REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2004

(CIVIL)

GOVERNMENT OF KERALA

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102/113/2005—1

CONTENTS

APPENDICES

PREFACE

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

Chapters I and II of this Report respectively contain Audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2004.

The remaining Chapters deal with the findings of performance audit and audit of transactions in the various departments including the Public Works and Irrigation Departments, audit of Stores and Stock, audit of Autonomous Bodies and audit of Internal Control System in Government Departments.

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

The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2003-04 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 2003-04 have also been included wherever necessary.

102/113/2005—2

OVERVIEW

This Audit Report contains 39 Audit Paragraphs, 7 Audit Reviews and one long paragraph apart from comments on the Finance and Appropriation Accounts. As per existing arrangement, copies of the draft paragraphs and draft audit reviews are sent to the concerned Secretary to the State Government by the Principal Accountant General demi-officially with a request to furnish replies within 6 weeks. The Secretaries to Government are also reminded by the Principal Accountant General for replies. Despite such efforts no response was received from the concerned Secretaries to Government for 20 Audit paragraphs and 3 Reviews. However, the replies where received from respective Directorate/Head of functional wings have been incorporated.

I Finances of State Government

The revenue receipts during the year increased to Rs 11815 crore, the rate of growth being 11.1 per cent compared to 17.4 per cent in the previous year. Revenue expenditure (Rs 15495 crore during the year), however, was controlled and grew at only 5 per cent compared to 26.5 per cent in the previous year. This led to a reduction in revenue deficit from Rs 4122 crore in the previous year to Rs 3680 crore during the year. The decrease in revenue deficit during the year was on account of showing recoveries in the Consolidated Fund of Rs 581.20 crore that remained unspent out of Plan funds released during 1997-98 to 2002-03 in the PD Accounts of Local Self Government Institutions.

During the current year, the increase in revenue receipts was due to 17.3 per cent increase in Central Tax transfers, 19 per cent increase in non-tax revenue and 10.8 per cent in State's own tax revenue. Grants-in–aid from Central Government showed a marginal decline. Sales tax was the major source of State's own tax revenue, having contributed 74 per cent, followed by State Excise (8 per cent). Of the non-tax sources, Forest Receipts (23 per cent) and State Lotteries (17 per cent) were principal contributors. On an average 74 per cent of the revenue came from State's own resources.

Revenue expenditure constituted 89 per cent of total expenditure in 2003-04 and grew at 5 per cent during 2003-04. Salaries, interest payments and pensions consumed 91 per cent of the revenue receipts during the year crowding out the socio-economic developmental expenditure.

The fiscal liabilities grew by 81 per cent during 1999-2004 and stood at Rs 39231 crore as at the end of March 2004 ie., 3.3 times of the revenue receipts. There was a phenomenal increase in internal debt during the year mainly on account of raising more market loans (Rs 693 crore), securitisation of existing house loan portfolio of Government employees with State Bank of India and Canara Bank (Rs 267 crore) and issue of Power Bonds for Rs 1158.25 crore in favour of Central Public Sector Undertakings towards power purchase dues of the State Electricity Board. The fiscal deficit increased to Rs 5539 crore in 2003-04 from Rs 4990 crore in 2002-03 due to the above additional borrowings though revenue deficit had come down during the year. At the end of 2003-04, the fiscal liabilities of the State including unreckoned liabilities like arrears in contractors' bills

102/113/2005—3

(Rs 891 crore) and power subsidy payable to the State Electricity Board (Rs 3531 crore) stood at an unsustainable level of 48 per cent of GSDP. These liabilities alongwith contingent liabilities in the form of guarantees which accounted for another 16 per cent of GSDP are cause of concern for sustained growth and development in the medium to long-term basis.

It is not uncommon for the State to borrow for increasing its social and economic infrastructure base. However, increasing ratios of fiscal liabilities to GSDP and revenue receipts together with a large revenue deficit indicate that the State is gradually getting into a debt trap. Large revenue and fiscal deficits year after year show continued macro fiscal imbalances. Though the Kerala Fiscal Responsibility Act envisages reduction of revenue deficit to 'nil' and fiscal deficit to 2 per cent of the estimated GSDP by the end of March 2007, the possibility of this happening appears bleak with the current level of revenue deficit of Rs 3680 crore and the fiscal deficit hovering around 6 per cent of GSDP for 2003-04.

The State Government will need to take urgent steps to reduce revenue deficit/fiscal deficit by compressing non-developmental revenue expenditure and enhance additional resource mobilisation through tax reforms and prudent debt management.

[Paragraphs 1.1 to 1.12]

II Allocative Priorities and Appropriation

Overall savings of Rs 396.29 crore was the net result of savings of Rs 1704.14 crore in 82 Grants and Appropriations offset by excess of Rs 1307.85 crore in 11 Grants and Appropriations.

As of August 2004 excess expenditure of Rs 2164.30 crore for the years 1983-84 to 1985-86 and 1988-89 to 2002-03 was yet to be regularised by the Legislature. During 2003-04, excess expenditure of Rs 1307.85 crore occurred in 8 Grants and 3 Appropriations, which also required regularisation.

Substantial savings of Rs 5 crore or more and also more than 10 per cent of the total provision occurred in 30 cases. During the last three years there was persistent savings in excess of Rs 10 lakh in each case and also 20 per cent or more of provision in 15 cases.

In 16 cases savings of Rs 5 crore or more in each case aggregating to Rs 497.79 crore remained unsurrendered at the end of the year.

Out of the total surrender of Rs 1289.60 crore, Rs 1280.33 crore (99.3 per cent) was surrendered on the last working day of the financial year.

In 12 cases, amount in excess of actual savings was surrendered resulting in excess surrender of Rs 33.23 crore.

The Secretary, Kochi Corporation withdrew Rs 2.64 crore disregarding the Government instruction and the same amount was again drawn and distributed to Kochi Corporation by the Director of Urban Affairs resulting in double drawal.

[Paragraphs 2.1 to 2.6]

III. Performance Reviews

1. Integrated Audit of the Department for Development of Scheduled Castes

The Scheduled Castes (SCs) are a non-homogenous spatially dispersed community. According to the 2001 census the SCs constitute 10 per cent of State's population. Several schemes including Centrally Sponsored Schemes are implemented mainly by the SC Development Department for the welfare and development of the SC community.

Funds of Rs 147.40 crore provided during 1999-2004 for implementing various schemes for the benefit of SC population were not utilised. Similarly, under Special Central Assistance to Special Component Plan 85 per cent of GOI funds (Rs 15.96 crore) received during 1999-2002 for the welfare of the SCs remained unutilised.

An amount of Rs 16.72 crore meant for implementing Agricultural Land Purchase Scheme was kept by Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited for the last three years as the scheme was taken up without assessing its feasibility.

Government's decision in March 1997 to conduct a comprehensive survey of SC population to prepare a database for planning future developmental process was not implemented even after a lapse of seven years.

Department claimed and obtained Rs 6.96 crore in excess from GOI towards maintenance allowance/tuition fee.

Computer training through various institutions was conducted incurring an expenditure of Rs 7.87 crore without preparing a project report and assessing the suitability of the courses and institutions. Similarly, the impact of various training programmes imparted by the pre-examination training centres incurring an expenditure of Rs 80.72 lakh was not evaluated.

Investment of Rs 2.73 crore on purchase of Shop rooms in Kairali-Sree Theatre Complex at Thrissur without assessing the demand was not prudent.

There was delay of more than one year in disbursing immediate assistance to victims of atrocities against SC people.

[Paragraph 3.1]

2. District Audit - Kollam

A review of the Government Departments engaged in the activities of the Kollam district viz., availability of safe drinking water, primary health care and fishing sector revealed several deficiencies such as non-utilisation of funds, delay in implementation of schemes, shortage of manpower and idling of equipment.

Out of 14 Water Supply Schemes, work in respect of 9 Schemes sanctioned between 1993 and 1999 could not be started due to non-availability of land.

Out of the loan amount of Rs 9.49 crore obtained for implementation of various schemes, Rs 6.99 crore were diverted for other activities of Kerala Water Authority.

Out of 5944 samples of water analysed, 2399 samples contained high bacteriological and chemical impurities indicating that the water was not potable.

The urban population was only 9 per cent of the total population. But 48 per cent of the bed strength of the hospitals was in urban area.

A boat purchased at a cost of Rs 1.81 crore and provided to the district for patrolling was used only for 57 days between May 1997 and February 2002 rendering the expenditure wasteful.

[Paragraph 3.2]

3. *Indian Systems of Medicine and Homoeopathy*

Indian Systems of Medicine consist of Ayurveda, Siddha, Unani and Naturopathy. Ayurveda is widely practiced and Homoeopathy also enjoys popularity in Kerala. Thrissur district has the highest number (95) of Ayurveda hospitals/dispensaries and Thiruvananthapuram district has the highest number (55) of Homoeo dispensaries/hospitals, whereas Wayanad district has the lowest number of institutions under both the systems. During 1999-2004 expenditure on Indian Systems of Medicine and Homoeopathy was about 11 per cent of the total expenditure on Health and Family Welfare.

Ayurveda

There was shortfall in teaching posts compared to norms of Central Council of Indian Medicine in 5 Ayurveda Colleges (AVC) ranging from 37 to 72 per cent as of March 2004. In these AVCs 49 teaching staff were under-qualified which would affect the quality of education. In AVC, Thiruvananthapuram and Kottakkal, Preliminary Examination for Post Graduate course was conducted by the Institutions themselves instead of by the Affiliated University according to the guidelines.

Buildings constructed for 28 hospitals/dispensaries costing Rs 1.28 crore remained unoccupied for want of staff and basic amenities.

Acceptance of medicines not indented (cost: Rs 2.04 crore) from 'Oushadhi', a Government company, caused reduction in availability of funds for essential medicines.

Construction of hospitals one each for AVC, Kannur and AVC, Thripunithura have not been completed though Rs 8.72 crore were spent as of March 2004. There was an unspent balance of Central funds amounting to Rs 69.45 lakh as of March 2004.

Homoeopathy

Buildings constructed for four hospitals/dispensaries (cost:Rs 61 lakh) remained unoccupied as water and electricity have not been provided. Only one out of 31 Homoeo hospitals has staff quarters. Government Homoeo Dispensary, Chavakkad and Government Homoeo Hospital, Muvattupuzha were functioning in places which are not easily accessible.

Herbal Garden could not be established as part of Homoeo Medical College, Thiruvananthapuram even after three years of acquisition of land.

[Paragraph 3.3]

4. *Implementation of the Child Labour (Prohibition and Regulation) Act, 1986 in Kerala*

The Kerala Child Labour (Prohibition and Regulation) Rules, 1993 and the directions issued in 1996 by the Honourable Supreme Court of India laid down the procedure and regulated the implementation of Child Labour (Prohibition and Regulation) Act, 1986 in Kerala.

There were significant limitations in the scope of the Act. Children employed in domestic labour and cases where the children are migrant labourers from other States are not covered under the Act.

Recommendations of the Working Group on Amendment and Enforcement of the Act regarding recovery of the compensation as arrears of land revenue as also vesting the onus of proof of age of the children on the employers were not acted upon.

Surveys conducted in the State on the directions of the Hon'ble Supreme Court in 1997 and 2004 failed to identify child labour. The directions of the Hon'ble Supreme Court to provide education to the children engaged in non-hazardous occupations were not followed.

Department failed to effectively frame charges, resulting in acquittal of offenders in most of the cases filed.

No modalities had been evolved to perform inspections in a systematic manner.There was no proper monitoring system in the Department.

[Paragraph 3.4]

5. *Pradhan Mantri Gram Sadak Yojana*

Government of India launched (December 2000) a cent per cent Centrally Sponsored Scheme viz., Pradhan Mantri Gram Sadak Yojana aimed at providing good all-weather road connectivity to the unconnected habitation in rural areas. Unconnected habitations with a population of 1000 persons and above were to be covered in three years (2000-03) and those with a population of 500 and above by the end of the Tenth Plan period (2007).

Core Network of roads as prescribed in the guidelines had not been prepared and got approved so far. Though 5677 unconnected habitations had been identified by NATPAC, only 217 (4 per cent) had been proposed and got approved for implementation as of March 2004.

State failed to utilise the funds released by GOI and the unspent balance as at the end of 31 March 2004 amounted to Rs 20.68 crore, being 30 per cent of the funds allotted.

Four road works entrusted to a contractor for Rs 3.75 crore in 2000-01 were in an abandoned stage from June 2002 after incurring Rs 99.72 lakh. Works were retendered only in January 2004 resulting in increase in cost by Rs 1.12 crore.

Payment of lead charges for conveyance of earth and allowing concessional rate of sales tax for procurement of bitumen resulted in extending unintended benefit of Rs 93.98 lakh to contractors.

[Paragraph 3.5]

6. Information Technology Audit of Treasury Information System

The computerisation of treasuries in the State taken up in 1998 at an estimated cost of Rs 13.70 crore was implemented in 23 District Treasuries and 165 out of 166 Sub Treasuries by September 2004 incurring an expenditure of Rs 29.54 crore. Information Technology audit of Treasury Information System (TIS) was conducted to assess the extent of benefit derived from TIS and its accuracy and reliability.

There was no record of testing and acceptance of the TIS version 3.0 software by the Department.

Treasury Wide Area Network for interconnecting the treasuries and Data Centre vital for updating master files and macro level budget monitoring had not yet been set up.

Improper data validation in the case of Savings Bank Accounts resulted in inflating of the balance to the extent of Rs 310.73 crore.

Savings Bank Account, Personal Deposit Account and Fixed Deposit Account balances increased by Rs 4.62 crore, Rs 103.30 crore and Rs 211.60 crore respectively using the facility in TIS for alteration of balances, without any supporting documents to verify such transactions.

[Paragraph 3.6]

7. Special Development Fund for MLAs

The objective of the scheme was to enable the Members of Legislative Assembly (MLAs) to suggest developmental activities based on locally felt needs in their Legislative Assembly Constituencies (LACs). The annual contribution for each MLA was enhanced from Rs 25 lakh in 2001-02 to Rs 50 lakh from 2003-04 onwards.

Out of Rs 58.50 crore released to 58 LACs in five districts, District Collectors sanctioned works for Rs 42.23 crore. Of the amount released Rs 43.95 crore remained unspent.

District Collectors accorded sanction for 101 works proposed by 24 MLAs after delays ranging from 103 to 415 days.

Administrative sanction for works were issued without ascertaining the availability of land, proper estimates, infrastructure, etc., resulting in abandoning/non-completion of works.

Though the main purpose of the scheme was creation of durable assets, out of 676 works completed 315 works (47 per cent) were for repairs and maintenance of roads which cannot be considered as creation of durable assets.

[Paragraph 3.7]

IV Audit of Transactions

1. Fraudulent drawal/misappropriation/embezzlement/losses

Failure of Drawing and Disbursing Officers to exercise prescribed checks, especially when the UDC entrusted with the duties of preparation of bills, etc., *was a person who was punished for involvement in defalcation on an earlier occasion, led to misappropriation of Rs 10.19 lakh.*

[Paragraph 4.1.1]

2. *Violation of contractual obligations/undue favour to contractors*

In the work of construction of Azheekkal Cargo Harbour in Kannur District Government inherited avoidable liability of Rs 6.40 crore on replenishment of partially damaged structure and allowing upward revision of agreed rates overruling the findings of Committee of Secretaries as well as that of Chief Engineer.

[Paragraph 4.3.1]

Failure of the Department to enforce the contract conditions in arranging the work of construction of building of Government Polytechnic, Pala resulted in avoidable liability of Rs 1.93 crore.

[Paragraph 4.3.2]

Though the quoted bid amount in the 13 contracts concluded by the Project Director, Kerala State Transport Project, was inclusive of all duties and taxes payable, Central Excise Duty exemption to the tune of Rs 3.28 crore was extended to the contractors.

[Paragraph 4.3.3]

3. *Avoidable/excess/unfruitful expenditure*

In District Hospital, Palakkad long delay in payment of electricity charges resulted in avoidable expenditure of Rs 1.79 crore towards surcharge.

[Paragraph 4.4.1]

Lapse on the part of Land Acquisition Officer in producing the vital piece of evidence in time and failure of the officials of Kerala State Housing Board to obtain and keep alive the security from land owners for withdrawing the amount deposited in court resulted in payment of excessive compensation of Rs 1.36 crore (including interest) which remained unrecovered as of May 2004.

[Paragraph 4.4.2]

Lack of planning on the part of Thrissur Urban Development Authority in the construction of six storeyed office-cum-commercial complex taken up in May 1993 resulted in its non-completion which led to unnecessary burden of Rs 1.67 crore, apart from loss of potential rental income.

[Paragraph 4.4.3]

Failure to redeploy the staff of the defunct Kerala State Rural Development Board resulted in unfruitful expenditure of Rs 3.34 crore.

[Paragraph 4.4.4]

Post-contractual change in the design of foundation for the Kadalundi Kadavu bridge in Malappuram District and non-observance of Chief Engineer's guidelines resulted in avoidable liability of Rs 5.89 crore.

[Paragraph 4.4.5]

In the work 'Improvements to Kanjar-Pullikkanam Road' post-contractual reclassification of soil and execution of excess quantity of work entailed extra liability of Rs 2.76 crore.

[Paragraph 4.4.7]

Though the circumstances demanded awarding the contract for the construction of building for Mini Civil Station at Irinjalakuda to the second lowest bidder, it was not done leading to avoidable expenditure of Rs 1.47 crore.

[Paragraph 4.4.8]

Defective preparation of estimate for the works relating to Thiruvananthapuram bypass led to cost overrun of Rs 10.91 crore and time overrun of four years. Despite the direction of Government of India to take action on the persons responsible no action was taken so far by the State Government.

[Paragraph 4.4.9]

4. Idle investment/idle establishment/blockage of funds

Failure of Government to assess the viability of the Guest House at Mumbai led to abandonment of work mid-way resulting in blocking of Rs 3.48 crore.

[Paragraph 4.5.3]

Rupees one crore released (January 2001) to the Centre for Development of Coir Technology for setting up a High Tech Coir Park in Kollam District was retained outside Government account without utilization.

[Paragraph 4.5.5]

District Collectors did not undertake river bank protection works though Rs 37.65 crore was available in the River Management Fund.

[Paragraph 4.5.6]

Selection of a water source without ensuring its availability resulted in the non-commissioning of Rural Water Supply Scheme to Thekkumkara and three adjoining water problem villages in Thrissur District depriving the people of safe drinking water and rendering the expenditure of Rs 2.01 crore unfruitful.

[Paragraph 4.5.7]

Failure of Kerala Water Authority to monitor the execution of the works resulted in non-completion of Rural Water Supply Scheme to Thelliyoor, Valakkuzhi and Ezhumattoor in Alappuzha District sanctioned 20 years ago and the expenditure of Rs 1.25 crore remained unproductive.

[Paragraph 4.5.8]

Purchase of defective pipes for the Comprehensive Water Supply Scheme to Varkala Municipality and adjoining villages delayed the completion of the scheme and the expenditure of Rs 14.38 crore incurred on it during the period May 1996 - March 2004 remained unfruitful, thereby depriving the people of safe drinking water.

[Paragraph 4.5.9]

5. *Delays in commissioning equipment*

A scheme for providing Copra Dryers was sanctioned by Government without proper study necessitating revision of scheme on several occasions and delaying its implementation. Even though the outlay was reduced to Rs 1.65 crore the Director of Agriculture drew the entire amount of Rs 9.40 crore provided in the supplementary grant and deposited it in the Treasury Savings Bank account and utilized part of it (Rs 3 crore) for other purposes in gross violation of principle of budgetary control.

[Paragraph 4.6.1]

6. *Regularity issues and other points*

Diversion of Rs 2 crore paid to Kerala State Audio Visual and Reprographic Centre for implementation of modernization of Printing Technology Course in Vocational Higher Secondary Schools resulted in non-achieving the objective of imparting training to the students on modern printing technology.

[Paragraph 4.7.2]

In Medical College Hospital, Thiruvananthapuram Rs 1.27 crore received (including amounts received before 1996) from various Government and other agencies for partially meeting the cost of treatment of poor patients remained in bank account without disbursement.

