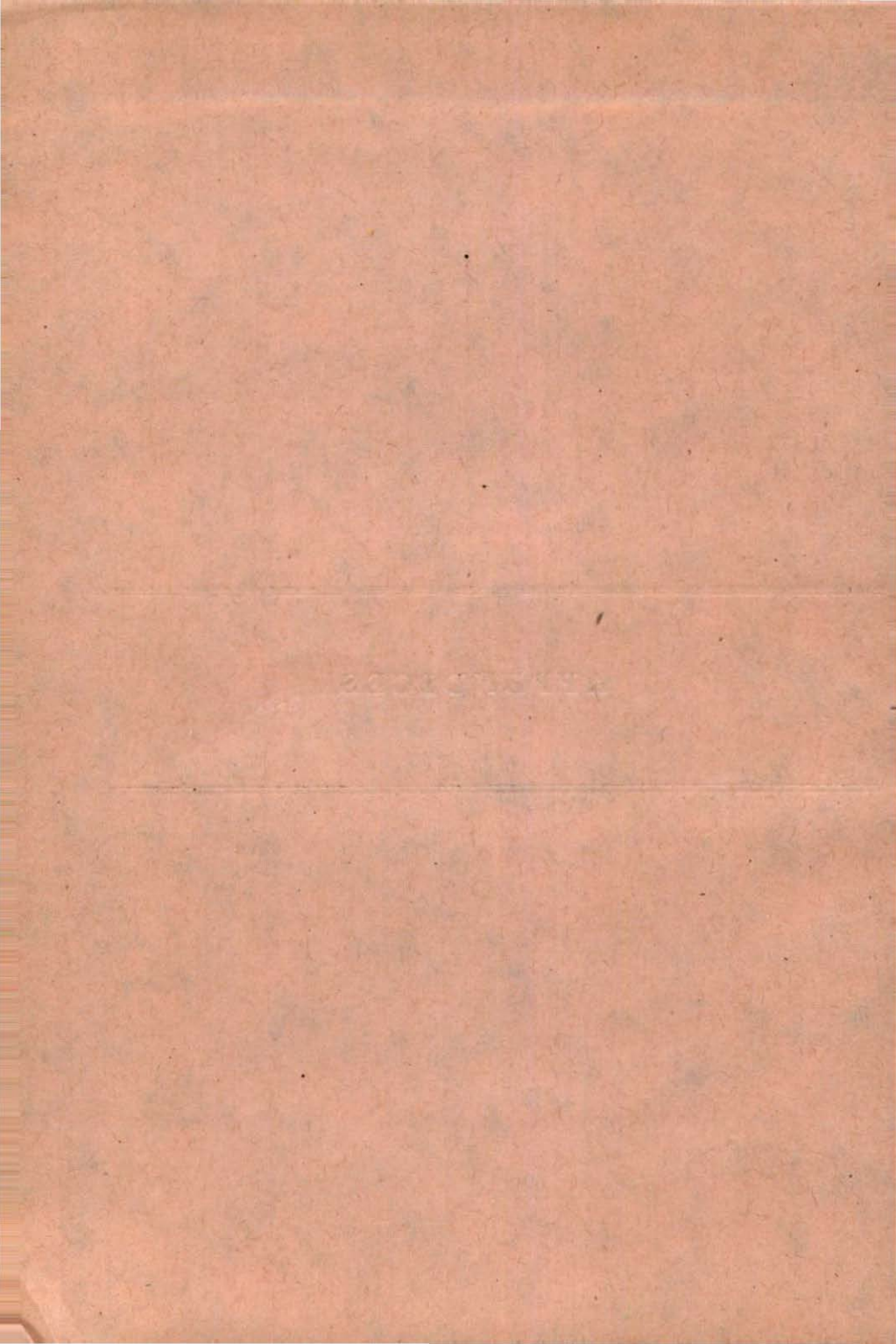
Comptroller and Auditor General of India.



---

APPENDICES

---





# APPENDIX 1

## Voted grants/charged appropriations where excess requires regularisation

(Reference: Paragraph 2.2.2.)

Sl. No.	Number and name of grant	Total grant/ appropriation (Rs.)	Actual Expenditure (Rs.)	Excess (Rs.)
<b>REVENUE SECTION (Voted grant)</b>				
1.	VII—Stamps and Registration	7,62,48,800	8,24,61,144	62,12,344
2.	XVII—Education, Sports, Art and Culture	5,55,92,00,300	5,82,16,39,389	26,24,39,089
3.	XVIII—Medical and Public Health	1,27,06,63,200	1,27,10,80,796	4,17,596
4.	XXV—Social Welfare including Harijan Welfare	98,85,92,900	99,61,64,923	75,72,023
5.	XXVI—Relief on account of Natural Calamities	15,09,50,000	15,16,48,889	6,98,889
6.	XXXI—Animal Husbandry	16,96,23,500	17,45,89,891	49,66,391
7.	XXXII—Dairy	3,81,57,000	3,83,93,809	2,36,809
8.	XXXVI—Community Development	78,37,86,200	80,72,67,012	2,34,80,812
9.	XL—Ports	1,94,08,100	2,01,10,264	7,02,164
10.	XLIII—Compensation and assignments	18,97,87,000	20,72,08,110	1,74,21,110
<b>CAPITAL SECTION (Voted grant)</b>				
11.	XLV—Miscellaneous Loans and Advances	8,32,07,300	8,49,35,756	17,28,456
	Total			32,58,75,683
<b>REVENUE SECTION (Charged appropriation)</b>				
12.	II—Heads of States, Ministers and Headquarters Staff	3,65,91,400	3,67,38,192	1,46,792
<b>CAPITAL SECTION (Charged appropriation)</b>				
13.	XV—Public Works	41,69,800	49,07,268	7,37,468
14.	XLI—Transport	2,00,000	2,10,264	10,264
15.	Public Debt Repayment	10,78,84,77,900	11,50,91,45,478	72,06,67,578
	Total			72,15,62,102

# APPENDIX 2

## Injudicious re-appropriation of funds

(Reference: Paragraph 2.2.12)

Sl. No.	Number and name of grant	Provision (original plus supplementary)	Re-appropri- ation	Total provision	Actual expenditure	Excess (+) Saving (—)
						(Rs. in lakhs)
<b>(a) Surplus withdrawals</b>						
Debt Charges—						
1.	2049-03-101-02. Fixed and Time Deposits	385.00	(—)186.30	198.70	267.60	(+) 68.90
XVI—Stationery & Printing and Other Administrative Services						
2.	2058-101-01. Purchase & Supply of stationery stores	570.00	(—)271.10	298.90	342.78	(+) 43.88
XV—Public Works						
3.	5054-03-337-02—Developments and improvements—Major Works	233.93	(—) 52.00	181.93	221.46	(+)39.53
XXXVI—Community Development						
4.	2505-60-101—Rural Landless Employment Guarantee Programme	2500.00	(—)434.85	2065.15	2136.31	(+) 71.16
5.	2505-60-103-01.—Scheme for small and marginal farmers for increasing agricultural production	755.00	(—)404.86	350.14	452.19	(+)102.05
XXXVIII—Irrigation						
6.	2701-80-799—Suspense	1237.00	(—)248.00	989.00	1062.21	(+) 73.21
7.	4701-02-103—Kallada Irrigation Project—Major Works	2279.27	(—) 37.62	2241.65	2270.83	(+) 29.18
<b>(b) Surplus additions</b>						
XII—Police						
8.	2055-109-01—District Force	5197.52	(+) 53.01	5250.53	5205.63	(—) 44.90
XV—Public Works						
9.	2059-60-053-01—Maintenance and repairs of other buildings	169.43	(+)103.00	272.43	218.78	(—) 53.65