[Paragraph 4.7.3]

Failure of Government to redeploy 417 surplus vertical staff in the National Leprosy Eradication Programme led to payment of idle wages of Rs 11.79 crore during the period October 2002 - March 2004.

[Paragraph 4.7.4]

State Institute of Encyclopaedic Publications could publish only 12 volumes out of 20 volumes of Malayalam Encyclopaedia so far even after 3 decades of the publication of the first volume.

[Paragraph 4.7.6]

V *Internal Control System in Industries Department*

Internal Control System is an integral process by which an organisation governs its activities to effectively achieve its objectives. A built-in Internal Control System and strict adherence to Statutes, Codes and Manuals minimise the risk of errors and irregularities and helps to protect resources against loss due to waste, abuse, mismanagement, etc.

Budget proposals were not submitted in time and the estimates were not assessed correctly resulting in substantial provision remaining unutilised.

Procedures in Kerala Budget Manual for control of expenditure and directives of Finance Department on monitoring of monthly ceiling of expenditure were not adhered to.

Contingent advances from 1992-93 amounting to Rs 3.39 crore were awaiting adjustment.

Physical verification/surprise inspection of cash was not conducted by the officers.

Administration of various loans was very poor. Terms and conditions of 82 loans amounting to Rs 125.87 crore sanctioned to Corporations/Statutory Bodies during 1997-2003 had not been fixed and no recovery made from the loanees so far.

In the case of other loans also no concrete steps had been taken to recover the dues even in period-over cases involving Rs 3.40 crore in two districts, indicating poor monitoring and follow-up action.

Avoidable delay was noticed in processing and disposing of investment subsidy claims. No follow-up action has been taken to recover subsidy amount from 42 non-functioning units which had availed subsidy of Rs 54.08 lakh.

[Paragraph 5.1]

CHAPTER I

FINANCES OF THE STATE GOVERNMENT

In Summary

The revenue receipts during the year increased to Rs 11815 crore; the rate of growth being 11.1 *per cent* compared to 17.4 *per cent* in the previous year. But revenue expenditure of Rs 15495 crore for the year grew at 5 *per cent* compared to 26.5 *per cent* in the previous year which led to a reduction in revenue deficit from Rs 4122 crore in the previous year to Rs 3680 crore during the year. The decrease in revenue deficit during the year was on account of showing recoveries in the Consolidated Fund of Rs 581.20 crore that remained unspent out of Plan funds released during 1997-98 to 2002-03 in the Personal Deposit Accounts of Local Self Government Institutions.

During the current year, the increase in revenue receipts was due to 17.3 *per cent* increase in Central Tax transfers, 19 *per cent* increase in non-tax revenue and 10.8 *per cent* in State's own tax revenue. Sales tax was the major source of State's own tax revenue having contributed 74 *per cent* followed by State Excise (8 *per cent*). Of the non-tax sources, Forest Receipts (23 *per cent*) and State Lotteries (17 *per cent*) were principal contributors. About 75 *per cent* of the revenue came from State's own resources during the year. Contribution of Central taxes and duties increased to 17 *per cent* during the year from 16.1 *per cent* in the previous year whereas grants-in-aid from Central Government showed a marginal decline.

Revenue expenditure constituted 89 *per cent* of total expenditure in 2003-04 and grew at 5 *per cent* in 2003-04. Salaries, interest payments and pensions consumed 91 *per cent* of the revenue receipts during the year crowding out the socio-economic developmental expenditure.

The fiscal liabilities grew by 81 *per cent* during 1999-2004 and stood at Rs 39231 crore as at the end of March 2004 i.e., 3.3 times of the revenue receipts. There was a phenomenal increase in internal debt during the year mainly on account of raising more market loans (Rs 693 crore), securitisation of existing house loan portfolio of Government employees with State Bank of India and Canara Bank (Rs 267 crore) and issue of Power Bonds for Rs 1158.25 crore in favour of Central Public Sector Undertakings towards power purchase dues of the State Electricity Board. The fiscal deficit increased to Rs 5539 crore in 2003-04 from Rs 4990 crore in 2002-03 due to the above additional borrowings though revenue deficit had come down during the year. At the end of 2003-04, the fiscal liabilities of the State including unreckoned liabilities like arrears in contractors' bills (Rs 891 crore) and power subsidy payable to the State Electricity Board (Rs 3531 crore) stood at an unsustainable level of 48 *per cent* of GSDP. These liabilities alongwith contingent liabilities in the form of guarantees which accounted for another 16 *per cent* of GSDP are cause of concern for sustained growth and development in the medium to long-term basis.

It is not uncommon for the State to borrow for increasing its social and economic infrastructure base. However, increasing ratios of fiscal liabilities to GSDP and revenue receipts together with a large revenue deficit indicate that the State is gradually getting into a debt trap. Large revenue and fiscal deficits year after year show continued macro fiscal imbalances. Though the Kerala Fiscal Responsibility Act envisages reduction of revenue deficit to 'nil' and fiscal deficit to 2 *per cent* of the estimated GSDP by the end of March 2007, with the current level of revenue deficit of Rs 3680 crore and the fiscal deficit hovering around 6 *per cent* of GSDP for 2003-04, the possibility of achieving the target envisaged in the Act appears bleak.

The State Government will need to take urgent steps to reduce revenue deficit/fiscal deficit by compressing non-developmental revenue expenditure and enhance additional resource mobilization through tax reforms and prudent debt management.

102/113/2005—5

1.1 Introduction

The Finance Accounts of the Government of Kerala are laid out in nineteen statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Account of the State Government. The lay out of the Finance Accounts is depicted in Box 1.1

Box 1.1
Lay out of Finance Accounts

Statement No.1 presents the summary of transactions of the State Government – receipts and expenditure, revenue and capital, public debt receipts and disbursements, etc., in the Consolidated Fund, Contingency Fund and Public Account of the State.

Statement No.2 contains the summarised statement of capital outlay showing progressive expenditure to the end of 2003-04.

Statement No.3 gives financial results of irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss, etc.

Statement No.4 indicates the summary of debt position of the State, which includes borrowings from internal debt, Government of India, other obligations and servicing of debt.

Statement No. 5 gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears, etc.

Statement No. 6 gives the summary of guarantees given by the Government for repayment of loans, etc., raised by the statutory corporations, local bodies and other institutions.

Statement No. 7 gives the summary of cash balances and investments made out of such balances.

Statement No.8 depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2004.

Statement No.9 shows the revenue and expenditure under different heads for the year 2003-04 as a percentage of total revenue/expenditure.

Statement No.10 indicates the distribution between the charged and voted expenditure incurred during the year.

Statement No.11 indicates the detailed account of revenue receipts by minor heads.

Statement No.12 provides accounts of revenue expenditure by minor heads under non-plan and plan separately and capital expenditure by major heads.

Statement No.13 depicts the detailed capital expenditure incurred during and to the end of 2003-04.

Statement No.14 shows the details of investment of the State Government in Statutory Corporations, Government Companies, other joint stock companies, co-operative banks and societies, etc., up to the end of 2003-04.

Statement No.15 depicts the capital and other expenditure to the end of 2003-04 and the principal sources from which the funds were provided for that expenditure.

Statement No.16 gives the detailed account of receipts, disbursements and balances under heads of account relating to Debt, Contingency Fund and Public Account.

Statement No.17 presents detailed account of debt and other interest bearing obligations of the Government of Kerala.

Statement No.18 provides the detailed account of loans and advances given by the Government of Kerala, the amount of loan repaid during the year and the balance as on 31 March 2004.

Statement No.19 gives the details of earmarked balances of reserve funds.

Statements 1 to 8 are Summarized Statements and Statements 9 to 19 are Detailed Statements. Statements 5, 6 and 14 are based on information received from Heads of Departments and Finance Department.

1.2 Trend of Finances with reference to Previous year

Finances of the State Government during the current year compared to the previous year were as under:

(Rupees in crore)

2002-03	Sl. No	Major Aggregates	2003-04
10634	**1.**	**Revenue Receipts (2+3+4)**	**11815**
7303	2.	Tax Revenue	8089
678	3.	Non-Tax Revenue	807
2653	4.	Other Receipts	2919
81	**5.**	**Non-Debt Capital Receipts**	**73**
77	6.	*Of which* Recovery of Loans and Advances	73
10715	**7.**	**Total Receipts (1+5)**	**11888**
11731	**8.**	**Non-Plan Expenditure (9+11+12)**	**14308**
11702	9.	On Revenue Account	13101
2947	10.	*Of which* Interest Payments	3328
20	11.	On Capital Account	33
9	12.	Loans and Advances disbursed	1174
3974	**13.**	**Plan Expenditure (14+15+16)**	**3119**
3054	14.	On Revenue Account	2394
679	15.	On Capital Account	607
241	16.	Loans and Advances disbursed	118
15705	**17.**	**Total Expenditure (8+13)**	**17427**
4990	**18.**	**Fiscal Deficit (17-1-5)**	**5539**
4122	**19.**	**Revenue Deficit (9+14-1)**	**3680**
2043	**20.**	**Primary Deficit (18-10)**	**2211**

1.3 Summary of Receipts and Disbursements for the year

Table 1 summarises the finances of the Government of Kerala for the year 2003-04 covering revenue receipts and expenditure, capital receipts and expenditure, public debt receipts and disbursements, Contingency Fund receipts and disbursements and Public Account receipts and disbursements made during the year as emerging from Statement 1 of Finance Accounts and other detailed statements.

Table 1 - Summary of receipts and disbursements for the year 2003-04 (Rupees in crore)

2002-03	Receipts	2003-04	2002-03	Disbursements	2003-04		
Section-A: Revenue							
					Non-Plan	Plan	Total
10633.89	**Revenue receipts**	**11815.37**	**14756.05**	**Revenue expenditure**	**13101.08**	**2394.59**	**15495.67**
7302.54	Tax revenue	8088.77	6678.03	General services	7251.18	146.75	7397.93
677.76	Non-tax revenue	806.98	5038.29	Social Services	4164.08	861.13	5025.21
1715.22	Share of Union Taxes/Duties	2012.01	2981.67	Economic Services	1612.64	1386.71	2999.35
938.37	Grants from Govt. of India	907.61	58.06	Grants-in-aid / Contributions	73.18	--	73.18
4122.16	**Revenue Deficit carried over to Section B**	**3680.30**					
14756.05	**Total Section - A**	**15495.67**	**14756.05**	**Total Section - A**	**13101.08**	**2394.59**	**15495.67**
Section-B: Capital							
161.62	**Opening Cash Balance**	**(-) 103.22**	**275.56**	**Opening Overdraft from Reserve Bank of India**	**164.85#**		**164.85#**
3.50	**Miscellaneous Capital Receipts**	--	**698.66**	**Capital Outlay**	**32.72**	**606.99**	**639.71**
77.29	**Recoveries of Loans and Advances**	**72.89**	**250.01**	**Loans and Advances disbursed**	**1174.21**	**117.73**	**1291.94**
			4122.16	**Revenue Deficit brought down from Section A**	**3680.30#**		**3680.30#**
3965.68	**Public debt receipts***	**6992.46**	**1261.99**	**Repayment of Public Debt***	**2341.25#**		**2341.25#**
22.15	**Contingency Fund receipts**	--	--	**Contingency Fund disbursements**	**16.88#**		**16.88#**
25528.22	**Public Account receipts**	**26147.18**	**23418.15**	**Public Account disbursements**	**25481.66#**		**25481.66#**
164.85	**Closing Overdraft from Reserve Bank of India**	**280.64**	**(-)103.22**	**Cash Balance at end**	**(-) 226.64#**		**(-) 226.64#**
29923.31	**Total – Section B**	**33389.95**	**29923.31**	**Total – Section B**	**32665.23**	**724.72**	**33389.95**

* Includes net ways and means advances but excludes overdraft from Reserve Bank of India
\# Bifurcation of plan and non- plan not available

1.4 Audit Methodology

1.4.1 Audit observations on the Finance Accounts bring out the trends in the major fiscal aggregates of receipts and expenditure and from the statements of the Finance Accounts for the year 2003-04 and wherever necessary, show these in the light of time series data and periodic comparisons **(Appendix I to IV)**. The reporting parameters are depicted in the Box 1.2.

Box 1. 2
Reporting Parameters

Fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal and external debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current market prices. The New GSDP series with 1993-94 as base as published by the Bureau of Economics and Statistics Department of the State Government have been used.

For tax revenues, non-tax revenues, revenue expenditure, etc., buoyancy projections have also been provided for a further estimation of the range of fluctuations with reference to the base represented by GSDP. For most series a trend growth during 1999-2004 has been indicated. The ratios with respect to GSDP have also been depicted. Some of the terms used here are explained in **Appendix V**.

1.4.2 The key indicators adopted for analyzing the State finances are (i) Resources by volumes and sources, (ii) Application of resources (iii) Assets and Liabilities and (iv) Management of deficits. Audit observations have also taken into account the cumulative impact of resource mobilisation efforts, debt servicing and corrective fiscal measures. Overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates.

1.4.3 The accounts of the State Government are kept in three parts viz., Consolidated Fund, Contingency Fund and Public Account. They are defined in Box 1.3.

Box 1.3 **State Government Funds and the Public Account**	
Consolidated Fund	**Contingency Fund**
All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund entitled 'The Consolidated Fund of State' established under Article 266(1) of the Constitution of India.	Contingency Fund of State established under Article 267(2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.
Public Account	
Besides the normal receipts and expenditure of Government which relate to the Consolidated Fund, certain other transactions enter Government Accounts, in respect of which Government acts more as a banker. Transactions relating to provident funds, small savings, other deposits, etc. are a few examples. The public moneys thus received are kept in the Public Account set up under Article 266(2) of the Constitution and the related disbursement are made from it.	

State Finances by key indicators

1.5 Resources by volumes and sources

1.5.1 Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenues, non-tax revenues, State's share of Union taxes and duties and grants-in-aid from the Central Government. Capital receipts comprise of miscellaneous capital receipts like proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources, *viz.* market loans, borrowings from financial institutions/ commercial banks, etc., and loans and advances from Government of India as well as accruals from Public Account.

1.5.2 Table 2 shows that the total receipts of the State Government for the year 2003-04 was Rs 45028 crore. Of which, the revenue receipts of the State Government was Rs 11815 crore only, constituting 26 *per cent* of the total receipts. The balance of receipts came from borrowings and receipts from Public Account.

Table 2 – Resources of Kerala

(Rupees in crore)

I Revenue Receipts			***11815.37***
II Capital Receipts			***7065.35***
a	*Miscellaneous Receipts*	--	
b	*Recovery of Loans and Advances*	*72.89*	
c	*Public Debt Receipts**	*6992.46*	
III Contingency Fund Receipts			--
IV Public Account Receipts			***26147.18***
a	*Small Savings, Provident Funds, etc.*	*8773.13*	
b	*Reserve Funds*	*133.70*	
c	*Deposits and Advances*	*3320.48*	
d	*Suspense and Miscellaneous*	*9476.50*	
e	*Remittances*	*4443.37*	
Total Receipts			***45027.90***

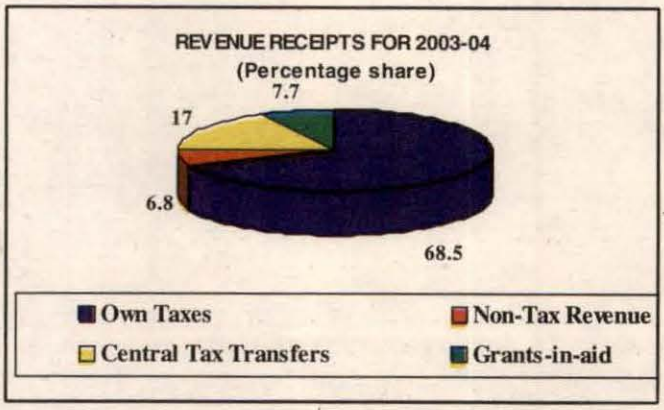
* Excludes ways and means advances from Reserve Bank of India

Revenue receipts

1.5.3 Statement-11 of the Finance Accounts details the Revenue Receipts of the Government. The Revenue Receipts of the State consist mainly of its own tax and non-tax revenues, Central tax transfers and grants-in-aid from Government of India. Overall revenue receipts, its annual rate of growth, ratio of these receipts to the State's Gross Domestic Product (GSDP) and its buoyancy are indicated in Table 3.

Table 3: Revenue Receipts- Basic Parameters
(Values Rupees in crore and others in *per cent*)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Revenue Receipts	7942	8731	9056	10634	11815
Own Taxes	65.4	67.2	65.4	68.7	68.5
Non-Tax Revenue	6.7	7.5	6.0	6.4	6.8
Central tax Transfers	19.3	18.2	17.8	16.1	17.0
Grants-in aid	8.6	7.1	10.8	8.8	7.7
Rate of Growth of RR	10.3	9.9	3.7	17.4	11.1
Revenue Receipt/GSDP	12.7	12.5	12.5	13.2	13.1
Revenue Buoyancy	0.9	0.9	1.0	1.5	1.0
GSDP Growth	11.2	11.6	3.7	11.7	11.5



1.5.4 Revenue receipts of the State increased from Rs 10634 crore in 2002-03 to Rs 11815 crore in 2003-04; the growth rate being 11.1 *per cent.* The annual growth rate, which had declined steadily during 2000-01(9.9 *per cent*) and 2001-02 (3.7 *per cent*) from the level of 10.3 *per cent* in 1999-2000 increased sharply to 17.4 *per cent* in 2002-03 but declined to 11.1 *per cent* in 2003-04. The contribution of the State's own taxes in its total revenue receipt increased from 65.4 *per cent* in 1999-2000 to 68.5 *per cent* in 2003-04; the growth rate during the current year being 10.8 *per cent.*

1.5.5 Sales tax was the major source of State's own tax revenue having contributed 74 *per cent* followed by State Excise (8 *per cent*), Taxes on Vehicles (7 *per cent*), Stamps and Registration (7 *per cent*), etc. The significant increase in the tax revenue during the year over 2002-03 was mainly on Sales Tax (Rs 648 crore), Stamps and Registration fees (Rs 63 crore) and Taxes on Vehicles (Rs 73 crore).

1.5.6 Of non-tax revenue sources, Forest Receipts (23 *per cent*) and State Lotteries (17 *per cent*) were principal contributors. However, though the receipts under State Lotteries were Rs 134 crore during the year, with equally high expenditure of Rs 111 crore, the net yield from lotteries was only Rs 23 crore. The Medium Term Fiscal Reforms Programme agreed to by the Government of Kerala with Government of India provides for improving cost recoveries for Government services by enhancing user charges periodically and bringing new areas of Government services for cost recovery. Non-tax revenue in absolute terms has increased by 19 *per cent* from Rs 678 crore in

2002-03 to Rs 807 crore in 2003-04. The contribution of non-tax revenue in its total revenue receipts increased from 6.7 *per cent* in 1999-2000 to 6.8 *per cent* in 2003-04.

1.5.7 Contributions of Central taxes, duties and grants-in-aid decreased from 28 *per cent* in 1999-2000 to 25 *per cent* in 2003-04. However, contribution of Central taxes and duties increased to 17 *per cent* in 2003-04 compared to 16.1 *per cent* in 2002-03, whereas contribution of grants-in-aid decreased from 8.8 *per cent* in 2002-03 to 7.7 *per cent* in 2003-04. The decrease was mainly under Block grants for State Plan Schemes and Additional Central Assistance for Externally Aided Projects like Modernising Government Programme (Rs 108 crore) and for Special Plan Schemes (Rs 4.91 crore).

1.5.8 The source of revenue receipts under different heads and GSDP during 1999-2004 are indicated in Table 4.

Table 4 – Sources of Receipts: Trends

(Rupees in crore)

Year	Revenue Receipts	Capital Receipts				Total Receipts	Gross State Domestic product
		Non-Debt Receipts	Debt Receipts	Contingency Fund Receipts	Accruals in Public Account		
1999-2000	7942	55	2014	--	20662	30673	62520
2000-01	8731	117	2156	--	21126	32130	69770
2001-02	9056	55	2792	--	18940	30843	72349
2002-03	10634	81	3966	22	25528	40231	80844
2003-04	11815	73	6992	--	26147	45027	90172

1.5.9 The arrears of revenue pending collection as at the end of 2003-04 intimated by departments of Electrical Inspectorate, Factories and Boilers, Local Fund Audit and Mining and Geology were Rs 104.93 crore. As Government ordered (October 2002) netting off of the dues between Kerala State Electricity Board (KSEB) and Government of Kerala as on 31 March 2002 without cash transaction, the arrears of electricity duty due from KSEB as on 31 March 2002 had not been included by the Electrical Inspectorate in calculating the arrears. The actual amount due on either side has not been determined (October 2004).

1.6 Application of resources

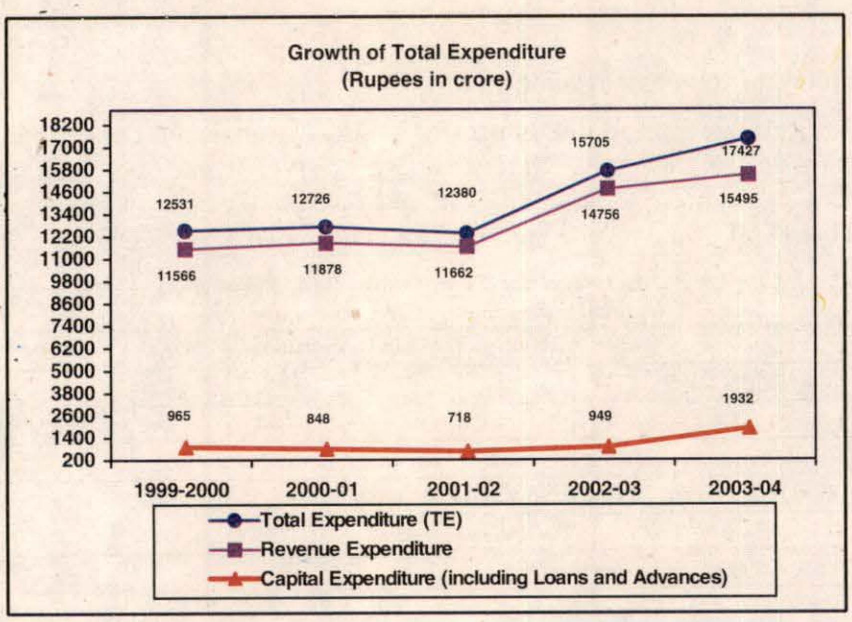
Trend of Growth

1.6.1 Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure major head-wise. Total expenditure of the State, its trend and annual growth, ratio of expenditure to the State's GSDP and revenue receipts and its buoyancy with regard to GSDP and revenue receipts are indicated in Table 5 below:

Table 5: Total Expenditure – Basic Parameters
(Value: Rupees in crore and others in *per cent*)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Total Expenditure[@]	12531	12726	12380	15705	17427
Rate of Growth	21.9	1.6	(-) 2.7	26.9	11.0
TE/GSDP	20.0	18.2	17.1	19.4	19.3
Revenue Receipts/TE	63.4	68.6	73.2	67.7	67.8
Buoyancy of Total Expenditure with					
GSDP	2.0	0.1	(-) 0.7	2.3	1.0
Revenue Receipts	2.1	0.2	(-) 0.7	1.5	1.0

1.6.2 Though the total expenditure during the year increased to Rs 17427 crore, the actual growth rate declined during the year to 11 *per cent* from 26.9 *per cent*. There were, however, significant inter-year variations in the growth rates. The ratio of revenue receipts to total expenditure increased from 63.4 *per cent* in 1999-2000 to 67.8 *per cent* in 2003-04, indicating that approximately 68 *per cent* of the State's total expenditure was met from its current revenue, leaving the balance to be financed from borrowings.



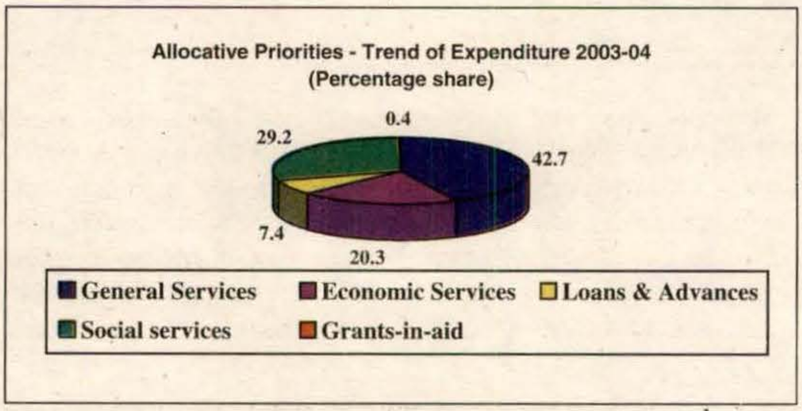
1.6.3 In terms of the activities, total expenditure could be considered as being composed of expenditure on general services including interest payments, social and economic services and loans and advances. The relative share of these components in total expenditure is indicated in Table 6.

Table 6: Components of expenditure – Relative Share (in *per cent*)

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Services	40.1	43.2	45.6	42.8	42.7
Social Services	34.1	33.4	33.4	32.6	29.2
Economic Services	22.7	20.9	19.2	22.6	20.3
Grants-in-aid	0.6	0.4	0.5	0.4	0.4
Loans and advances	2.5	2.1	1.3	1.6	7.4

[@]Total Expenditure represents revenue expenditure as well as capital expenditure which includes expenditure on loans and advances.

1.6.4 The movement of relative share of these components indicated that the share of social services and economic services declined from 34.1 and 22.7 *per cent* in 1999-2000 to 29.2 and 20.3 *per cent* respectively in 2003-04. The share of general services which included interest payments considered as non-developmental accounted for 42.7 *per cent* of total expenditure in 2003-04 as compared to 40.1 *per cent* in 1999-2000.



Incidence of Revenue expenditure

1.6.5 Revenue expenditure is usually incurred to maintain the current level of assets and services. Overall revenue expenditure, its rate of growth, ratio of revenue expenditure to State's GSDP and revenue receipts and its buoyancy with both GSDP and revenue receipts are indicated in Table 7 below:

Table 7: Revenue Expenditure- Basic Parameters
(Value: Rupees in crore and others in *per cent*)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Revenue Expenditure	11566	11878	11662	14756	15495
Rate of Growth	25.3	2.7	(-)1.8	26.5	5.0
RE/GSDP	18.5	17.0	16.1	18.3	17.2
RE as *per cent* of TE	92.3	93.3	94.2	94.0	88.9
RE as *per cent* of RR	145.6	136.0	128.8	138.8	131.2
Buoyancy of Revenue Expenditure with					
GSDP	2.3	0.2	(-) 0.5	2.3	0.4
Revenue Receipts	2.5	0.3	(-) 0.5	1.5	0.5

1.6.6 Though the revenue expenditure during the year increased to Rs 15495 crore from Rs 14756 crore, the actual growth rate declined to 5 *per cent* from 26.5 *per cent* in the previous year. The increase in the revenue expenditure during the year compared to previous year was mainly due to increased expenditure on interest payment (Rs 382 crore), pension and other retirement benefits (Rs 126 crore), General Education (Rs 99 crore) and additional subsidy to KSEB (Rs 381.46 crore) to cover the gap of the Board as assessed by the State Electricity Regulatory Commission.

1.6.7 The assistance to Local Self Government Institutions (LSGIs) for implementation of 'People's Plan Programme' is being released by debit to the major head '2217-Urban Development' in the case of

Municipalities/Corporations and to the major head '2515-Other Rural Development Programmes' in the case of Panchayats per contra credit to the Personal Deposit (PD) Accounts of the respective LSGIs maintained in the Public Account. In July 2003, Government ordered that all existing PD accounts should be closed with immediate effect and new Plan PD Accounts opened in a financial year shall be closed on 31 March of every year. In April 2004, Government issued directions to all the treasuries to write back to Government the unspent balance (Plan) in PD Account of LSGIs by carrying out reduction in revenue expenditure under the relevant major head. Accordingly, Rs 581.20 crore being the unspent balance from out of the Plan funds released to the LSGIs during 1997-98 to 2002-03 in the PD accounts was adjusted as reduction of revenue expenditure in the current year – Rs 500.58 crore in the major head '2515' and Rs 80.62 crore in the major head '2217'. This had the effect of reducing the revenue expenditure for the current year to that extent. But for this adjustment, the revenue expenditure and its growth rate for 2003-04 would have been Rs 16076 crore and 9 *per cent* instead of Rs 15495 crore and 5 *per cent* respectively as depicted in the accounts.

1.6.8 Though the rate of growth of revenue expenditure was 25.3 *per cent* in 1999-2000 it had decelerated since then and became negative in 2001-02. However, it again accelerated to 26.5 *per cent* during 2002-03 and again decelerated to 5 *per cent* in 2003-04.

1.6.9 Revenue Expenditure accounted for 89 *per cent* of total expenditure during 2003-04. The ratio of revenue expenditure to revenue receipts decreased from 145.6 *per cent* in 1999-2000 to 131.2 *per cent* in 2003-04 indicating continued dependence of the State on borrowings for meeting its current expenditure.

Committed Expenditure

1.6.10 The committed expenditure on Pension, Interest and Salaries constituted 89 to 104 *per cent* of the revenue receipts during 1999-2004 indicating the paucity of resources available for socio-economic developmental activities.

♦ ***High salary expenditure***

1.6.11 As part of enforcement of economy measures to overcome the ways and means position of the State, Government appointed (January 2002) a Committee of Secretaries to identify the excess staff in Government departments and also curtailed some of the benefits, indicated below, of Government employees.

- Discontinuance of Dearness Allowances and other allowances to new recruits joining service on or after 16 January 2002.
- Discontinuance of surrender of earned leave for twenty days per year while in service.
- Enhancement of discounted rate of commuted value of pension to 5.31 *per cent* from the present 4.75 *per cent.*
- Enhancement of the period of restoration of commutation to 15 years from the present 12 years.

1.6.12 The curtailment continued during 2002-03 and from June 2003 some of the curtailed benefits–Dearness allowance and other allowances to new recruits and period of restoration of commutation–were restored and surrender of earned leave was restricted to 10 days a year. From June 2004, the surrender of earned leave was restored to the original level of 20 days in a financial year.

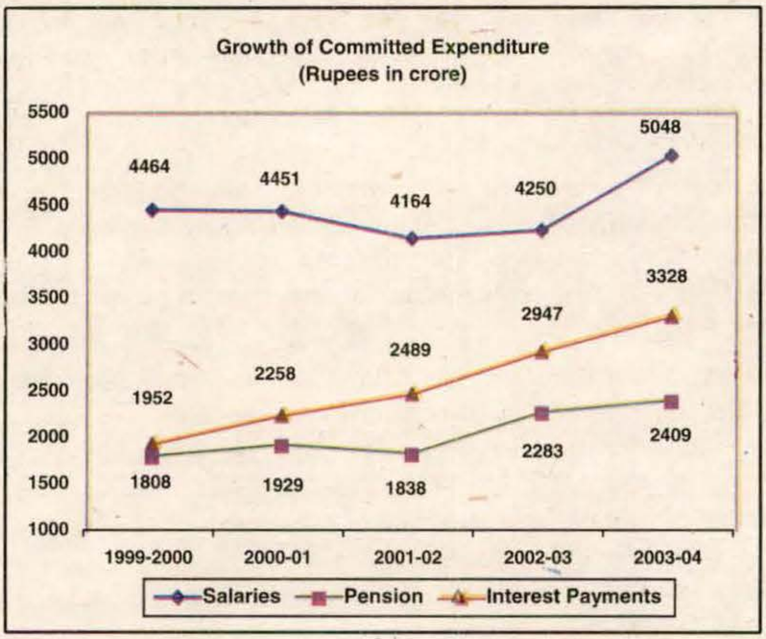
1.6.13 The Committee of Secretaries set up to identify the excess posts identified 11658 posts that could be redeployed/abolished of which 3570 posts have already been abolished. After redeployment of 2915 posts to Local Self Government Institutions (LSGIs), Government ordered (November 2003) redeployment of another 1663 posts to LSGIs. Government also ordered abolition of 3510 more posts and directed that posts not vacant would be treated as supernumerary. The latest position regarding redeployment to LSGIs and continuance of supernumerary posts have not been intimated (October 2004).

1.6.14 In spite of the above measures, salary expenditure during the year increased by 19 *per cent* over the level of 2002-03 and accounted for 43 *per cent* of the revenue of the State during 2003-04 compared to 40 *per cent* in the previous year. Expenditure on salaries had increased by 13 *per cent* from Rs 4464 crore in 1999-2000 to Rs 5048 crore in 2003-04. Year-wise break up of expenditure during 1999-2004 was as under:-

Table 8: Salary expenditure

Year	Salary expenditure[$] (Rupees in crore)	Percentage of salary expenditure with reference to		
		Revenue Receipts	Revenue Expenditure	GSDP
1999-2000	4464	56.2	38.6	7.1
2000-2001	4451	51.0	37.5	6.4
2001-2002	4164	46.0	35.7	5.8
2002-2003	4250	40.0	28.8	5.3
2003-2004	5048	42.7	32.6	5.6

[$] Figures for 1999-2000 to 2001-02 are adopted from 'Budget in brief – 2003-04' of State Government and figures for 2002-03 and 2003-04 are furnished by Accountant General (A&E)



♦ ***Huge expenditure on pension payments***

1.6.15 Pension payments increased by 33 *per cent* from Rs 1808 crore in 1999-2000 to Rs 2409 crore in 2003-04. Year-wise breakup of expenditure during 1999-2004 was as under:-

Table 9: Pension payments

Year	Pension payments (Rupees in crore)	Percentage of pension payments with reference to	
		Revenue Receipts	Revenue Expenditure
1999-2000	1808	22.8	15.6
2000-2001	1929	22.1	16.2
2001-2002	1838	20.3	15.8
2002-2003	2283	21.5	15.5
2003-2004	2409	20.4	15.6

1.6.16 With the increase in the number of retirees, the pension liabilities are likely to increase further in future. The State Government has not constituted any fund to meet the fast rising pension liabilities of the retired State employees.

♦ ***Interest payments***

1.6.17 In absolute terms, Interest payments increased by 70 *per cent* from Rs 1952 crore in 1999-2000 to Rs 3328 crore in 2003-04 primarily due to continued reliance on borrowings for financing the fiscal deficit.

Table 10: Interest payments

Year	Interest payments (Rupees in crore)	Percentage of interest payment with reference to	
		Revenue Receipts	Revenue Expenditure
1999-2000	1952	24.6	16.9
2000-2001	2258	25.9	19.0
2001-2002	2489	27.5	21.3
2002-2003	2947	27.7	20.0
2003-2004	3328	28.2	21.5

1.6.18 It was observed that interest payments constituted 28 *per cent* of revenue receipts during 2003-04 against 18 *per cent* as recommended by the Eleventh Finance Commission.

Subsidy

1.6.19 Subsidy can be defined as the difference between the cost of goods/services provided and realisation from the users. There are two types of subsidies viz. Explicit subsidies and Implicit subsidies. While there is clear identification and budgetary allocation in respect of explicit subsidies, implicit subsidies arise due to non-recovery/short recovery of user charges provided.

1.6.20 The explicit subsidies, compiled from the accounts for the year 1999-2004 ranged from 0.7 *per cent* to 4.3 *per cent* of revenue expenditure. Major schemes on which explicit subsidies are granted were as follows:

Table 11: Subsidy

Schemes/departments to which subsidy was released	Amount of subsidy(Rupees in crore)				
	1999-2000	2000-01	2001-02	2002-03	2003-04
Maithri Housing Scheme	30.00	22.50	18.84	47.84	40.00
Kerala State Civil Supplies Corporation for Market Intervention	60.00	37.00	33.00	50.00	30.00
State Investment Subsidy	17.25	17.06	21.30	22.98	23.69
Kerala State Electricity Board (to liquidate the revenue deficit)	--	--	--	200.00	556.46
Free supply of electricity to small and marginal paddy growers	--	--	--	--	7.97
Rebate on sale of handloom cloth	--	--	--	--	1.50
Macro management in Agriculture	--	9.90	24.14	22.39	3.44
Total	**107.25**	**86.46**	**97.28**	**343.21**	**663.06**

1.7 Expenditure by Allocative Priorities

1.7.1 The actual expenditure of the State in the nature of plan expenditure, capital expenditure and developmental expenditure emerging from Statement 12 of Finance Accounts reflects the allocative priorities of the State. Higher the ratio of these components to total expenditure, better is deemed to be the quality of expenditure. Table 12 below gives the percentage share of these components of expenditure in State's total expenditure*.

Table 12: Quality of expenditure (*per cent* to total expenditure*)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Plan Expenditure	22.1	20.3	18.9	24.2	18.6
Capital Expenditure	5.3	4.6	4.6	4.5	4.0
Development Expenditure	58.2	55.4	53.3	56.2	53.4

*Total expenditure does not include Loans and Advances

1.7.2 All the three components of quality of expenditure indicated a decline and the ratios in 2003-04 were significantly lower than their levels in 1999-2000. Plan expenditure, despite its initial low values in 1999-2000 at 22.1 *per cent* further declined to 18.6 *per cent* in 2003-04. Over the years, a lower proportion of incremental expenditure got allocated to plan expenditure. In case of development expenditure, its ratio to total expenditure also declined.

1.7.3 Out of the developmental expenditure (Rs 8624 crore) during the year, social services (Rs 5081 crore) accounted for 59 *per cent* and economic services (Rs 3543 crore) accounted for 41 *per cent*. The capital expenditure has also steadily declined from 5.3 *per cent* in 1999-2000 to 4 *per cent* in 2003-04.

Financial assistance to Autonomous bodies and others

1.7.4 Autonomous bodies and authorities perform non-commercial functions of public utility services. These bodies/authorities receive substantial financial assistance from Government. Government also provides substantial financial assistance to other institutions such as those registered under the respective State Co-operative Societies Act, Companies Act, etc. to implement various programmes of Government. The grants are given by Government mainly for maintenance of educational institutions, hospitals, charitable institutions, construction and maintenance of schools and hospital buildings, improvement of roads and other communication facilities under municipalities and local bodies.

1.7.5 The quantum of assistance (grant as well as loan) provided to different bodies during the period of five years ending 2003-04 was as follows:

Table 13: Financial assistance to Autonomous bodies and others

(Rupees in crore)

Sl. No.	Bodies/authorities, etc.	1999-2000	2000-01	2001-02	2002-03	2003-04
1.	Educational Institutions (Aided Schools, Aided Colleges, Universities, etc)	1603.88	1619.77	1540.40	1851.08	1929.60
2.	Municipal Corporations and Municipalities	165.94	146.82	131.57	239.46	230.91
3.	Panchayati Raj Institutions	1021.14	948.74	858.41	1288.76	1554.39
4.	Development Agencies	37.40	43.96	13.07	33.49	28.67
5.	Hospitals and other Charitable Institutions	20.32	19.17	17.17	19.84	23.60
6.	Other Institutions (including statutory bodies)	565.27	483.09	360.37	779.95	1686.32**
	Total	**3413.97**	**3261.55**	**2920.99**	**4212.58**	**5453.49**
	Percentage increase(+)/ decrease (-) over previous year	8	(-) 4	(-) 10	44	29
	Assistance as a percentage of revenue receipts	43	37	32	40	46
	Percentage of assistance to revenue expenditure	29	27	25	29	35

Delay in furnishing utilisation certificates

1.7.6 The financial rules of Government require that where grants are given for specific purposes, certificates of utilisation should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General (Accounts and Entitlements) within one year from the date of sanction of assistance unless specified otherwise.

As of June 2004, 106 utilisation certificates for Rs 117.45 crore paid as grants in respect of nine departments* from 1994-95 to 2003-04 had not been received in the Office of the Accountant General (Accounts and Entitlements).