## APPENDIX 2—Concl'd.

Sl. No.	Number and name of grant	Provision (original plus supplementary)	Re-appropri- ation	Total provision	Actual expenditure	Excess (+) Saving (—)
(Rs. in lakhs)						
10.	5054-04-800-09—Village roads—Developments and Improvements	256.00	(+) 1014.02	1270.02	1219.86	(—) 50.16
	XVII—Education, Sports, Art and Culture					
11.	2202-03-102-03—Mahatma Gandhi University Grant-in-aid	125.00	(+) 153.00	278.00	249.30	(—) 28.70
12.	2202-02-106-01—Text Books Publication	1058.62	(+) 50.81	1109.43	1019.01	(—) 90.42
13.	2202-02-109-01—Secondary Schools	5365.27	(+) 53.14	5418.41	5366.90	(—) 51.51
	XXIX—Agriculture					
14.	2401-109-02—National Agricultural Extension Project	51.00	(+) 55.48	106.48	75.71	(—) 30.77
15.	2415-01-277-01—Kerala Agricultural University Grant-in-aid	1050.00	(+) 120.63	1170.63	1090.00	(—) 80.63

**Incubation Capacity**

(Reference:

<i>Year</i>	<i>RPF Kodappanakunnu</i>			<i>RPF Kollam</i>			<i>RPF Mundayad</i>		
	<i>A</i>	<i>B</i>	<i>C</i>	<i>A</i>	<i>B</i>	<i>C</i>	<i>A</i>	<i>B</i>	<i>C</i>
1983-84	198000	77194	39	48960	45005	92	192000	81515	42
1984-85	198000	143491	72	48960	32269	66	192000	74834	39
1985-86	198000	92086	47	48960	12205	25	192000	48181	25
1986-87	198000	99974	50	48960	26235	54	192000	85939	45
1987-88	198000	185443	94	210960	62214	29	192000	135897	71

A. Incubation capacity in the farm—Number of eggs

B. Number of eggs set in the farm

C. Percentage of utilisation



and utilisation

Paragraph 3.3.10)

Central Hatchery Chengannur			Broiler Farm Pettah			Duck Farm Niranam		
A	B	C	A	B	C	A	B	C
448800	257153	57	42000	29527	63	432000	49620	11
448800	439370	98	42000	20894	50	432000	54714	13
777600	597721	77	42000	34427	82	432000	125048	29
777600	657666	85	42000	41570	99	432000	110589	26
1101600	876640	80	186000	22389	12	432000	152826	35

## APPENDIX 4

**Delay in analysis of samples and taking further action in the case of substandard drugs**

(Reference: Paragraph 3.6.11)

<i>Sl. No.</i>	<i>Name of drug</i>	<i>District from which sample was sent</i>	<i>Date of forwarding sample to laboratory</i>	<i>Date of sending result of analysis</i>	<i>Date of expiry of potency of the drug</i>	<i>Date of preventive/penal action taken by L</i>
1.	Mivtal	Ernakulam	May 1984	December 1984	November 1984	..
2.	Vistapen	do.	January 1987	December 1987	November 1987	..
3.	Vibelan Forte	Thrissur	July 1986	January 1988	August 1987	..
4.	Vilcaplex	do.	April 1987	January 1988	December 1987	..
5.	Carbian	Ernakulam	February 1984	September 1984	April 1985	Pending
6.	M. Vittal	do.	May 1984	December 1984	March 1985	do.
7.	Meenipal	do.	May 1984	June 1984	October 1985	do.
8.	Dextrose Injection	do.	October 1984	January 1985	August 1985 & June 1986	do.
9.	Sodium Chloride Injection	do.	September 1986	February 1987	January 1988	do.
10.	Comfortex capsules	Thrissur	July 1986	July 1987	September 1987	do.
11.	Endoplex capsules	do.	February 1987	February 1988	March 1988	do.
12.	Manitol Injection	Kozhikode	January 1985	May 1985	December 1985	August 1988
13.	Equajestic	Idukki	October 1985	October 1986	November 1986	April 1987

In the first four cases potency period of the drugs was already over, when the test results were known. In the next seven cases, preventive/penal action has not been taken and the potency period of the drugs has since been over. In the last two cases, action was taken long after the potency period.