Delay in submission of accounts by Autonomous Bodies

1.7.7 As on 31 March 2004, there were 55 Autonomous bodies (excluding Local Self Government Institutions) which were substantially financed by grants/loans from Government. In order to identify the institutions which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, Government/Heads of Departments are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose of assistance granted and the total expenditure of the institutions. The details of 30 institutions which have not furnished annual accounts for the year 2003-04 as of October 2004 are indicated in **Appendix VI.**

** Includes Rs 1158.25 crore being the liability of Kerala State Electricity Board to Central Public Sector Undertakings on power purchase taken over by Government which was treated as loan assistance to the Board during the year for eventual conversion as grant

* Agriculture, Cultural Affairs, General Administration, General Education, Health and Family Welfare, Higher Education, , Planning and Economic Affairs, Science, Technology and Environment and Water Resources

1.7.8 The status of submission of accounts as of October 2004 by autonomous bodies/authorities, audit of accounts of which has been entrusted to the Comptroller and Auditor General of India is indicated in **Appendix VII.**

Misappropriations, defalcations, etc.

1.7.9 State Government reported 182 cases of misappropriations, defalcations, etc., of Government money amounting to Rs 4.60 crore relating to the period from 1963-64 to 2003-04. Final action was pending on all cases at the end of June 2004. The department-wise break-up of pending cases is given in **Appendix VIII.**

Writes off of losses, etc.

1.7.10 According to data received from departments to Audit as of September 2004, sanctions for writes off of Rs 2.58 crore in 6306 cases and waivers amounting to Rs 54.25 lakh in 49 cases were issued by various authorities during 2003-04. The department-wise details are given in **Appendix IX.**

1.8 Assets and Liabilities

1.8.1 The Government accounting system does not attempt a comprehensive accounting of fixed assets, i.e. land, buildings, etc., owned by the Government. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure. Statement 16 read with details in Statement 17 of Finance Accounts shows the year-end balances under the Debt, Deposit and Remittance heads from which the liabilities and assets are worked out. **Appendix I** presents an abstract of such liabilities and the assets as on 31 March 2004 compared with the corresponding position on 31 March 2003. While the liabilities in this statement consist mainly of money owed by the State Government such as internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve Fund, the assets comprise mainly the capital expenditure and loans and advances given by the State Government. *The liabilities of Government of Kerala depicted in the Finance Accounts, however, do not include the pension liabilities payable to retired State employees, guarantees / letters of comforts issued by the State Government*, etc. **Appendix IV** depicts the Time Series Data on State Government Finances for the period 1999-2004.

Financial results of irrigation works

1.8.2 Statement 3 of the Finance Accounts gives the financial results of irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss, etc. In the case of eight irrigation projects, which have been declared commercial, with a cumulative capital outlay of Rs 119.97 crore at the end of 31 March 2004, the revenue realised from them during 2003-04 was Rs 1.76 crore which was 1.5 *per cent* of total outlay. After considering the working and maintenance expenses of Rs 15.62 crore and interest charges of Rs 8.18 crore, these schemes suffered a net loss of Rs 22.04 crore.

Incomplete projects

1.8.3 As per information made available by the department seven* irrigation projects commenced between 1970 and 1983 were remaining incomplete even after incurring Rs 859.94 crore as of March 2004. Besides, 97 other capital works on which Rs 333.93 crore were spent up to March 2004 also remained incomplete in Public Works, Harbour Engineering and Water Resources departments. The amount blocked in these projects was 12 *per cent* of the cumulative capital outlay of the State.

Investments and returns

1.8.4 Statement 14 of the Finance Accounts shows the details of investment of the State Government in Statutory Corporations, Government Companies, other joint stock companies, co-operative banks and societies, etc. As on 31 March 2004, Government had invested Rs 2123.57 crore in Statutory Corporations, Joint Stock Companies and Co-operatives. Government's return on this investment was less than one *per cent* as indicated in Table 14 below:

Table 14: Return on Investment (*Rupees in crore*)

Year	Investment at the end of the year	Return	Percentage of Return	Average rate of interest on Government borrowing (in *per cent*)
1999-2000	1774.80	10.01	0.6	12.1
2000-01	1883.09	12.64	0.7	11.4
2001-02	1945.92	5.26	0.3	9.0
2002-03	2059.23	9.61	0.5	7.2
2003-04	2123.57	20.03	0.9	6.1

1.8.5 Apart from the above, as of March 2004 Government had provided equity participation of Rs 136.10 crore (2000-01: Rs 25 crore, 2001-02: Rs 30 crore, 2002-03: Rs 40 crore and 2003-04: Rs 41.10 crore) to the Kerala Infrastructure Investment Fund Board, a statutory body created under the Kerala Infrastructure Investment Fund Act, 1999, though the relevant Act did not envisage equity participation by Government. The matter is under correspondence with Government (November 2004).

1.8.6 Three statutory Corporations and 56 Government Companies with an aggregate Government investment of Rs 1126.20 crore up to 2003-04 were incurring losses and their accumulated loss amounted to Rs 2949.75 crore as per the latest accounts furnished by these companies (**Appendix X**). Of these, six Government Companies with an investment of Rs 13.42 crore upto 31 March 2004 were under liquidation and one Government Company with an investment of Rs 1.25 crore was under lockout from June 1993.

Loans and advances by State Government

1.8.7 In addition to its investment, Government has also been providing loans and advances to many of these bodies. Statement 5 read with details in Statement 18 of the Finance Accounts shows the loans and advances given by the State Government, repayments made and the balance at the close of the financial year. Total outstanding balance of the loans advanced was

* Karapuzha, Kuriarkutty-Karappara, Idamalayar, Muvattupuzha, Attappady Valley, Banasura Sagar, Regulator-cum-Bridge at Chamravattom.

Rs 5042 crore as on 31 March 2004 (Table 15). Interest received against these advances declined to 0.5 *per cent* during 2003-04 though the Government has been borrowing funds during the year from the market at rates ranging from 5.8 *per cent* to 6.4 *per cent*. Further, in most cases, Government orders sanctioning the loans did not specify the terms and conditions for these loans.

Table 15: Average interest received on loans advanced by the State Government

(Rupees in crore)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Opening Balance	3127	3391	3545	3650	3823
Amount advanced during the year	317	271	160	250	1292*
Amount repaid during the year	53	117	55	77	73
Closing Balance	3391	3545	3650	3823	5042
Interest received	20	20	16	24	23
Interest received as *per cent* to outstanding loans and advances	0.6	0.6	0.4	0.6	0.5
Average rate of interest paid by the State	12.1	11.4	9.0	7.2	6.1
Difference between interest paid and received	(-) 11.5	(-) 10.8	(-) 8.6	(-) 6.6	(-) 5.6

Commercial activities

1.8.8 *Lack of accountability for the use of public funds in departmental commercial undertakings*

Activities of quasi-commercial nature are performed by the departmental undertakings of certain Government departments. These undertakings are to prepare *pro forma* accounts in the prescribed format annually showing the results of financial operation so that the Government can assess the results of their working. The Heads of Departments in the Government are to ensure that the undertakings, which are funded by the budgetary release, prepare the accounts on timely basis and submit the same to the Accountant General for audit. The department-wise position of arrears in preparation of accounts as of June 2004 in respect of these undertakings is indicated in **Appendix XI**.

Management of cash balances

1.8.9 It is generally desirable that State's flow of resources should match its expenditure obligations. However, to take care of any temporary mis-matches in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) from Reserve Bank of India has been put in place. Special WMA not exceeding Rs 38.40 crore are given to Kerala against marketable securities issued by Government of India. After this Ordinary WMA up to a maximum of Rs 270 crore are also allowed. From 1 April 2003, no State shall be allowed to run on overdraft for more than fourteen consecutive working days in a calendar year or more than 36 working days in a calendar quarter. The overdraft shall not exceed 100 *per cent* of the Ordinary Ways and Means limit. If the overdraft exceeds this limit continuously for five working days for the first time in a financial year, the Bank will advise the State to bring down the overdraft level. If such irregularity persists on a second or subsequent occasion, payment will be stopped. Statement 7 of the Finance Accounts gives the summary of cash

* Includes Rs 1158.25 crore being the liability of Kerala State Electricity Board to Central Public Sector Units on purchase of power taken over by Government by issue of Power Bonds which was treated as loan to the Board during this year temporarily to be converted as grant eventually.

balances.

1.8.10 During the year, the State has used this mechanism for 156 days as against 163 days last year although it raised borrowings of Rs 1931 crore from the market on nine occasions. Resort to overdraft, which is over and above the WMA limits, is all the more undesirable. The State used the overdraft facilities for 177 days during the year as against 196 days last year.

Table 16: Ways and Means Advances and Overdrafts of the State

(Rupees in crore)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Ways and Means Advances*					
Taken during the year	2573.59	1978.25	1797.42	2463.36	3346.77
Balance outstanding at the end of the year	45.79	228.28	228.54	283.97	284.70
Interest paid	4.91	9.49	14.53	13.23	15.58
Number of days State availed WMA	204	150	137	163	156
Overdraft					
Taken during the year	1344.12	3506.13	4041.25	5337.51	4750.53
Balance outstanding at the end of the year	Nil	357.09	275.56	164.85	280.64
Interest paid	0.83	3.48	8.61	7.54	8.32
Number of days State was in overdraft	85	213	222	196	177

1.9 Undischarged Liabilities

Fiscal liabilities – public debt and guarantees

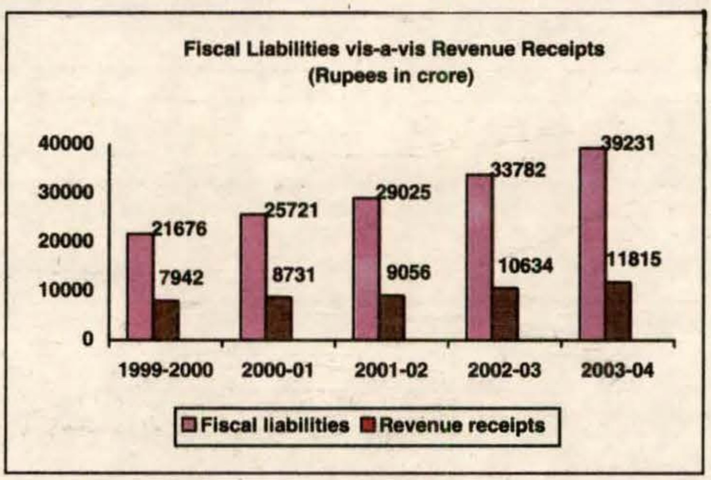
1.9.1 The Constitution of India provides that State may borrow within the territory of India upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by an Act of Legislature. A State may not raise any loan without the consent of Government of India if there is any outstanding loan for which a guarantee has been issued by GOI. The Kerala Fiscal Responsibility Act which came into force on 5 December 2003 provides for reduction of fiscal deficit to 2 *per cent* of the estimated GSDP by March 2007. However, the fiscal deficit for 2003-04 (Rs 5539 crore) stood at 6.1 *per cent* of the estimated GSDP for 2003-04. Thus the possibility of achieving the fiscal deficit target envisaged in the Act by March 2007 appears remote. Statement 4 read with Statements 16 and 17 of Finance Accounts shows the year-end balances under Debt, Deposit and Remittance heads from which the liabilities are worked out.

1.9.2 Table 17 below gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources and buoyancy of these liabilities with respect to these parameters.

* Includes shortfall also

Table 17: Fiscal Liabilities- Basic Parameters (Values Rs in crore and others in *per cent*)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Fiscal Liabilities[$]	21676	25721	29025	33782	39231
Rate of Growth	24.8	18.7	12.8	16.4	16.1
Ratio of Fiscal Liabilities to					
GSDP	34.7	36.9	40.1	41.8	43.5
Revenue Receipt	272.9	294.6	320.5	317.7	332.0
Own Resources	378.6	394.0	448.8	423.3	441.0
Buoyancy of Fiscal Liabilities with					
GSDP	2.2	1.6	3.5	1.4	1.4
Revenue Receipt	2.4	1.9	3.5	0.9	1.5
Own Resources	2.5	1.3	(-)14.2	0.7	1.4



1.9.3 The fiscal liabilities of the State increased from Rs 21676 crore in 1999-2000 to Rs 39231 crore in 2003-04, an increase of 81 *per cent* during the five year period. These liabilities as ratio to GSDP increased from 34.7 *per cent* in 1999-2000 to 43.5 *per cent* in 2003-04 and stood at 3.3 times of its revenue receipts and 4.4 times of its own resources comprising its own tax and non-tax revenue. The direct fiscal liabilities of the State had grown much faster as compared to its rate of growth of GSDP. These fiscal liabilities, however, do not include the pension liabilities payable to retired State employees, off budget liabilities, risk weighted guarantees/contingent liabilities, power subsidies payable to KSEB, etc.

1.9.4 The increase in fiscal liabilities during 2003-04 as compared to previous year was mainly under internal debt which was primarily due to incurring of additional liabilities as indicated below:-

- **Securitisation of dues of Kerala State Electricity Board (KSEB) to Central Public Sector Undertakings (CPSUs) by issue of 8.5 *per cent* Government of Kerala Special Bonds (Power Bonds)**

As part of the Tripartite agreement entered into by Government of India, Government of Kerala and the Reserve Bank of India on Power Sector, State Government took over the liability of the KSEB to CPSUs[#] amounting to Rs 1158.25 crore as on 30 September 2001 by issuing 8.5 *per ce*nt Tax Free

[$] Includes Internal Debt, Loans and Advances from GOI., Small Savings, Provident Funds, etc., Reserve Funds (Gross) and Deposits

[#] National Thermal Power Corporation, Power Grid Corporation of India Limited, Neyveli Lignite Corporation and Nuclear Power Corporation of India Limited

Government of Kerala Special Bonds in August 2003 with date of maturity varying from October 2006 to April 2016. The interest paid on these bonds during 2003-04 was Rs 147.68 crore. This increased the internal debt by nearly 10 *per cent*.

- **Securitisation of existing House loan portfolio of Government employees**

State Government ordered (February and March 2004) securitisation of principal (Rs 132.15 crore) and interest portion (Rs 134.85 crore) of the existing house loan portfolio of State Government employees (outstanding as of December 2003) with State Bank of India and Canara Bank. Accordingly, State Government received Rs 267 crore in March 2004 at a fixed rate of interest of 7.5 *per cent*. The entire amount with interest is to be repaid over a period of 15 years with an EMI of Rs 123.76 lakh to each Bank. However, consent of the Government of India under Article 293(3) of the Constitution of India has not been obtained for raising the above loan.

- **Market loans**

State Government raised Rs 1930.66 crore by way of market loan during 2003-04 which was Rs 693.24 crore more than that raised during the previous year.

1.9.5 Increasing liabilities had raised the issue of sustainability of the finances of the State Government. Fiscal liabilities are considered sustainable if the average interest paid on these liabilities is lower than the rate of growth of GSDP. Debt sustainability with reference to weighted interest rate, GSDP growth rate and interest spread is indicated in Table 18.

Table 18: Debt Sustainability- Interest Rate and GSDP Growth (in *per cent*)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Weighted Interest Rate	10.0	9.5	9.1	9.4	9.1
GSDP Growth	11.2	11.6	3.7	11.7	11.5
Interest spread	1.2	2.1	(-) 5.4	2.3	2.4

1.9.6 Another important indicator of debt sustainability is the net availability of the funds after payment of the principal on account of the earlier contracted liabilities and interest. Table 19 below gives the position of the receipts and repayments of public debt over the last 5 years.

Table 19: Net availability of Borrowed Funds (*Rupees in crore*)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Internal Debt[a]					
Receipt	941	1491	2011	2717	6023
Repayment (Principal + Interest)	706	874	1133	1377	1944
Net funds available	235	617	878	1340	4079
Net funds available (*per cent*)	25	41	44	49	68
Loans and Advances from Government of India					
Receipt	1073	483	781	1193	968
Repayment (Principal + Interest)	951	1016	1315	1809	2685
Net funds available	122	(-) 533	(-) 534	(-) 616	(-)1717
Net funds available (*per cent*)	11	(-) 110	(-) 68	(-) 52	(-) 177
Total Public Debt[a]					
Receipts	2014	1974	2792	3910	6991
Repayment (Principal + Interest)	1657	1890	2448	3186	4629
Net funds available	357	84	344	724	2362
Net funds available (*per cent*)	18	4	12	19	34

[a] Excluding ways and means advances from Reserve Bank of India

1.9.7 The net funds available on account of the internal debt and loans and advances from Government of India after providing for the interest and repayments ranged between 12 and 34 *per cent* during 2001-02 to 2003-04. The increase in net funds under internal debt during 2003-04 was mainly due to increase in open market borrowing (Rs 693 crore), taking over the liability of KSEB's dues to CPSUs (Rs 1158.25 crore), securitisation of existing house loan portfolio of State Government employees (Rs 267 crore) and Special Securities issued to National Small Savings Fund of Central Government (Rs 1115 crore). Under loans and advances from Government of India the net funds available continued to be negative due to more repayments with a view to reducing the high cost debt of previous years under 'Debt Swap Scheme'.

1.9.8 The State Government raised market loans of Rs 1930.66 crore during the year. Of this, Rs 450 crore was raised through auction sale at an average rate of interest of 5.9 *per cent* and Rs 1480.66 crore through tap issue at an average rate of 6.1 *per cent*. As on 31 March 2004, 52 *per cent* of the existing market loans carried interest rate exceeding 10 *per cent*. Thus the effective cost of borrowings on their past loans is much higher than the rate at which State was able to raise resources at present from the market. The maturity profile of market loans indicates that 29 *per cent* of the total market loans are repayable within the next five years while the remaining 71 *per cent* of the loans are required to be repaid within 5 to 10 years.

1.9.9 Under the 'Debt Swap Scheme' introduced by Government of India to enable the States to prepay high cost debt, the State Government raised loans of Rs 671.06 crore from open market at varying interest rates of 5.9, 6.2 and 6.35 *per cent* during 2003-04. A sum of Rs 1165.08 crore being the balance outstanding as on 1 April 2003 in respect of small savings loans released during 1991-92, 1992-93 and 1994-95 to 1998-99 at interest rates ranging from 13.5 to 15 *per cent* were repaid using Rs 671 crore from out of funds raised from the open market and by adjustment (Rs 494.08 crore) from the Special Securities issued to National Small Savings Fund of Central Government by Government of Kerala during the year. In addition, Government prepaid (March 2004) the loans amounting to Rs 46.55 crore carrying effective rate of interest of 15 *per cent* to National Co-operative Development Corporation by borrowing a fresh loan at 9 *per cent* interest repayable in five years.

Guarantees

1.9.10 The guarantees are in the nature of contingent liabilities of the State and in the event of non-payment of loans there may be an obligation on the State to honour these commitments. Section 3 of the Kerala Ceiling on Government Guarantees Act 2003 which came into effect on 5 December 2003 stipulates that the total outstanding Government guarantees as on the first day of April every year shall not exceed Rs 14000 crore.

1.9.11 Statement 6 of the Finance Accounts gives the summary of guarantees provided by the State Government for repayment of loans, etc., raised by Statutory Corporations, Government Companies, local bodies and other institutions based on statement of guarantees made available by the Finance Department of Government.

1.9.12 Audit scrutiny revealed the following:

- According to the data furnished by Government (July 2004), the guarantees outstanding (including interest) as on 31 March 2004 was Rs 14009 crore which exceeded the prescribed ceiling. In addition, the guarantees outstanding against three* institutions amounting to Rs 134.66 crore were not taken into account by Government. Thus, the guarantees outstanding represented 16 *per cent* of GSDP.
- In case of guarantees of Rs 429.81 crore outstanding against 16 Government Companies, whose paid up capital was completely eroded due to accumulated loss, the default risk is greater.
- Government issued orders in April – May 2004 extending the guarantee of Rs 129 crore in favour of United Electrical Industries Limited and Kerala State Cashew Development Corporation Limited with retrospective effect from 1 January 2004 without receiving the arrears of guarantee commission of Rs 4.49 crore in contravention of provisions in Section 5(3) of the Act.
- Kerala Power Finance Corporation paid Rs 3.15 crore towards guarantee commission for 2003-04 after deducting the rebate of 0.25 *per cent* for prompt payment. Of this, Rs 2.15 crore was paid on 30 March 2004 after notification of the Act in December 2003 though the Act does not provide for claiming rebate on guarantee commission.
- The arrears of guarantee commission receivable from 41 institutions were Rs 61.92 crore. Out of this Rs 56.56 crore related to 13 institutions which had arrears exceeding Rs one crore in each case.

1.9.13 Government stated (November 2004) that the outstanding guarantees would be less than the Statutory Ceiling because interest already paid or not due in respect of two Public Sector Companies were wrongly included in the Statement already furnished to Accountant General. Government also admitted to omission of certain cases and pointed out that they were yet to identify whether there were similar errors in other cases as well. In view of the above, it is evident that the data available with Finance Department cannot be relied upon for ensuring compliance with the provisions in the Act.

Off-budget liabilities

1.9.14 In addition to the liabilities disclosed through the accounts, the unreckoned liabilities of the nature indicated below increase the vulnerability of the State's financial health in the coming years:

- ***Subsidy payable to Kerala State Electricity Board (KSEB)***

Government agreed (August 1995) to give financial assistance to KSEB, to avail loan from Power Finance Corporation Limited, in case the Board could not achieve a minimum rate of return of three *per cent* in the year. Based on this, KSEB had been exhibiting every year the subsidy receivable from Government in their annual accounts from 1995-96. The latest annual accounts of the Board for the year 2002-03 (provisional) showed revenue

* Plantation Corporation of Kerala Limited, Handicrafts Development Corporation of Kerala Limited and Kerala Transport Development Finance Corporation Limited

subsidy of Rs 3531 crore (3.9 *per cent* of GSDP) as receivable up to the end of the year from State Government. During 2003-04, Government had released subsidy of Rs 556.46 crore to KSEB to cover the revenue gap of the Board for the year 2003-04 as assessed by the State Electricity Regulatory Commission.

- ***Arrears in payment of Contractors' bills***

According to information made available by departmental Officers, the arrears in payment of contractor's bills as of March 2004 in Public Works, Water Resources, etc., departments amounted to Rs 890.74 crore (1 *per cent* of GSDP).

1.10 Management of deficits

Fiscal imbalances

1.10.1 The deficits in Government accounts represent the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources so raised are applied, are important pointers to the fiscal health.

1.10.2 The revenue deficit (Statement I of Finance Accounts) of the State, indicates the excess of its revenue expenditure over revenue receipts. Though the revenue deficit showed a declining trend during the first three years of the five-year period 1999-2004, it increased significantly in 2002-03 but apparently declined in 2003-04. This was achieved notionally by adjusting the unspent balance of Rs 581 crore in the Plan Personal Deposit accounts of Local Self Government Institutions as reduction of revenue expenditure. But for this adjustment, the revenue deficit for 2003-04 would have been Rs 4261 crore which was more than that of last year. However, the fiscal deficit increased from Rs 4534 crore in 1999 - 2000 to Rs 5539 crore in 2003-04 mainly due to taking over of KSEB's liability due to CPSUs by issue of Power Bonds, securitisation of existing house loan portfolio of Government employees, raising of more market loans for 'debt swap', etc.

1.10.3 Section 4 of the 'The Kerala Fiscal Responsibility Act, 2003' which came into effect on 5 December 2003 prescribes that Government shall reduce the revenue deficit to 'nil' and fiscal deficit to 2 *per cent* of the estimated GSDP within a period of four years commencing from 1 April 2003 and ending on 31 March 2007. With the current level of revenue deficit of Rs 3680 crore and the fiscal deficit hovering around 6 *per cent* of GSDP during the current year, the possibility of achieving the above targets by the end of March 2007 appears remote.

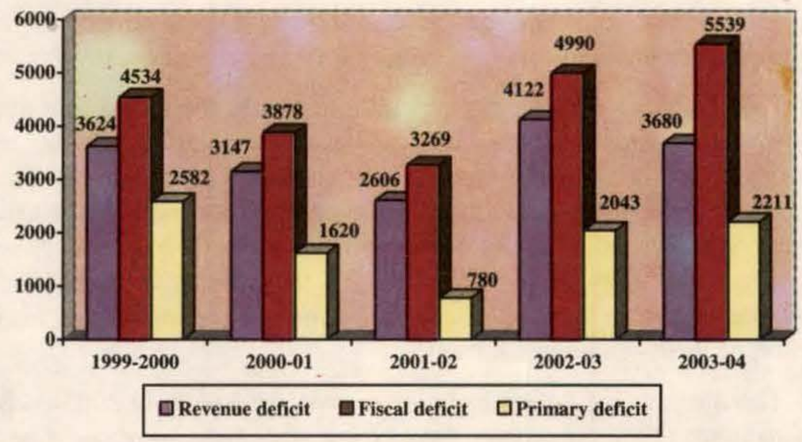
1.10.4 Table 20 below indicates the basic parameters of fiscal imbalance.

Table 20: Fiscal Imbalances- Basic Parameters
(Values Rupees in crore and Ratios in *per cent*)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Revenue Deficit	3624	3147	2606	4122	3680
Fiscal Deficit	4534	3878	3269	4990	5539
Primary Deficit	2582	1620	780	2043	2211
RD/GSDP	5.8	4.5	3.6	5.1	4.1
FD/GSDP	7.3	5.6	4.5	6.2	6.1
PD/GSDP	4.1	2.3	1.1	2.5	2.5
RD/FD	79.9	81.2	79.7	82.6	66.4

1.10.5 Persistent large revenue deficit indicated that the revenue receipts of the State were not able to meet its revenue expenditure and Government had to borrow funds to meet its current obligations. The ratio of revenue deficit and fiscal deficit had decreased from 82.6 *per cent* in 2002-03 to 66.4 *per cent* in 2003-04. High ratio of revenue deficit to fiscal deficit indicated that a larger part of borrowings were not being used for asset creation. As proportion to the GSDP, revenue deficit had reached 4.1 *per cent* and fiscal deficit to 6.1 *per cent* in 2003-04.

Fiscal Imbalances
(Rupees in crore)



Fiscal Reforms Programme

1.10.6 Based on the recommendations of Eleventh Finance Commission to motivate the States to undertake Medium Term Fiscal Reforms Programme (MTFRP), GOI set up an Incentive Fund to provide assistance to each State for fiscal performance based on a single monitorable fiscal objective. Release from the Incentive Fund was to be based on achieving a minimum improvement of five percentage points in the revenue deficit as a proportion of its revenue receipts each year till 2004-05 over the base year 1999-2000.

1.10.7 Information received from Finance Department revealed that the State Government exchanged with GOI on 4 February 2002 a document of shared fiscal goals and objectives for the years 2000-01 to 2004-05 on the Kerala MTFRP. GOI released Rs 64.44 crore during 2001-03 from the Incentive Fund for adhering to the projections made in the document for the years 2000-01 and 2001-02. Further, according to the agreement, the revenue deficit as a proportion of revenue receipts should achieve a minimum improvement of five percentage points each year from 1999-2000 (base year). Accordingly, as a percentage of revenue receipts, the revenue deficit of 45.60 *per cent* projected during 1999-2000 was to be restricted to 18.04 *per cent* and 9.61 *per cent* during 2002-03 and 2003-04 respectively. But the actual figures during 2002-03 and 2003-04 were 38.8 *per cent* and 31.2 *per cent* respectively. Hence, State Government did not receive Rs 44.30 crore from the Incentive Fund for the fiscal performance during 2002-03 and likely to lose Rs 49.52 crore for the year 2003-04 as well in view of the non-adherence to the projections.

1.11 Fiscal Ratios

1.11.1 The finances of a State should be sustainable, flexible and non-vulnerable. Table 21 below presents a summarized position of Government Finances over 1999-2004, with reference to certain key indicators that help to assess the adequacy and effectiveness of available resources and their applications, highlight areas of concern and capture its important facets.

1.11.2 The ratio of revenue receipts and State's own taxes to GSDP indicate the adequacy of the resources. The buoyancy of the revenue receipts indicates the nature of the tax regime and the State's increasing access to resources with increase in GSDP. Though the ratio of State's own taxes to GSDP remained static in 2003-04 compared to the previous year, the other two ratios i.e. revenue buoyancy and revenue receipts to GSDP declined in 2003-04 indicating a need for improving tax compliance and coverage.

1.11.3 Various ratios concerning expenditure management indicate quality of its expenditure and sustainability of these in relation to its resource mobilisation. The ratio of revenue expenditure, capital expenditure and development expenditure to total expenditure declined in 2003-04 as compared to 1999-2000. About 68 *per cent* of the total expenditure was met out of revenue receipts during 2003-04. All these indicate State's increasing dependence on borrowings for meeting its revenue expenditure and inadequate expansion of its development activities.

1.11.4 Though revenue deficit had come down apparently in 2003-04 because of adjustment of the unspent balance of Rs 581 crore of Local Self Government Institutions as reduction of revenue expenditure, the fiscal deficit had increased due to increase in disbursements of loans and advances by 417 *per cent* during 2003-04. The ratio of revenue deficit to fiscal deficit indicated that the application of borrowed funds had largely been to meet current consumption.

Table 21: Ratios of Fiscal Efficiency (in *per cent*)

Fiscal Ratios	1999-2000	2000-01	2001-02	2002-03	2003-04
Resource Mobilization					
Revenue Receipts/GSDP	12.7	12.5	12.5	13.2	13.1
Revenue Buoyancy	0.9	0.9	1.0	1.5	1.0
Own tax/GSDP	8.3	8.4	8.2	9.0	9.0
Expenditure Management					
Total Expenditure (TE)/GSDP	20.0	18.2	17.1	19.4	19.3
Revenue Receipts (RR)/ TE	63.4	68.6	73.2	67.7	67.8
Revenue Expenditure (RE)/TE	92.3	93.3	94.2	94.0	88.9
Plan Expenditure/TE	22.1	20.3	18.9	24.2	18.6
Capital Expenditure/TE	5.3	4.6	4.6	4.5	4.0
Development Expenditure/TE	58.2	55.4	53.3	56.2	53.4
Buoyancy of TE with RR	2.1	0.2	(-) 0.7	1.5	1.0
Buoyancy of RE with RR	2.5	0.3	(-) 0.5	1.5	0.5
Management of Fiscal Imbalances					
Revenue Deficit (Rs in crore)	3624	3147	2606	4122	3680
Fiscal Deficit (Rs in crore)	4534	3878	3269	4990	5539

Fiscal Ratios	1999-2000	2000-01	2001-02	2002-03	2003-04
Primary Deficit (Rs in crore)	2582	1620	780	2043	2211
Revenue Deficit/Fiscal Deficit	79.9	81.2	79.7	82.6	66.4
Management of Fiscal Liabilities					
Fiscal Liabilities (FL)/GSDP	34.7	36.9	40.1	41.8	43.5
Fiscal Liabilities/RR	272.9	294.6	320.5	317.7	332.0
Buoyancy of FL with RR	2.4	1.9	3.5	0.9	1.5
Buoyancy of FL with OR	2.5	1.3	(-) 14.2	0.7	1.4
Interest spread	1.2	2.1	(-) 5.4	2.3	2.4
Net Fund Available	18	4	12	19	34
Other Fiscal Health Indicators					
Return on Investment	0.6	0.7	0.3	0.5	0.9
Balance from Current Revenue (BCR) (Rs in crore)	(-) 2069	(-) 1704	(-) 1660	(-) 1811	(-) 1983
Financial Assets/Liabilities	0.5	0.5	0.4	0.4	0.4

1.12 Conclusions

1.12.1 Persistent high negative BCR coupled with low investment returns and increasing ratio of fiscal liabilities to GSDP and revenue receipts eroded the sustainability of the State finances. About 97 *per cent* of revenue was spent on committed liabilities like interest payments, pension, salaries, subsidies and fresh borrowings were needed to sustain the current revenue expenditure. This resulted in dwindling expenditure on creation of assets. A high ratio of revenue deficit to fiscal deficit (0.7) and low ratio of assets to liabilities (0.4) increased the vulnerability of State finances as the Government was heavily dependent on outside sources to maintain even the revenue expenditure. This also indicated that about two-third of the liabilities had no asset backup. As most (67 *per cent*) of the borrowings were spent on meeting revenue expenditure, there was little scope of increasing infrastructure development (for capital formation). Thus as Government was forced to borrow more and more to meet the rising expenditure, the interest liability is bound to increase and further reduce the net availability of funds for capital formation in years to come. Thus State finances are not only heading towards unsustainability but also getting gradually into the debt trap.

1.12.2 The State Government will need to take urgent steps to reduce revenue deficit/fiscal deficit by compressing non-developmental revenue expenditure and enhance additional resource mobilization through tax reforms and prudent debt management.

CHAPTER II

ALLOCATIVE PRIORITIES AND APPROPRIATION

2.1 Introduction

The Appropriation Accounts prepared annually indicate Capital and Revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both charged and voted items of the budget.

Audit of appropriation by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various Grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2003-04 against grants/appropriations was as follows:

(Rupees in crore)

Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Savings(-)/ Excess(+)
Voted					
I. Revenue	12756.24	1481.89	14238.13	12997.32	(-) 1240.81
II. Capital	603.29	271.02	874.31	650.47	(-) 223.84
III. Loans and Advances	124.29	1250.30	1374.59	1291.94	(-) 82.65
Total Voted	**13483.82**	**3003.21**	**16487.03**	**14939.73***	**(-) 1547.30**
Charged					
IV. Revenue	2782.37	365.83	3148.20	3374.50	(+) 226.30
V. Capital	2.16	0.69	2.85	2.55	(-) 0.30
VI. Public Debt	5509.57	3887.46	9397.03	10322.04	(+) 925.01
Total Charged	**8294.10**	**4253.98**	**12548.08**	**13699.09***	**(+) 1151.01**
Grand Total	**21777.92**	**7257.19**	**29035.11**	**28638.82****	**(-) 396.29**

* These are gross expenditure figures without taking into account the recoveries adjusted in accounts as reduction of expenditure (Revenue: Rs 876.15 crore and Capital: Rs 13.31 crore, Total: Rs 889.46 crore).

** The total expenditure was inflated at least to the extent of Rs 29 lakh being amounts drawn on abstract contingent bills during the year for which detailed contingent bills were not received and was understated to the extent of Rs 1.49 crore due to non-receipt of vouchers from treasuries.

The total expenditure was understated to the extent of Rs 16.88 crore on account of advances drawn from contingency fund remaining unrecouped at the end of the year (see ***Appendix I*** of Appropriation Accounts)

The overall savings of Rs 396.29 crore was the result of savings of Rs 1704.14 crore in 82 grants and appropriations offset by excess of Rs 1307.85 crore in 11 grants and appropriations. The actual expenditure exceeded the provisions under Revenue (Charged) and Public Debt. Reasons for excess/savings in respect of 68 *per cent* of subheads required to be mentioned in the Appropriation Accounts have not been furnished by the Controlling Officers as of August 2004.

2.3 Fulfilment of Allocative Priorities

2.3.1 Appropriation by Allocative Priorities

Out of the savings of Rs 1704.14 crore, the major savings of Rs 1014.09 (60 *per cent*) occurred in 17 grants as indicated below:

(Rupees in crore)

Sl. No	Number and Name of Grant/Appropriation		Total Grant/ Appropriation	Actual expenditure	Amount of savings
Revenue Voted					
1	II	Heads of States, Ministers and Headquarters Staff	271.23	110.65	160.58
2	VI	Land Revenue	123.87	95.32	28.55
3	XV	Public Works	636.76	550.74	86.02
4	XX	Water Supply and Sanitation	305.50	230.36	75.14
5	XXI	Housing	79.30	51.56	27.74
6	XXII	Urban Development	331.05	214.23	116.82
7	XXIV	Labour and Labour Welfare	174.60	91.56	83.04
8	XXV	Social Welfare including Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	631.72	537.52	94.20
9	XXX	Food	170.06	39.33	130.73
10	XL	Ports	17.83	6.76	11.07
Capital Voted					
11	XV	Public Works	320.11	272.50	47.61
12	XVII	Education, Sports, Art and Culture	32.58	14.69	17.89
13	XVIII	Medical and Public Health	39.01	21.53	17.48
14	XXV	Social Welfare including Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	53.20	16.39	36.81
15	XXXIII	Fisheries	32.96	13.15	19.81
16	XXXVIII	Irrigation	173.77	141.79	31.98
17	XLI	Transport	41.40	12.78	28.62
Total			**3434.95**	**2420.86**	**1014.09**

The savings under 'Heads of States, Ministers and Headquarters Staff' was due to non-implementation of Modernisation of Government Programmes, undertaking less number of projects by the Kerala Information Technology Mission, restriction in expenditure due to resource constraints.

The savings under 'Food' was mainly due to non-payment of subsidy to Food Corporation of India.

The savings under 'Urban Development' was due to non-issuance of clearance for the drawal of the amount sanctioned to the Kerala Road Fund Board, non- requirement of funds earmarked for Local bodies since the amount was released directly to Kudumbasree and less release of plan assistance to Municipalities/Corporations for local area plan programmes.

The major heads of account in which huge savings occurred under these 17 grants are given in **Appendix XII**.

In 30 cases savings exceeding Rs 5 crore or more in each case and also by more than 10 *per cent* of the total provision, amounted to Rs 1250.55 crore (**Appendix XIII**).

Similarly, of the total excess of Rs 1307.85 crore, the major excess of Rs 925 crore (71 *per cent*) occurred due to repayment of Public debt including ways and means advances from Reserve Bank of India (Rs 506 crore), repayment of ways and means advance from Government of India (Rs 210 crore) and of earlier high cost loans under 'Debt Swap Scheme' (Rs 167 crore).

2.3.2 *Persistent savings*

In 15 cases, there were persistent savings in excess of Rs 10 lakh in each case and also 20 *per cent* or more of the provision during the last three years (**Appendix XIV**).

2.3.3 *Excess requiring regularisation*

Excess over provision relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, excess expenditure amounting to Rs 2164.30 crore for the years 1983-84 to 1985-86 and 1988-89 to 2002-03 was yet to be regularised as of August 2004 (**Appendix XV**). In addition, excess expenditure of Rs 1307.85 crore that occurred during 2003-04 requires regularisation has been indicated below.

(Amount in Rupees)

Sl. No.	Number and Name of Grant/Appropriation		Total Grant/ Appropriation	Actual expenditure	Excess
	Revenue Voted				
1	I	State Legislature	168908000	181097740	12189740
2	III	Administration of Justice	863924000	910957333	47033333
3	V	Agricultural Income Tax and Sales Tax	598688000	628113435	29425435
4	XI	District Administration and Miscellaneous	1254707000	1295829987	41122987
5	XVII	Education, Sports, Art and Culture	30057947000	31276556617	1218609617
6	XIX	Family Welfare	970000000	1120962238	150962238
7	XLIII	Compensation and Assignments	705400000	731800000	26400000
	Revenue Charged				
8	II	Heads of States, Ministers and headquarters Staff	240506000	246077880	5571880
9		Debt Charges	30988655000	33285717290	2297062290
	Capital Voted				
10	XII	Police	94895000	94907030	12030
	Capital Charged				
11		Public Debt Repayment	93970342000	103220387175	9250045175
	Total		**159913972000**	**172992406725**	**13078434725**

Debt charges showed persistent excess for the last five years and Public Debt Repayment for the last two years. Though supplementary provision was obtained in the case of nine grants/appropriations during the year, this was inadequate to cover the excess expenditure. This indicated deficiency in budget formulation and failure to obtain adequate supplementary demands.

2.3.4 *Original budget and supplementary provisions*

Supplementary provisions (Rs 7257.19 crore) made during the year constituted 33.30 *per cent* of the original provision (Rs 21777.92 crore) as against 26.1 *per cent* in the previous year.

2.3.5 *Unnecessary/excessive/inadequate supplementary provisions*

- Supplementary provision of Rs 243.64 crore obtained in 29 cases proved unnecessary in view of aggregate savings of Rs 1044.97 crore **(Appendix XVI)**.
- In 18 cases, against additional requirement of Rs 2253.36 crore, supplementary grant of Rs 2705.22 crore was obtained resulting in savings in each case exceeding Rs 10 lakh, aggregating Rs 451.86 crore **(Appendix XVII)**.
- In 8 cases supplementary provision of Rs 4298.07 crore proved insufficient by more than Rs 10 lakh each leaving an aggregate uncovered excess expenditure of Rs 1290.10 crore **(Appendix XVIII)**.