# APPENDIX 5

## Details of cases pending prosecution action

(Reference: Paragraph 3.6.14)

<i>Name of district</i>	<i>Period of detection of crime</i>	<i>Nature of crime</i>	<i>Remarks</i>
1. Thrissur	December 1982/ July 1987	Drugs marked as physician's samples were offered for sale	The drugs were seized and produced at courts in December 1982/ August 1987. No formal complaint has been filed (November 1988).
2. Thrissur	December 1984	Sale of 'Sanmycetin' ear drops to a patient while the medical officer's prescription was for 'Sanmycetin' eye drops.	On receipt of complaint the Inspector visited the shop in January 1985 and seized the records. No further action has taken place.
3. Thrissur	August 1987	Practice in allopathy and stocking of allopathic drugs by an Ayurvedic Medical Officer	The records were seized and produced at the court in August 1987. No further reports have been filed.
4. Thrissur	August/ November 1987	Sale of drugs by a dealer who had already surrendered the licence and realisation of excess price for drugs.	The matter was reported to the DC in November 1987. No further developments have taken place.
5. Kozhikode	May 1983	Sale premises had no licence	The drugs were seized and produced at the court in May 1983. No formal complaint has been filed in the court (September 1988).
6. Palakkad	April 1987	Manufacture of black disinfectant fluid without valid licence	The drug was seized and produced at the court in April 1987 and thereafter there was no further development.
7. Ernakulam	February 1988	Realisation of excess price for anti-snake venom on five occasions	The private hospital authorities stated that it was due to oversight and excess refunded in two cases. A report was sent to DC in March 1988 and thereafter there was no further development.

# APPENDIX 6

## Department-wise details of cases of misappropriations, losses, etc.

(Reference: Paragraph 3.14)

Sl. No.	Name of Department	Number of cases	Amount (Rs. in lakhs)
1.	Agriculture Department		
	(i) Agriculture	3	0.14
	(ii) Animal Husbandry	2	1.03
2.	Cultural Affairs Department	1	1.82
3.	Finance Department		
	(i) Lotteries	1	0.90
	(ii) Treasuries	4	2.14
4.	Forest & Wildlife Department	8	1.99
5.	General Education Department	19	7.73
6.	Health & Family Welfare Department		
	(i) Health Services	9	4.02
	(ii) Medical Education	3	3.64
7.	Higher Education Department		
	(i) Collegiate Education	3	1.10
	(ii) Technical Education	2	0.04
8.	Home Department		
	(i) Judicial Administration	2	0.03
	(ii) Police	2	0.24
9.	Irrigation Department	14	6.23
10.	Labour and Rehabilitation Department	1	0.24
11.	Local Administration Department		
	Panchayats	1	0.01



APPENDIX 6—*Concl'd.*

<i>Sl No.</i>	<i>Name of Department</i>	<i>Number of cases</i>	<i>Amount (Rs. in lakhs)</i>
12.	Public Works & Transport Department		
	(i) Motor vehicles	1	0.08
	(ii) PWD—Buildings	4	0.66
	(iii) PWD—Roads and Bridges	10	6.93
13.	Revenue Department	25	15.28
14.	Rural Development Department	16	1.20
15.	Scheduled Castes & Scheduled Tribes Development Department	2	0.19
16.	Taxes Department	3	0.05
	Total	136	55.69

# APPENDIX 7

## Department-wise details of writes off, waivers and *ex-gratia* payments

(Reference: Paragraph 3.15)

Sl. No.	Name of Department	Writes off		Waivers		Ex-gratia Payments	
		No. of cases	Amount (Rs. in lakhs)	No. of cases	Amount (Rs. in lakhs)	No. of cases	Amount (Rs. in lakhs)
1.	Agriculture Department						
	(i) Agriculture	30	0.66	..	..	..	..
	(ii) Animal Husbandry	716	2.72	..	..	..	..
	(iii) Dairy Development	3	0.02	..	..	..	..
2.	Co-operation Department	9	0.61	..	..	..	..
3.	Fisheries and Ports Department—Ports	..	..	..	..	1	0.50
4.	Finance Department	4	0.07	..	..	..	..
5.	Food Department	3	0.05	..	..	..	..
6.	Forest & Wildlife Department	3	2.01	..	..	..	..
7.	General Education Department	7	0.30	1	0.01	..	..
8.	Health Department						
	(i) Health Services	46	0.52	..	..	1	0.25
	(ii) Homoeopathy	6	0.15	..	..	..	..
	(iii) Indian Systems of medicine	3	0.03	..	..	..	..
	(iv) Insurance Medical Services	28	1.46	..	..	..	..
	(v) Medical Education	9	0.33	..	..	..	..
9.	Higher Education Department—Collegiate Education	18	0.08	74	1.44	..	..
10.	Home and Vigilance Department—Police	3	0.06	..	..	..	..
11.	Industries Department	2	0.13	1	0.03	..	..
12.	Irrigation Department	1	0.22	..	..	..	..
13.	Labour Department	3	0.03	..	..	..	..



## APPENDIX 7—Concl'd.

Sl. No.	Name of Department	Writes off		Waivers		Ex-gratia Payments	
		No. of cases	Amount (Rs. in lakhs)	No. of cases	Amount (Rs. in lakhs)	No. of cases	Amount (Rs. in lakhs)
14.	Local Administration Department	4	0.02	..	..	..	..
15.	Public Works & Transport Department						
	(i) Public Works	9	3.14	..	..	..	..
	(ii) Transport	5	868.32*	..	..	..	..
16.	Revenue Department	2	0.02	..	..	..	..
17.	SC/ST Development Department						
	(i) Scheduled Castes development	10	0.04	..	..	..	..
	(ii) Scheduled Tribes development	1	0.02	..	..	..	..
18.	Taxes Department—Registration	1	0.03	..	..	..	..
	Total	926	881.04	76	1.48	2	0.75

Details for 1988-89 are still awaited from:—

1. Secretary, Rural Development Department
2. Director of Fisheries
3. Director of Museums and Zoos
4. Secretary, Planning Board
5. Secretary, Revenue Board (Land Revenue) Thiruvananthapuram
6. Secretary, Kerala Public Service Commission
7. Director of Tourism

\* Represents Government loan (Rs. 434.23 lakhs), interest and penal interest on Government loan (Rs. 229.69 lakhs) and interest on Capital Contribution (Rs. 204.40 lakhs) to Kerala State Road Transport Corporation ordered to be written off; the adjustment to effect the write off on loan in accounts is yet to be carried out pending making provision of funds.

# APPENDIX 8

## Details of sea walls damaged by sea erosion

(Reference: Paragraph 4.3.3.)

Sl. No.	Name of work	Expenditure incurred (Rs. in lakhs)	Remarks
<i>Kollam Division</i>			
1.	Sea wall at Thrikunnapuzha for 975m from Ch 62100 to 63075	61.62	The work originally taken up in October 1973 at an agreed PAC of Rs. 4.15 lakhs was terminated in May 1975 due to paucity of funds after incurring an expenditure of Rs. 0.98 lakh. The work subsequently taken up in December 1982 for Rs. 50.19 lakhs was completed in October 1987 at a cost of Rs. 61.62 lakhs. About 35 per cent of stones were dumped during monsoon months. Sinkages occurred in erosion during 1984-85 and it resulted in redumping of stones and an extra expenditure.
2.	Sea wall for 500m from Ch 49500 to 50000 at Perumpalli	23.61	About 54 per cent of dumping of stones was done during the monsoon months of 1984, 1985 and 1986. The sea wall was washed away at many portions in erosion.
3.	Sea wall on the rear side of Panickerkadavu bridge between Ch 36000 and 36500	13.84	The work due for completion in July 1982 had not been completed so far. Dumping of stones was continued during monsoon months of 1984 and 1985. Almost the entire construction was washed away in erosion during 1985.
4.	Sea wall from Ch 40000 to 40255 on the rear side of Kurukkasserril temple at Alappad	6.91	Construction of core wall taken up in March 1981 was stopped in January 1983 due to objection about the site. The construction on the sea wall was again taken up in April 1986 at a different site and continued during monsoon months. There were sinkages of the wall during heavy rains in June 1986 and high waves in August 1987.
<i>Alappuzha Division</i>			
5.	Sea wall at Punnappra for 240m from Ch 0 to 240, for 240m from Ch 240 to 480, for 270m from Ch 480 to 750, for 250m from Ch 750 to 1000	13.18 12.93 18.02 18.63	The works were taken up in August-September 1983. About 40 per cent of the stones were dumped during monsoon months of 1984 and 1985. Bulk of the construction was washed away in erosion during May-June 1985.