2.3.6 *Persistent excess*

Persistent excess occurred under the appropriation 'Debt Charges' for the last five years as shown below:

Year	Excess expenditure and percentage *(Rupees in crore)*
1999-2000	209.66 (12)
2000-01	263.89 (13)
2001-02	76.75 (3)
2002-03	327.00 (12)
2003-04	229.71 (7)

The inability of the Finance Department to provide adequate funds in the Budget under the appropriation or restrict the expenditure to available provision despite persistence of excess continuously reveals deficient financial management.

2.3.7 *Excessive/unnecessary reappropriation of funds*

Reappropriation is transfer of funds between primary units of appropriation within a grant or appropriation before the close of the financial year. Details of cases where withdrawal or augmentation of provision of funds in excess of Rs 50 lakh proved excessive or resulted in savings by over Rs 50 lakh in each case are mentioned in **Appendix XIX**.

2.3.8 *Anticipated savings not surrendered*

According to rules, the spending departments are required to surrender the grants/appropriations or portion thereof as and when the savings are anticipated to the Finance Department.

In 16 cases, the amount of available savings of Rs 5 crore and above in each case not surrendered, aggregated to Rs 497.79 crore. Failure of these departments to surrender such huge savings revealed improper monitoring of expenditure against budget provision and poor budgetary management. Details are given in **Appendix XX**.

Out of the total surrendered amount of Rs 1289.60 crore (70 cases), Rs 1280.33 crore (65 cases) was surrendered on 31 March 2004 indicating gross disregard of rules and procedures of financial control over expenditure.

2.3.9 Surrender in excess of actual savings

In 12 cases the amount surrendered was in excess of actual savings indicating inadequate budgetary control. As against the actual savings of Rs 352.02 crore in these cases the amount surrendered was Rs 385.25 crore, resulting in excess surrender of Rs 33.23 crore (**Appendix XXI**).

2.4 Unreconciled expenditure

Departmental figures of expenditure are required to be reconciled every month with those in the books of Accountant General (Accounts and Entitlement) in order to enable the departmental officers to exercise proper control over expenditure and to detect fraud and defalcations, if any, at an early stage. The reconciliation was in arrears in many departments. Out of 156 Controlling Officers who were required to reconcile their accounts for the year 2003-04, only 48 have reconciled the expenditure for the whole year, 31 have partially reconciled the expenditure for the year and 77 have not reconciled the accounts of even a single month of 2003-04. As of September 2004, 2437 monthly reconciliation certificates were due from 122 Controlling Officers for the period 1997-98 to 2003-04, as detailed in **Appendix XXII**.

2.5 Rush of expenditure

Under 16 Major Heads of account, more than 51 *per cent* of expenditure was incurred during the last quarter of the financial year. In these cases 34 to 100 *per cent* of the expenditure was incurred only in the last month of the financial year. Details are given in **Appendix XXIII**.

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

2.6 Other topics of interest

2.6.1 Double drawal of Rs 2.64 crore

Government released Rs 70.54 crore (27 March 2004) towards Vehicle tax compensation for the year 2003-04 to be distributed among the local bodies. It was specified in the order that the Director of Panchayats (DP) and Director of Urban Affairs (DUA) would draw the amounts and transfer credit the same to the accounts of the respective local bodies in the treasuries. DUA drew Rs 14.93 crore payable to the 53 Municipalities, 5 Corporations and Kannur Cantonment from Sub Treasury, Vellayambalam on 31 March 2004 and kept it in his Personal Deposit Account, pending ways and means clearance from Government. Out of Rs 14.93 crore, Rs 2.64 crore was the share of the Cochin Corporation. In May 2004, DUA obtained ways and means clearance and sent the amount by Demand Drafts to the local bodies, including Cochin Corporation.

The Secretary, Cochin Corporation, however, withdrew Rs 2.64 crore from the District Treasury, Ernakulam by transfer credit to Personal Deposit (PD) Account of the Corporation on 31 March 2004 disregarding the instructions of Government that the amounts would be drawn and distributed by the DP and DUA. Thus there was a double drawal of Rs 2.64 crore.

As the Secretary, Cochin Corporation was not authorised to draw the amount, the action of the Treasury Officer in allowing the drawal and transfer credit of the amount to PD Account was irregular. The amount thus unauthorisedly drawn from the treasury in March 2004 has not been refunded by the Secretary so far (September 2004).

The DUA stated (September 2004) that the Secretary, Cochin Corporation had been instructed to refund the amount at once and that action would be taken against the officer responsible for the irregular withdrawal of the amount from the treasury. Further developments are awaited (September 2004).

2.6.2 Functioning of Treasuries

The Treasuries in Kerala are functioning under the administrative control of the Director of Treasuries (Director). During 2003-04 there were 23 District Treasuries and 166 Sub Treasuries and Accountant General (Accounts and Entitlement) (AG) conducted inspection of 22 District Treasuries and 116 Sub Treasures during the year. The major irregularities noticed are mentioned below.

Excess payment of pension

Excess payment of pension of Rs 6.90 lakh in 337 cases in 80 treasuries were noticed during 2003-04 due to (i) wrong calculation of revision of pension based on orders issued in 1998 (Rs 1.05 lakh), (ii) non-reduction of family pension after expiry of stipulated period (Rs 2.50 lakh), (iii) non-reduction of commuted value of pension from basic pension, payment of ineligible festival allowance, incorrect calculation of dearness relief, etc., (Rs 3.35 lakh). Details are given in **Appendix XXIV.**

Fraudulent withdrawal

According to the provisions of Kerala Account Code, the Treasury Officer should send the List of Payments to AG with all the supporting vouchers and schedules. While compiling the accounts for December 2003 it was seen that one GPF voucher was missing and the matter was referred to the Sub Treasury Officer (STO), Vellayambalam. The STO reported (February 2004) that the missing voucher related to a fraudulent withdrawal of Rs 9.65 lakh. The case is under police investigation.

Non-reconciliation of Savings Bank Accounts

As per Treasury Savings Bank Rules, ledger balance of each month has to be reconciled with the balance in the extract register in respect of Savings Bank Accounts so as to detect wrong posting, unauthorised credit/debit, etc. The inspection conducted during 2003-04 revealed that the reconciliation was not done in District Treasuries at Cherpalassery, Kasaragod, Kannur and Muvattupuzha and Sub Treasuries at Koothuparamba, Chelakkara and Chengannur.

102/113/2005—7

Retention of cash in excess of maximum limit

The maximum amount of cash which can be retained per day in each treasury is prescribed by Government from time to time. Out of the 138 treasuries inspected during 2003-04, cash balance retained in excess of the prescribed limits in 59 treasuries ranged from Rs 1.54 lakh to Rs 1.20 crore as detailed in **Appendix XXV**.

Improper maintenance of Appropriation Control Registers

According to Rule 444 of Kerala Treasury Code (KTC) Volume I Appropriation Control has to be exercised at treasury level for specified items in respect of 15 departments. Improper maintenance of Appropriation Control Register resulted in payment of Rs 33.83 lakh in excess over the allotment in 75 cases as indicated in **Appendix XXVI.**

Departmental Inspection

According to the provisions of KTC, the Director has to inspect each District Treasury at least once every year and arrange inspection of Sub Treasuries at least once in two years by any other officer not below the rank of District Treasury Officer. During 2003-04, the Director conducted inspection of 8 District Treasuries and arranged inspection of 39 Sub Treasuries as against the requirement of 23 District Treasuries and 83 Sub Treasuries. Thus there was shortfall in inspection of 65 *per cent* in District Treasuries and 53 *per cent* in Sub Treasuries.

CHAPTER III

PERFORMANCE REVIEWS

SCHEDULED CASTES AND SCHEDULED TRIBES DEVELOPMENT DEPARTMENT

3.1 Integrated Audit of the Department for Development of Scheduled Castes

Highlights

The Scheduled Castes (SCs) are a non-homogenous spatially dispersed community. According to the 2001 census the SCs constitute 10 per cent of State's population. Several Schemes such as Post-matric scholarships, Pre-examination Training Centres, Motor Driving course etc. and Centrally Sponsored Schemes are implemented mainly by the SC Development Department for the welfare and development of the SC community. An integrated audit of functioning of the department revealed several deficiencies such as under utilisation of funds, non implementation of Agricultural Land Purchase Scheme, conducting Computer training courses without assessing the suitability of the courses and institutions, delay in disbursement of immediate assistance to victims of atrocities, etc., in the implementation of the welfare schemes for the social upliftment of the SC community.

- **Funds of Rs 147.40 crore provided during 1999-2004 for implementing various schemes for the benefit of SC population were not utilised.**

(Paragraphs 3.1.6 – 3.1.7)

- **Government's decision in March 1997 to conduct a comprehensive survey of SC population to prepare a database for planning future developmental process was not implemented even after a lapse of seven years.**

(Paragraph 3.1.35)

- **Under Special Central Assistance to Special Component Plan 85 *per cent* of GOI funds (Rs 15.96 crore) received by the Director during 1999-2002 for the welfare of the SCs remained unutilised.**

(Paragraphs 3.1.23 – 3.1.24)

- **Despite the availability of funds, tools and furniture were not provided in 9 ITCs resulting in non-approval of courses by NCVT and 997 students, who completed the courses were deprived of National Trade Certificate.**

(Paragraphs 3.1.18 – 3.1.19)

- **Department claimed and obtained Rs 6.96 crore in excess from GOI towards maintenance allowance/tuition fee.**

(Paragraphs 3.1.10 – 3.1.13)

- **An amount of Rs 16.72 crore meant for implementing Agricultural Land Purchase Scheme was kept by Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited for**

102/113/2005—7A

the last three years as the scheme was taken up without assessing its feasibility.

(Paragraphs 3.1.38 – 3.1.40)

- **Computer training through various institutions was conducted incurring an expenditure of Rs 7.87 crore without preparing a project report and assessing the suitability of the courses and institutions.**

(Paragraphs 3.1.25 – 3.1.28)

- **The impact of various training programmes imparted by the pre-examination training centres incurring an expenditure of Rs 80.72 lakh was not evaluated.**

(Paragraphs 3.1.14 – 3.1.16)

- **Investment of Rs 2.73 crore on purchase of Shop rooms in Kairali-Sree Theatre Complex at Thrissur without assessing the demand was not prudent.**

(Paragraphs 3.1.31 – 3.1.34)

- **There was delay of more than one year in disbursing the immediate assistance to victims of atrocities against SC people.**

(Paragraphs 3.1.41 – 3.1.44)

Introduction

3.1.1 The population of Scheduled Castes (SC) in Kerala State is 31.24 lakh (2001 census) which is 10 *per cent* of total population. The literacy rate among SC (1991 census)[#] is 80 *per cent* against 90 *per cent* for the whole State. Schemes for the welfare and development of SCs are implemented mainly by the SC Development Department. There are State schemes such as Post-metric scholarships, Pre-examination Training Centres, Motor Driving course etc. and Centrally Sponsored Schemes of Computer training programme, schemes financed by pooled/corpus fund and Special Central Assistance for Special Component Plan. The SC Department also extends educational concessions to the students of other eligible and backward communities and economically weaker sections of forward communities.

Objectives of the department

3.1.2 The objective of the department is to evolve and implement various developmental activities in the socio-economic and educational field for the integrated development of SC population with a view to bring them up at par with others.

Organisational set up

3.1.3 The Department of SC Development is headed by the Secretary at Government level and the Director is the Head of the Department. The Director is assisted by the Additional Director, Chief Planning Officer, and other officers[∝] at Head Quarters/Region/District/Block Level.

[#] Literacy rate as per 2001 census not available

[∝] Administrative Officer (1), Finance Officer (1), Joint Directors (4), Research Officer (1), Deputy Directors (2), District Development Officers (14) and Scheduled Caste Development Officers at Block level (155)

Audit Objectives

3.1.4 The objectives of Audit were mainly to examine whether:

- Educational programmes were being implemented in an effective and efficient manner and assistance due from GOI was preferred and claimed in a timely manner
- Schemes for economic benefits of the SCs were implemented after proper study and planning and the benefit reached the targeted group
- The State discharged its obligations under Prevention of Atrocities Act, 1989 and Protection of Civil Rights Act, 1955 to protect the SC populace and rendered assistance as specified in these Acts
- Adequate internal controls were exercised over the use of resources and implementation of the schemes

Audit Coverage

3.1.5 A test check of the records pertaining to the period 1999-2004 at Government Secretariat, Directorate, 4* (out of 14) District SC Development Offices and 36 (out of 155) SC Development Offices at Block level was conducted during January–May 2004.

Financial Management

3.1.6 The details of budget provision and expenditure for the period 1999-2004 were as under:

(Rupees in crore)

Year	Budget provision	Expenditure	(-) Savings (+) Excess	Percentage of savings
1999-2000	197.51	178.46	(-)19.05	10
2000-01	191.11	177.61	(-)13.50	7
2001-02	148.73	110.99	(-)37.74	25
2002-03	235.29	235.48	(+) 0.19	-
2003-04	255.77	178.47	(-)77.30	'30
Total	1028.41	881.01	(-)147.40	

Funds provided for implementing various schemes not fully utilised

3.1.7 Large savings under several heads of account indicating excessive budget provision or laxity in utilisation of the grant were noticed. The percentage of savings on major items (*vide* **Appendix XXVII**) ranged between 20 and 90 *per cent* during 1999-2004; the reasons for which have not been explained. However, it was noticed in Audit that:

- When the funds meant for various schemes are drawn from treasuries it is treated as expenditure under the schemes. However, in actual practices these are kept in Treasury Public (TP) Accounts for utilisation during subsequent years. The amount thus available in the TP Account as of 31 March 2003 was Rs 43.51 crore. As Government issued (March 2003) orders freezing TP Accounts this amount was surrendered in June 2003 and therefore the funds intended for implementing several schemes# for the benefit of SC population could

* Thiruvananthapuram, Ernakulam, Palakkad & Kozhikode

Purchase of tools and equipments for ITCs (Rs 0.79 crore), purchase of computer (Rs 0.33 crore), functioning of model residential schools (Rs 0.33 crore), Mythri complete housing scheme (Rs 29.19 crore), Housing scheme for landless (Rs 1.26 crore), Special Central Assistance to Special Component plan (Rs 9.61 crore) and 15 other schemes

not be utilised.

- Out of this Rs 5.43 crore was drawn (Rs 3.69 crore by demand draft and Rs 1.74 crore in cash) in March 2003 by 15 Drawing Officers of the department. The demand drafts were for value ranging from Rs 2.44 lakh to Rs 2.18 crore. Subsequently Rs 3.94 crore was spent during April - June 2003 and balance of Rs 1.49 crore was refunded to Government account. The practice followed in the above two cases would tantamount to circumventing the Legislative control over budgetary grant.

Programme Management

Educational Programmes

3.1.8 The department was providing educational assistance from pre-primary level to Doctoral level. There were 14 schemes for giving assistance to SC students. The expenditure for these schemes during the period 1999-2004 was Rs 154.99 crore against the provision of Rs 161.33 crore.

3.1.9 Deficiencies in implementation of various Educational Schemes such as reimbursement of tuition fees, training in unrecognised institutes, functioning of pre-examination centres, expenditure on units of various training centres which are not recognised, absence of monitoring of education in parallel colleges and extra expenditure in purchase of rank files, etc., are indicated below:

Excess claim towards Post-matric Scholarships

3.1.10 The objective of the scheme was to provide financial assistance to SC students studying for recognised post matriculation courses, including professional and technical courses, in recognised institutions. GOI provides 100 *per cent* assistance for expenditure over and above the level of committed liability i.e., the expenditure at GOI rate incurred for the last financial year of a five year plan of the State. The department paid assistance to SC students at the rate prescribed for State scheme and claimed reimbursement at the rates prescribed by GOI. Scrutiny revealed that State Government claimed and obtained from GOI scholarships for more students than actual strength and also fee at higher rates.

Department claimed and obtained Rs 6.96 crore in excess from GOI towards maintenance allowance/tuition fee

3.1.11 The claim for post-matric scholarships were based on student strength. For the year 2001-02 in respect of class XI, XII and graduate level in Arts and Science colleges against the actual strength of 50000 as reported by DDOs the department claimed scholarship for 69126 students. The maintenance allowance thus received in excess from GOI was computed as Rs 1.88 crore.

3.1.12 In the case of fees, GOI would reimburse tuition and other compulsory fee. In Kerala, though, education upto class XII was free, special fees and examination fees upto Rs 350 were charged for class XI and XII. For graduate level courses tuition fee was Rs 300 and other fees Rs 430. In the proforma for claiming reimbursement from GOI, however, the department claimed at the rate of Rs 1000 for class XI and XII and at the rate of Rs 1400 for graduate level courses. The excess fee thus received from GOI was Rs 5.08 crore.

3.1.13 Thus owing to the excess claim as above for the year 2001-02, i.e., the last financial year of 9th Plan period, the committed liability of the State for the 10th Plan period fixed by GOI was higher by Rs 6.96 crore. As GOI would reimburse only the expenditure over and above the committed liability, this would result in corresponding reduction in reimbursement by GOI for the next five years.

Deficiencies in functioning of Pre-examination Training Centres (PETCs)

3.1.14 The department operates PETCs at Thiruvananthapuram, Ernakulam and Kozhikode with the objective of providing effective coaching to SC/ST students who were appearing for various competitive examinations. The expenditure incurred on training by these centres during the period 1999-2004 was Rs 80.72 lakh. During 1999-2004 the PETCs conducted 69 short term courses for various competitive examinations, besides regular course of stenography of two year duration. All the 2667 students who attended the courses were paid stipends at rates varying from Rs 100 to Rs 400 per month.

The impact of various trainings imparted was not evaluated

3.1.15 For short term job oriented courses no calendar for training was prepared nor any target in respect of course/trainees were fixed. For the stenography course students were admitted once in two years. During the period 1998-2004, 279 students were admitted for the courses in the three centres. But the centres did not have any information on the number of students who had appeared and passed the Kerala Government Technical Examinations conducted at the end of the course. In view of this the usefulness or impact of the training given by the centres was not ascertainable.

3.1.16 Even though the centres incurred an expenditure of Rs 80.72 lakh during the period 1999-2004 for various training programmes the benefits derived and the impact of the training programme on the targeted group were not evaluated by the department.

Training in unrecognised Industrial Training Centres (ITCs)

3.1.17 There were 41 ITCs under the department and training was given to students in various trades e.g., Electrician, Electronics, Mechanic, Draughtsman, Surveyor, etc. Trainees in the ITCs which had the approval of the National Council for Vocational Training (NCVT) and who pass the All India Trade Test were issued with NCVT Certificate.

Despite availability of funds, tools and furniture were not provided leading to deprival of National Trade Certificate to 997 students

3.1.18 The expenditure of the ITCs was Rs 7.32 crore only against the total allotment of Rs 10.13 crore during the period 1999-2004. Due to lack of tools and furniture NCVT did not give approval for 23 units in 9 ITCs. Though funds were available no action was taken to provide necessary infrastructure in the ITCs. Due to non-recognition of these units in the ITCs 997 students who completed the one year course (475) and two year course (522) during 1999-2004 were deprived of the Certificates awarded by NCVT.

3.1.19 The Director stated (October 2004) that action has been taken to provide all facilities in 41 ITCs for getting the NCVT affiliation during the year 2004-05 itself.

Non-assessment of benefits intended to SC students in parallel colleges

Benefits derived from the assistance provided to pursue studies in parallel colleges were not assessed

3.1.20 Government accorded (September 1995) sanction for payment of educational concessions to SC students in parallel colleges* at par with the regular colleges. Consequent on delinking of Pre-degree courses (PDC) from the colleges, the benefit was extended (July 2000) to students undergoing studies in Plus Two Courses in parallel Colleges also. The department incurred an expenditure of Rs 11.81 crore towards tuition fees and stipend to students studying in parallel colleges in 9 districts of the State during 1999-2004. Though Government had directed the department to keep a record of students who underwent studies in the parallel colleges and was successful in the terminal examination, no such record was maintained.