APPENDIX 8—*Contd.*

<i>Sl. No.</i>	<i>Name of work</i>	<i>Expenditure incurred (Rs. in lakhs)</i>	<i>Remarks</i>
<i>Ernakulam Division</i>			
6.	Seawall for 548m from Ch 18048 to 18596 at Elankunnappuzha in Vypeen Island	25.85	The work was taken up in July 1985 for Rs. 20.03 lakhs. Due to sinkages occurred during monsoon during execution, additional quantity of stones for about Rs. 5 lakhs had to be dumped.
7.	Sea wall for 1Km from Ch 18433 to 19433 at Chellanam Island	18.48	The work was taken up in June 1980. About 67 per cent of stones were dumped during monsoon months of 1980 and 1981. The sea wall was washed away at many places in erosion occurred during 1981. The work has not been resumed after the contractor abandoned it in July 1981.
<i>Thrissur Division</i>			
8.	Sea wall for 2000m in Eriyad Village Third reach from Ch 800 to 1200.	14.98	The work was taken in June 1985. About 50 per cent of stones were dumped during monsoon months. Sinkages occurred in August 1987 causing additional expenditure of Rs. 2.08 lakhs.
<i>Kozhikode Division</i>			
9.	Sea wall for 1000m in Kollam beach first reach for 420m.	18.96	The work was taken up in October 1984 and completed in June 1988. About 49 per cent of stones were dumped during monsoon months of 1985, 1986, 1987. During execution there were sinkages due to erosion causing additional expenditure.

# APPENDIX 9

## Details of sea walls damaged by sea erosion

(Reference: Paragraph 4.3.3.)

Sl. No.	Name of work	Expenditure incurred (Rs. in lakhs)	Remarks
<i>Kollam Division</i>			
1.	Sea wall at Arattupuzha from Ch 55,000 to 55,500	18.88	The work was taken in December 1983. The stones dumped were not packed. Sinkages occurred in erosion during March-April 1984 and May 1985. According to the department (February 1987) the sea wall already formed had sunk considerably due to heavy sea erosion and the sea wall already formed had not attained any profile due to sinkage. About 80 per cent of the excess quantities over the original estimate quantities were anticipated for satisfactory completion of sea wall.
2.	Sea wall for 500m from Ch 66,500 to 67,000 at Pallana	17.88	The work taken up in 1976 has not been completed. One by one, three contractors abandoned the work after partial execution. Though 7,200 numbers of 200 cu.dm. stones were dumped no packing was done. The bulk of the work executed has been washed away in erosion.
3.	Sea wall for 500m from Ch 66,000 to 66,500 at Pallana	15.65	The work taken up in 1976 has not been completed. About 95 per cent of the work was done by the first contractor (cost paid Rs. 10.49 lakhs) bulk of which was washed away in erosion during 1977. The second contractor also stopped work in November 1982 after executing about 75 per cent of the work (cost paid Rs. 5.16 lakhs). Out of 12,046 numbers of 200 cu.dm. stones supplied 11,125 numbers only were dumped. The balance 921 stones supplied (Cost Rs. 0.29 lakh) has not been used on the work for over 7 years. The dumped stones were also not packed.



# APPENDIX 10

## Unutilised equipment/stores

(Reference: Paragraph 5.5.)

### (I) New equipment remaining unutilised

<i>Sl. No.</i>	<i>Name of equipment/store</i>	<i>Period of purchase</i>	<i>Value (Rs. in lakhs)</i>	<i>Remarks</i>
1.	Pipes, pumpsets, Valves, etc.	December 1986 to June 1987	9.35	The items were purchased for the community irrigation scheme works. The scheme was discontinued on the orders of the Government.
2.	Central lathe	November 1982	0.96	Electric connection has not been provided (December 1989).
3.	Welding Generator set	April 1985	0.69	do.
4.	Other machines	March 1983	0.51	do.
Total			11.51	

### (II) Equipment remaining unutilised pending repairs

<i>Sl. No.</i>	<i>Name of equipment</i>	<i>Period from which remaining unrepaired</i>
1.	Four air compressors	Two from January 1983 One from July 1984 One from January 1986
2.	One portable logger	April 1985
3.	One calyx machine	June 1986
4.	One lorry	May 1986
5.	Two jeeps	One from September 1986 One from May 1988
6.	One Rig	July 1987.