3.1.21 In the absence of any kind of monitoring, the benefits, if any, derived by the students by the assistance given to pursue studies in parallel colleges remained unassessed.

Extra expenditure on purchase of rank file

Extra expenditure of Rs 28.80 lakh was incurred on the purchase and supply of rank files

3.1.22 With a view to increase the pass percentage of SC students in SSLC♠ examination Government decided (May 2003) to supply them rank files containing questions and answers of previous years. Out of eight quotations received from the Publishers, the Director selected four and sent them for quality assessment to SCERT#. It was seen that the SCERT completed the assessment of the four books having questions and answers on six subjects within one day (15 July 2003) and sent the reports to the Director on the very next day (16 July 2003). Based on this assessment and under orders of Government the Director purchased 30,000 copies of the book published by a firm in Thiruvananthapuram at the quoted rate of Rs 320 per copy with 35 *per cent* discount (Net price Rs 208) at a total cost of Rs 62.40 lakh. While selecting the firm the Director ignored the quotation of another firm which had quoted a price of Rs 160 with 30 *per cent* discount (Net price Rs 112) which also contained questions and answers of previous years though not titled as rank file. The honourable High Court of Kerala while disposing of a petition filed by the firm who quoted the lowest rate had held (November 2003) that as the book contained only questions and answers of the previous examinations, the action of the Director in ignoring the lower priced book was not in the best interest of Government. This had resulted in an extra expenditure of Rs 28.80 lakh.

Economic Development Programmes

Special Central Assistance to Special Component Plan

3.1.23 Special Central Assistance to Special Component Plan (SCA to SCP) is a *cent per cent* Centrally Sponsored Scheme implemented in the States and Union Territories. The main objective of the scheme was to give thrust to the economic development programmes for the Scheduled Caste people with reference to their occupational pattern and thereby increase their income.

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* Private centres coaching the students for various examinations conducted by Boards/Universities

♠ Secondary School Leaving Certificate

\# State Council for Education, Research and Training

85 *per cent* of GOI funds (Rs 15.96 crore) received during 1999-2002 for the welfare of the SCs remained unutilised

3.1.24 During the three years 1999-2002, out of Rs 25.97 crore received from GOI towards SCA to SCP Rs 18.67 crore were entrusted with the Director, SC development for implementing various schemes. Out of this the department spent only Rs 2.71 crore mainly for computer training, construction of buildings for hostel etc. Out of the remaining Rs 15.96 crore, Rs 6.36 crore was not drawn and Rs 9.60 crore though drawn and deposited in TP account was surrendered in June 2003 consequent on freezing of TP account. Thus 85 *per cent* of GOI funds was not utilised for the welfare of SCs and as a consequence GOI had not released any amount during 2002-04 under the scheme.

Irregularities in Computer training programme

3.1.25 During November 2002 to March 2003 the Director issued orders for taking up various computer training programmes under SCA to SCP. These programmes were, however, taken up without preparing a project report. The Department spent Rs 7.87 crore for the programme.

3.1.26 As per records maintained by the department, 12709 students in 11 districts were given training in various computer courses like PGDCA, DCA, MS Office, DTP, Unix, DOA etc. The fees paid varied from district to district and also among institutions. Advance of Rs 7.72 crore amounting to 75 *per cent* of the course fee was sanctioned to training institutions. Of this Rs 5.68 crore was paid to 24 franchisees of ET & T Corporation who were to train 8755 students in various courses. It was revealed in Audit that:

Computer training through various institutions was conducted without preparing project report and assessing suitability of courses/institutions

- No project report/action plan detailing number of students to be trained, courses to be selected, job potential of these courses, mode of selection of institutions, etc., was prepared and no administrative sanction was issued by Government.
- There was no evidence in the files to show that selection of institutions and students were made on the basis of any prescribed criteria or after observing any procedure. In six* institutions it was found that the institutions themselves admitted 1835 students without the approval of the department and the fee paid by the department in respect of these students was irregular and resulted in an unintended benefit to the institutions.
- The courses were selected on the basis of recommendations of the institutions. The Department did not evaluate the courses viz., its job potential, approval by Government/University, duration of the course, fee structure, etc especially with reference to similar courses conducted in institutions like LBS, IHRD[#] etc.
- In the original proposal of ET & T, the fee for two year PGDCA course was Rs 22500. But 658 students were admitted by 15 franchisees of the Institution for a shorter term course of PGDCA of one year at a higher fee of Rs 23085. However the fee charged by LBS for a similar course

* Kozhikode, Vadakara, Pathanamthitta, Ranni, Thodupuzha and Adimaly

\# Lal Bahadur Shasthri Centre for Science and Technology, Institute of Human Resources Development - Autonomous institutes under Government was only Rs 18000. The reduction of the duration of the course from two year to one year would obviously affect the quality and standard of the course and give undue monetary benefit to the franchisee. Moreover, these courses were not recognised by Universities/State. Though M/s. KELTRON Limited, a State Government Undertaking, had offered to conduct the courses recognised by certain Government departments, at a lesser fee of Rs 15500, the offer was not considered.

- As per the guidelines, students are eligible for the scholarship if the computer courses are recognised by State/University. The department, however, advertised that students were eligible for scholarships and disbursed Rs 19.98 lakh in four districts to students of computer courses which were not recognised by State/University. The Director reported that on a rough estimate, based on the number of students admitted to the various courses in the 11 districts, Rs 2.17 crore more was payable to the students.

- One franchisee of ET & T Corporation in Sasthamkotta was empanelled in October 2002 for conducting computer training courses. But Rs 58.11 lakh was released during January 2002 to January 2003 towards course fee of three computer courses which were to be completed by December 2002. For completion of the one year course in December 2002, admission should have been done by January 2002, much before the institution was even empanelled. In view of this, genuineness of the amount claimed/paid is doubtful.

- Government issued orders (2 July 2003) to stop the training programme as the selection of institutions and courses was not according to norms and the training programme was not as per the direction of the Government. Disregarding the direction, Director disbursed (14 July 2003) an amount of Rs 13.06 lakh to two institutions in Kollam district probably to help them.

3.1.27 It was noticed that the entire scheme was taken up without preparing a project report and the programmes were not closely monitored at district level. In a letter to Government (May 2004) the Director admitted that the courses were sanctioned by the Director and funds were released to the institutions without the knowledge of district officers and without executing any agreement with the institutions. Consequently the district officers were unaware of the number of training programmes sanctioned for implementation in their districts. According to the Director, the files relating to these programmes were not kept as per rules and some of the files were missing or not traceable and as such he was not taking responsibility for accuracy of the figures reported.

3.1.28 The Director further stated (October 2004) that the matter was being investigated by the Vigilance and Anti-corruption Bureau.

Other training courses

3.1.29 Department issued orders during 2002-03 sanctioning various courses in four institutions on Beautician, X–ray Welding, Auto Electrician, Aluminium Fabrication, Accounting and Taxation, Post Graduate Diploma in NGO Management and Wiremen (total 260 students). Seventy five *per cent* of the course fee amounting to Rs 15.23 lakh was disbursed to training institutions to which the courses were entrusted. Scrutiny of the records revealed that there were no specific norms for selection of institutions. GOI guidelines prescribes that there should be a mechanism to ensure whether the students who completed the courses received any placement either in waged employment or in self-employment. But no mechanism has been evolved so far (October 2004).

Motor Driving Course

3.1.30 A scheme to give training to Scheduled Caste youths to get licence to drive Light Motor Vehicles (LMV)/Heavy Motor Vehicles (HMV)/Autorickshaw and to enable them to get employment as Transport Vehicle Drivers was implemented during 2001-03. Six districts[♣] were selected for the scheme. During 2001-02 against the allotment of Rs 0.58 lakh no expenditure was incurred. However, against the allotment of Rs 120 lakh in 2002-03, Rs 65.14 lakh was spent. It was found that against 3724 persons targeted for training during 2002-03, 2796 persons (75 *per cent*) were trained and 688 trainees got licence. It was also noticed that:

- Government had fixed (September 2002) course fee at Rs 1200/- for Motor Driving course. At this rate the course fee to be paid for 2796 trainees worked out to Rs 33.55 lakh only whereas the department paid Rs 65.14 lakh towards course fee which lacked justification.

Department paid Rs 31.59 lakh in excess of fee fixed by Government towards Motor Driving Course

- Out of total trainees, 1700 (61 *per cent*) were in Kollam District, where course fee of Rs 35.89 lakh was paid to 10 motor driving schools. But the eligible stipend of Rs 600 each was not disbursed to any of the trainees and there arises a doubt as to the genuiness of the training imparted.
- In Kasaragod district though Rs 17.30 lakh was paid to a Society for giving training to 500 students in LMV/Autorickshaw Driving License Course, it gave training to 40 students only at a cost of Rs 1.27 lakh. The Balance amount of Rs 16.03 lakh has neither been refunded by the Society though the training was stopped (March 2004) nor the department has taken any action to recover the amount. The Director stated (October 2004) that a strict direction had been issued to the District Officer to remit in the treasury the balance amount retained by the Society.

Facility for SC entrepreneurs

Purchase of ready built shop rooms in Kairali – Sree Theatre Complex at Thrissur

3.1.31 Mention was made in the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 2000 regarding non-occupation of 28 shop rooms, constructed in 1997 by Kerala State Film Development Corporation (KSFDC), costing about Rs 2.13 crore remaining unoccupied.

[♣] Thiruvananthapuram, Kollam, Alappuzha, Thrissur, Kasaragod and Wayanad

Investment of Rs 2.73 crore on purchase of shop rooms at Thrissur without assessing demand was not prudent

3.1.32 Based on a proposal (July 2002) of KSFDC, the department paid (November 2003) Rs 2.73 crore to KSFDC towards cost of 28 shop rooms having areas ranging from 103-207 sq.ft. in the first floor of the Kairali-Sree Theatre Complex at Thrissur. The cost of each shop room ranged between Rs 8.24 lakh and Rs 20.30 lakh.

3.1.33 The shop rooms were intended to be leased out to SC/ST persons having ample entrepreneurial skill for business. Though the department was aware of the fact that there was no demand for these shop rooms for the last six years, it ventured into the project without assessing the demand for shop rooms by SC entrepreneurs. It was also seen that the department had not conducted a valuation of the asset before acquiring it. The department paid Rs 2.73 crore against the cost of Rs 2.13 crore apparently to help KSFDC to tide over its financial crisis.

3.1.34 The department stated (October 2004) that the majority of SC population in the State live below poverty line and as such they are unable to raise any type of collateral security for obtaining loan to take up any venture. Thus the department's decision to invest Rs 2.73 crore on this was not prudent.

Social Upliftment Programmes and Welfare Schemes

Comprehensive survey of SC households

A survey of SC population to prepare a database for planning future developmental process was not conducted

3.1.35 Government felt the need for preparing a database to assess the impact of various schemes implemented on the living conditions of the SC population as well as for planning future developmental process and accordingly issued orders (March 1997) to conduct a comprehensive survey at a cost of Rs 75 lakh to bring out the socio-economic status of SC population. It was also stated that the census figures did not give much information on the economic status and problems of the SCs. Even though the department spent (March 1998) Rs 1.90 lakh on preliminary works, the survey has not been started even after a lapse of seven years (May 2004). The Director stated (October 2004) that the survey activities had invited serious threats and agitations and hence after conducting discussion by the Minister with the leaders of various socio-political organisations it was decided to abandon the programme. Thus the survey which was considered essential for proper planning of the schemes and to ensure that the various benefits were judiciously distributed among the targeted group did not materialise.

Scheme for houses to houseless

3.1.36 The SC department allotted (January 2002) Rs 18.50 crore to 14 districts towards assistance at the rate of Rs 35000 each payable in four instalments to SC families having income below Rs 18000 for construction of 5286 houses during the year 2001-02. The assistance was enhanced to Rs 70000 for the year 2002-03. For the year 2002-03 the physical target was 13927 and Rs 97.49 crore was allotted to the 14 districts (January 2003 and February 2003).

3.1.37 The assistance was to be released in four instalments. The first instalment was to be released as advance and the subsequent releases were to be made based on progress of construction. According to information received from 8 districts it was seen that only 6290 of the houses targeted for completion during 2001-03 were completed as of March 2004, though the scheme provided construction of 10077 houses within six months. It was also seen that in these districts 184 persons who had received Rs 17.69 lakh had not claimed the second instalment indicating that the construction was not started. The department stated that revenue recovery action would be taken to recover the amounts.

Agricultural Land Purchase Scheme

Funds meant for implementing the Agricultural Land Purchase Scheme amounting to Rs 16.72 crore was kept by the Corporation for the last three years

3.1.38 Under a scheme for providing assistance to Scheduled Caste families for purchase of agricultural land the department released Rs 20.80 crore during 1999-2001. The scheme was to be implemented by the Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Ltd (Corporation). Each family satisfying the prescribed qualifications was entitled to Rs 1.5 lakh as assistance out of which Rs 0.50 lakh was subsidy from Government. The balance amount was to be provided as loan by the Corporation. A total of 1535 persons were given assistance under the scheme. It was seen that 80 *per cent* of the funds amounting to Rs 16.72 crore were lying unutilised with the Corporation as of July 2004.

3.1.39 The Corporation stated (July 2004) that the shortfall in disbursement was due to non-release of any proportionate allocation for loan obligation. Releases of funds by the department without deciding on the source of loans to the beneficiaries and failure in assessing the feasibility of the scheme has resulted in the funds remaining idle with the implementing agency.

3.1.40 The Director stated (October 2004) that the department has only a role to draw the amount from treasury and credit it into the TP account of the Corporation and that the department had no power or right to assess the feasibility of the schemes being implemented by the Corporation.

Implementation of Statutes for the welfare of SCs

Implementation of SC/ST Prevention of Atrocities Act, 1989

There was undue delay in disbursing the immediate assistance to victims of atrocities against SC people

3.1.41 Under the SC/ST Prevention of Atrocities Act, 1989 (PA Act) and the SC/ST Prevention of Atrocities Rules, 1995 (PA Rules), the State Governments were required to undertake various measures such as providing adequate facilities including legal aid, travelling and maintenance expenses to victims and witnesses, setting up of committees at different levels for formulation and implementation of such measures and relief and rehabilitation to victims/dependents of atrocities against the members of SC and ST by other communities. During 1999-2004, against a provision of Rs 34 lakh for the implementation of PA Act, the expenditure was Rs 23.08 lakh registering a saving of Rs 10.92 lakh (32 *per cent*).

3.1.42 In respect of major offences PA Rules provided for immediate relief by cash or in kind to victims or their family members, pension to widows or employment to one member of the family, education to children, etc. Victims/dependents of major offences like murder, rape and grievous hurt were entitled to economic assistance at varying rates of Rs 30000 to Rs 2 lakh. But no details were available with the department regarding the quantum of assistance paid.

3.1.43 Similarly in respect of other offences department had not claimed the 25 *per cent* of the amount eligible for reimbursement from GOI. The budget provision each year was also far below the requirement even though the department was aware of the quantum of assistance payable for the previous year. It was also noticed that:

- in two districts (Ernakulam and Kozhikode) the district level vigilance and monitoring committees under the Chairmanship of District Magistrate for reviewing the implementation of the PA Act which was supposed to meet at least four times in a year had not met after May 2002;
- there was delay of more than one year in disbursement of immediate assistance under PA Rules to the victims;
- the minutes of the meetings of the high power vigilance and monitoring committee set up in 1998 under the Chairmanship of Chief Minister though called for were not produced for scrutiny.

Implementation of Protection of Civil Rights Act

3.1.44 Section 15 A of the Protection of Civil Rights Act 1955 (PCR Act) provides for adequate facilities, including legal aid to the persons subjected to any disability arising out of untouchability; the appointment of officers for initiating or exercising supervision over prosecution for the contravention of the provisions of the Act; setting up of special courts for the trial of offences under the Act; and setting up of committees at such appropriate levels by the State Government in formulating or implementing such measures. Against the budget provision of Rs 610 lakh the expenditure incurred by the department for the implementation of the Act was Rs 438.38 lakh (72 *per cent*) during 1999-2004. It was seen that the department had not incurred any expenditure for implementation of the above provisions of the Act.

3.1.45 Fifty *per cent* of the expenditure for implementation of PCR Act was provided by GOI. Though GOI enhanced (2002-03) the economic assistance for inter caste marriage from Rs 10000 to Rs 20000 the State Government disbursed the assistance only at the rate of Rs 10000 to 425 couples for the year thus depriving them of the eligible benefit of Rs 42.50 lakh.

Internal control

3.1.46 The department operates control system through maintenance of registers and records, collection, consolidation and review of management information, supervision and monitoring activities at different levels and conducting of internal audit checks. Audit scrutiny revealed that:

- Monthly statement of expenditure required to be sent to the Directorate on fifth of every month by district development officers were not sent regularly. It was seen that monthly reports upto May 2003 were only received in the Directorate till March 2004.
- Monthly reconciliation of expenditure and receipts with the accounts figures of Accountant General (A&E) was completed only upto March 2003 as of March 2004.

- There was no monitoring of progress of achievement in the implementation of various schemes for which funds were released. In respect of land for landless schemes for which Rs 21.83 crore was released during the three years 2001-04, reports received from the districts was not consolidated in the directorate and consequently the position of the State as a whole was not available.
- Government had ordered in May 2003 to close all accounts opened in banks for payment of educational concessions to students and deposit the amounts in treasury accounts. This order was not complied with and Rs 1.48 crore was still retained in bank accounts in various districts as of April 2004.
- Sixty one Taluk SC Development Offices (SCDO) were ordered to be closed (July 2000) consequent on partial reorganisation of the department. The Director issued orders (July 2000) that the cash/bank balance and demand drafts retained with these offices should be remitted to Government accounts in the concerned head of accounts and the facts reported. Compliance of these instructions were not monitored by the Director.
- Reports on progress of implementation of various schemes received from the district offices were not monitored and properly documented rendering it difficult to have a State wide position. The documentation was poor and the reports and files were incomplete.

Internal Audit Wing

3.1.47 No norms were prescribed for selection of institutions for internal audit. An institution was selected for audit to assess the liabilities of District/Block level officers at the time of their retirement. Out of 155 Block level offices of SCDO which was formed in November 2000, 132 offices were not inspected even once by the Internal Audit Wing. Ninety two inspection reports (vide **Appendix XXVIII**) were pending disposal (March 2003).

Response to audit

3.1.48 There were 1109 paragraphs (Directorate : 109, district offices : 309, block level offices : 395 and miscellaneous institutions : 296) in 227 inspection reports issued by the Accountant General pertaining to the period 1993-2004 pending for want of final reply from the department. Out of these 207 paragraphs in 41 Inspection Reports were pending for more than 5 years and 9 paragraphs related to the year 1993-94.

Conclusions

3.1.49 Though several schemes were taken up to meet the departmental objective of raising the standard of SC population, the impact has not been assessed. The funds provided for in the budget were not fully utilised and portion of the funds though drawn and kept in TP accounts could not be utilised due to freezing of the accounts. There was also lack of monitoring in the implementation of the schemes.

3.1.50 The statutory benefits available under the provisions of PA Act and PCR Act were not released as prescribed and the implementation of the Acts were not being properly monitored. In the absence of an adequate and effective internal control mechanism, the Head of Department was not fully aware of the activities of the subordinate offices.

3.1.51 Recommendations

- ★ In respect of post-matric scholarships full details viz., number of students, courses etc. may be kept district-wise and consolidated at State level so that claim for reimbursement sent to GOI would be reliable and accurate.
- ★ While granting educational assistance to the students in parallel colleges/private institutions, the department should ascertain the infrastructure available, whether the courses are recognised/approved and the students are actually attending the classes and appearing for the examination.
- ★ It should be ensured that funds under SCA to SCP are utilised for income generation schemes related to occupational patterns of the beneficiaries as prescribed in the guidelines.
- ★ Government may ensure proper infrastructure in the ITCs to get recognition from NCVT so that students are not put to hardship.

Response of the department

3.1.52 The Report was discussed in detail with the Director of SC Development Department who agreed with all the recommendations of Audit. He also agreed to issue necessary instructions to the concerned officers in line with the observations of audit for the proper functioning of the Department.

FISHERIES/WATER RESOURCES/HEALTH AND FAMILY WELFARE DEPARTMENT

3.2 District Audit - Kollam

Highlights

Kollam, an old sea port town on the Arabian coast is a land of backwaters. A review of the Government Departments engaged in the activities of the district viz., availability of safe drinking water, primary health care and fishing sector revealed several deficiencies such as non-utilisation of funds, delay in implementation of schemes, shortage of manpower, idling of equipment, etc.

- **Out of 14 Water Supply Schemes, work in respect of 9 Schemes sanctioned between 1993 and 1999 could not be started due to non-availability of land.**

(Paragraph 3.2.11)

- **Out of the loan amount of Rs 9.49 crore for implementation of various schemes, Rs 6.99 crore was diverted for other activities of Kerala Water Authority.**

(Paragraph 3.2.15)

- **Out of 5944 samples of water analysed, 2399 samples contained high bacteriological and chemical impurities indicating that the water was not potable.**

(Paragraph 3.2.25)

- **Though the urban population was only 9 *per cent* of the total population, 48 *per cent* of the bed strength of the hospitals was in urban area.**

(Paragraph 3.2.30)

- **A boat provided to the district for patrolling at a cost of Rs 1.81 crore was used only for 57 days between May 1997 and February 2002.**

(Paragraph 3.2.52)

Introduction

3.2.1 Kollam, an old sea port town on the Arabian Coast, is a land of backwaters which form a specially attractive and economically valuable feature of the district. The total geographical area is 2491 sq.km comprising forest cover of 81438 ha., sown area of 141838 ha, non-agriculture land of 23421 ha and waste land of 8072 ha. The district has a population of 25.85 lakh, of which, female population (13.35 lakh) predominates the male population (12.50 lakh). The density of population is 1038 per sq. km. paddy, coconut, cashew, pepper and tapioca are the major crops. Fishing has a prominent place in the economy of the district. Coir and cashew constitute the major industrial activity. Other information relating to the district is shown in **Appendix XXIX.**

Organisational set up

3.2.2 In Kerala, the District Collector (DC) is the head of the Revenue Department in the District and not a Chief executive of plan implementation in the district. Programmes are implemented by the respective departments, which are under the control of a Directorate at the State level. In respect of schemes implemented by the Local Self Government Institutions (LSGIs) also, DC has only an advisory role and has no executive/implementing power.

3.2.3 The District Planning Committee consisting of 15 members with the Panchayat President as Chairman and DC as Secretary finalises the draft development plan for the district from the plans prepared by the Panchayats and Municipalities. It also monitors all the Plan schemes including State Plan schemes and evaluates the completed schemes.

3.2.4 The District Development Committee (DDC) with the DC as the Chairman and District level officers as its members reviews and monitors the implementation of the schemes. The District Planning Officer who functions as the Member Secretary initiates the follow up measures.

102/113/2005—8

Audit Objectives

3.2.5 The objective of the review was to:

- assess the facilities available in the sectors of drinking water, health care and fisheries.
- implementation of the schemes in these sectors and
- their impact on the targeted population.

Audit coverage

3.2.6 A review of the functioning of the Government Departments engaged in providing safe drinking water, primary health care under Allopathic system of medicine and activities of fisheries sector in the district for the period 1999-2004 was conducted during March – June 2004.

Programme management

3.2.7 Deficiencies noticed in providing safe drinking water were the non-commencement of water supply schemes due to non-availability of land, diversion of loan amount for other purposes, unfruitful expenditure and failure to ensure quality of drinking water. Similarly, against the objective of primary health care services, deficiencies that were noticed during implementation was shortage of manpower, inadequate facilities in rural area, idling of equipment and non-utilisation of available infrastructure. As far as fisheries sector was concerned the schemes for promoting aquaculture was not properly implemented, the working of the fish farmers development agency was not monitored as detailed below:

Availability of safe drinking water

3.2.8 The requirements of drinking water in the district were met mainly from open wells, tube wells and piped water supply. The Kerala Water Authority (KWA), an autonomous body, was the agency entrusted with the execution and maintenance of piped water supply schemes. KWA also executes the water supply schemes sanctioned by the DC for the benefit of the SC/ST population and that of local bodies as deposit works and maintains them. In addition, District Panchayats implemented water supply schemes under 'Sector Reforms Project' in the district which were maintained by the beneficiary groups of each scheme.

3.2.9 The implementation of the water supply schemes was reviewed by a test check of the records in the office of both the KWA divisions, District Collectorate and District Panchayat. The results of the review are discussed below:

3.2.10 The review revealed that the schemes were not commenced due to non-availability of land, diversion of loan amount specifically obtained for water supply schemes, unfruitful expenditure, diversion of funds, failure to ensure quality of drinking water, etc., as described below:

Schemes executed by Kerala Water Authority

Out of 14 water supply schemes work in respect of 9 schemes could not be started due to non-availability of land

3.2.11 Fourteen water supply schemes were under execution and the expenditure on these schemes as of March 2004 was Rs 19.22 crore as shown in **Appendix XXX**. However, only three schemes were commissioned during the last five years. Of these, the scheme for World Bank aided Water Supply

Scheme to Chithara and adjoining Panchayats commenced in 1986 was completed only in 1999, thus delaying the project by about 10 years. The two schemes sanctioned in 1991 and 1997 were under various stages of implementation. Work in respect of remaining nine schemes sanctioned between 1993 and 1999 could not be started due to non-availability of land.

Non-execution of schemes after availing of loans

3.2.12 KWA raised loans from financial institutions like Life Insurance Corporation of India (LIC), HUDCO♠, etc., for the implementation of various ongoing as well as new schemes. Government accorded sanction between 1995 and 1999 to implement six rural water supply schemes♦ with loan assistance from LIC in areas where the existing ground water source was of poor quality. The population to be benefited was 2.06 lakh in the six villages of the district. The estimated cost of the schemes and the eligible amount of loan were Rs 49.54 crore and Rs 22.81 crore respectively. Loans released from LIC for these schemes upto March 2004 amounted to Rs 9.49 crore.

Pipes costing Rs 2.21 crore were purchased in advance though the required land was not acquired

3.2.13 In Rural Water Supply Scheme (RWSS) to Ochira and Karunagappally the original source and site of treatment plant were changed due to non-availability of land and the new site for the treatment plant was identified but not taken possession of. But pipes worth Rs 2.21 crore were purchased between March 1998 and October 1999 by KWA though the required land was not acquired. Thus the expenditure of Rs 2.21 crore remained idle for more than four years.

3.2.14 The source of the remaining four RWSS (Chavara, Panmana, Thevalakkara and Thekkumbhagam) was the existing well of Quilon Water Supply Scheme. The land required for other common components (water treatment plant, balancing reservoir and 800 mm CI pumping main) was in possession of KWA. However, KWA did not commence the execution of common components due to non-acquisition of land by KWA for the overhead tanks for two of the schemes at Chavara and Thevalakkara.

Out of the loan amount of Rs 9.49 crore from LIC, Rs 6.99 crore was diverted for other activities of KWA

3.2.15 The sanctioning of projects and obtaining loan for its implementation without ensuring the availability of land for various components was irregular. Out of the loan of Rs 9.49 crore raised at interest rate of 13 *per cent*, Rs 6.99 crore availed specifically for these six projects were used as resources for other activities of KWA and the works could not be started as of June 2004.

Unfruitful Expenditure

Two water supply schemes could not be completed even eight years after the targeted date of completion

3.2.16 The local bodies (beneficiary Panchayats) were to provide land required for the construction of well-cum-pump house, treatment plant, overhead tank, in respect of *cent per cent* centrally sponsored Accelerated Rural Water Supply Schemes (ARWSS). The following two schemes could not be completed even eight years after the targeted date of completion due to lack of appropriate and timely action by the Panchayats and KWA and the expenditure on these projects became unfruitful.

♠ Housing and Urban Development Corporation Limited

♦ Ochira, Karunagappally, Chavara, Panmana, Thevalakkara and Thekkumbhagam

102/113/2005—8A

3.2.17 ARWSS to Kulathupuzha and adjoining villages with an estimated cost of Rs 4.18 crore was sanctioned in October 1993. The scheme, targeted to be completed in October 1996, was to benefit four villages of Kulathupuzha, Eroor, Alayamon and Ittiva. The scheme was taken up as the project area experienced acute scarcity of drinking water and the villages were identified as problem villages as per criteria fixed by Government of India (GOI). But the Forest department did not permit any construction in the forest land identified for the construction of treatment plant, reservoir, etc. An alternative site (1.325 acre) was handed over by the Panchayat in November 2002. The change in site resulted in deviation from the original plan. But the deviation proposal was not approved by KWA as of March 2004. The expenditure incurred so far (March 2004) was Rs 1.14 crore for purchase of pipes (Rs 0.98 crore) and preliminary expenses (Rs 0.16 crore).

3.2.18 Similarly, ARWSS to Pathanapuram and adjoining villages estimated to cost Rs 3.78 crore was sanctioned in October 1993. The scheme, targetted to be completed in October 1996 was to benefit a population of 1.40 lakh in the five villages of Pathanapuram, Piravanthoor, Pidavoor, Thalavoor and Mylam. The construction of well-cum-pump house was started in April 1996. While digging the well rock formation was struck. There was no provision in the accepted schedule of contract for rock blasting. Hence the work was stopped in November 1997. The revised estimate was pending approval of the Chief Engineer. The total expenditure incurred upto March 2004 was Rs 1.14 crore.

Rs 4.23 crore spent on water supply scheme became nugatory

3.2.19 The ARWSS to Kottarakkara and adjoining villages was intended to serve a population of 1.14 lakh in the four Panchayats of Kottarakkara, Melila, Vettikavala and Vilakkudy. The source was the treated water from "Bilaterally Aided Water Supply Scheme to Kundara". Works on the other components were commenced in April 1991 and trial run started in December 2000. However, the scheme could not be commissioned owing to insufficient water from the Kundara scheme. As no benefit could be derived the expenditure of Rs 4.23 crore became nugatory.

3.2.20 KWA may investigate the reasons for the undue delay in implementing these schemes and action taken against the persons responsible.

Non-implementation of drinking water schemes

3.2.21 Government sanctioned (October 2002) a project on 'Basic Sanitation and Drinking Water Supply Facilities', with Special Central Assistance in nine districts including Kollam. Special Central Assistance of Rs 50 lakh was received (February 2003) for two drinking water schemes (Rs 40 lakh) and for construction of 10 common sanitation facilities (Rs 10 lakh). This amount was deposited with the Harbour Engineering Department in February 2003. As the LSGIs could not identify the land required for the schemes, the funds remained unutilised.

3.2.22 The department just passed on the funds meant for the schemes to the Harbour Engineering Department and the matter was not pursued thereafter. The failure of the department to ensure providing of required land by the LSGIs and convene beneficiary committees were also the reasons for non-implementation of the scheme despite availability of funds.

Delay in implementation of schemes for SC/ST

3.2.23 According to norms, 25 *per cent* and 10 *per cent* of the ARWSS funds were to be utilised for undertaking original water supply schemes for Scheduled Castes (SC) and Scheduled Tribes (ST) respectively. KWA released Rs 2.11 crore to the DC during the period from 1 April 1999 to 31 March 2004 for implementation of the SC/ST components of the scheme. But there was delay upto 18 months in encashing the cheques received from KWA due to treasury restrictions imposed by Government. The inordinate delay in implementation of the schemes financed by GOI resulted in non-provision of drinking water to the SC and ST population.

Diversion of funds meant for the benefit of SC/ST

DC diverted Rs 1.19 crore of SC/ST funds to works not envisaged in the guidelines

3.2.24 The repair and maintenance of commissioned water supply schemes was to be met from the funds of KWA. However, thirty five schemes with an estimated cost of Rs 1.07 crore sanctioned in March 2003 by the DC was for the repair, maintenance and extension works. One scheme sanctioned in March 2003 at an estimated cost of Rs 11.80 lakh was not for SC/ST population which was a violation of the guidelines. The action of DC in utilising Rs 1.19 crore for purposes not envisaged in the scheme resulted in diversion of funds.

Poor quality of water

Samples of water analysed contained high bacteriological and physical impurities indicating that the water was not potable

3.2.25 The Quality Control District Laboratory, Kollam was responsible for collection and analysis of samples from the piped water schemes periodically and send reports of the result to the implementing divisions of KWA for remedial action. During 1999-2004 the laboratory collected and analysed 5944 samples and found that 2399 samples (varying from 33 to 46 *per cent*) contained high bacteriological, chemical and physical impurities indicating that the water was not potable. This showed that the corrective measures like periodical washing of tank, chlorination, leak rectification work, etc., were not adequate and therefore the piped water supplied was not safe drinking water. The action taken on the findings of the laboratory was, however, not furnished by the DC.

Primary health care

3.2.26 Another important factor affecting the social life of the people is primary health care. About 39 *per cent* of the people in the District live below poverty line and the Government is the prime provider of the health care.

3.2.27 The district had two district level hospitals, one for General and the other for Women and Children, four Taluk headquarters hospitals, 85 Community Health Centres/Government Hospitals/Primary Health Centres (CHCs/GHs/PHCs) and 449 sub centres in the Allopathy system. At the district level District Medical Officer (DMO) of health was in charge of all the health and family welfare activities. Two district level hospitals, four taluk hospitals, two Government hospitals, three community health centres and 20 primary health centres in the district were covered in audit.

3.2.28 During 1999-2004 the Health Department spent, Rs 189.62 crore for the health services under the DMO, Kollam. The contingent expenditure such as dietary charges, electricity and water charges, etc., of Government hospitals/dispensaries are met by the Local Self Government institutions from the funds allotted to them by the DMO. Medicines were supplied to the institutions under a centralised purchase system.

3.2.29 The review of health care facilities available in the district revealed shortage of man power, inadequate facilities in rural area, idling of equipment, non-utilisation of infrastructure etc. as discussed below.

Urban/Rural disparity in health care

Urban population constituted only 9 *per cent* but 48 *per cent* of the bed strength was in the urban area

3.2.30 There were 83 institutions with inpatient facilities having total bed strength of 2156 in the Government Sector and 248 institutions in the Private Sector with bed strength of 4436. Out of the total area of 2491 sq. km, urban area constituted only 3 *per cent* while 9 *per cent* of the population reside in urban area. However, of the total bed strength of 2156 in Government hospitals 1041 (48 *per cent*) was in urban area.

3.2.31 For a lakh of population there were 466 beds in the urban area and only 47 beds in the rural area of the district. Even these numbers of beds were not actually available in rural areas as a large number of PH centres did not admit in-patients due to non-availability of doctors. The disparity in the bed strength and low percentage of patients treated in rural areas revealed that health care services provided by Government were inadequate for the rural population of the district.

3.2.32 An 'Oor-kootam' (Assembly of Locals) was organised at the instance of Audit at the Tribal colony, Achankoil during February 2004. The Tribal Extension Officer, the Mooppan (Tribal Chief) and two promoters participated in the interaction. The following aspects were brought to the notice of Audit/Department by the inhabitants of the tribal colony.

3.2.33 The services of the Medical Officer were available at the PH Centre, Achankoil only for two days in a week, though the Medical Officer was expected to be present on all days. The staff nurse posted at the PH Centre referred most of the cases requiring administration of injections to the local private hospital. An ambulance purchased with the financial aid from European commission and meant for PHC Achankoil was never used as it was always parked at Ariyankavu, 35 km away from the PHC. Tribals who needed emergency care and hospitalisation were compelled to proceed to Government Hospital, Punalur in hired jeep – taxies by paying exorbitant charges.

Idling of equipment/machinery

3.2.34 The hospitals in the district have not maintained an asset register. No study has been conducted to have an inventory of available equipment and its present condition.

3.2.35 It was observed that equipment/instruments like X-ray machines, ultra sound scanner, power laundry unit etc., costing Rs 59.90 lakh was idling for periods ranging from one to eight years in six hospitals. Thus the patients in these hospitals did not receive the intended diagnostic services from the equipment provided to the hospitals due to inaction of the department in making them functional.

Non-utilisation of Institutional infrastructure

Non-utilisation of assets/facilities

3.2.36 Non-utilisation of infrastructure created in rural areas *viz.*, hospital buildings, operation theatre, in-patient wards, X-ray rooms and blood banks was noticed. The details are given in **Appendix XXXI**. In the following cases the assets created could not be utilised even after 12-34 years of its creation.

Sl. No	Hospital	Asset	Year of completion	Reason for non-utilisation
1.	P.H.C., Kalakode	IP Ward (12 beds)	1970	Want of medical/para medical staff
2.	P.H.C., Thazhava	-do-	1992	-do-
3.	P.H.C., Nedumankavu	6 Quarters	1974	Away from the hospital
4.	P.H.C. Vilakudy	IP ward (10 beds) Office building	1991 1980	Want of medical/para medical staff.

3.2.37 The reasons attributed were shortage of staff and lack of facilities such as power/water connection, etc.

3.2.38 Similarly the paediatric ward with 24 beds in the Taluk Hospital Punalur and 148 beds available in the 11 PHCs in the rural areas could not be provided in-patient treatment due to dearth of staff, non-availability of minimum required number of three doctors, etc. This showed the failure of the department in taking effective action in utilising the infrastructure created so as to provide better medical care to the rural people who are mainly depending on Government hospitals. The DMO, Kollam stated (September 2004) that action was being taken to utilise the idling hospital building, operation theatre, etc., under the Modernisation of Government Programme.

Hospital Waste Management

3.2.39 Bio-medical waste management rules require that every bit of infectious waste to be properly treated and disposed off. In a study on Bio-waste Management in the district conducted by the Indian Medical Association (IMA), it was estimated that about 7.3 lakh kg of infectious wastes were produced in a year in the health care facilities, including private institutions of Kollam District.

3.2.40 Government Victoria Hospital, Kollam, the only hospital in the district dedicated exclusively to women and children with bed strength of 273 generated about 17900 kg of bio-wastes a year. However, the hospital had not yet adopted a scientific way of disposal of bio-waste and the primitive method of burning the waste in a pit was being followed. Kerala State Pollution Control Board in its study reported that this could lead to spread of contagious diseases and other health hazards and therefore the need for a properly planned project for the management and disposal of hazardous waste is brought to notice. In fact, none of the institutions other than the district hospital has installed an incinerator.

Construction of an additional ward

3.2.41 Government Rural Dispensary, Sasthamkotta with bed strength of 40 was upgraded to the status of Taluk headquarters hospital in

December 1993. Administrative and expenditure sanction for Rs 58 lakh were accorded in February 1996 for the construction of a 100 bedded ward to the hospital. Consequent on the implementation of Panchayati Raj Act 1996, the Scheme was transferred to Block Panchayat. The work has not yet been started pending provision of funds by the Block Panchayat.

Treatment of physically challenged

3.2.42 A District Limb-Fitting Centre (DLFC), functioning within the District Hospital, was an independent entity, under overall supervision of a Medical Officer. The DLFC catered to the needs of physically challenged patients by manufacturing and supplying artificial limbs, Hip Disarti, leg attachments etc. Scrutiny of the performance of the DLFC revealed that, though human resources remained constant the manufacture and supply of artificial limbs etc. was on the decline and DLFC could supply only 929 artificial limbs as against the demand for 2473 limbs during 1999-2004. Lack of funds and frequent power disconnection due to non-remittance of electricity charges were the reasons attributed for the poor performance.

Fisheries sector

3.2.43 The district has 53 fishing villages with a fishermen population of 1,10,000 and 90 *per cent* of this population lives below poverty line.

3.2.44 The functions of the Fisheries department in the district are controlled by a Deputy Director of Fisheries. The expenditure incurred by the Fisheries department in the district during 1999-2004 was Rs 18.79 crore. During the above period the department also received Rs 19 lakh from Local Self Government Institutions out of which Rs 6.43 lakh was spent.

3.2.45 The review revealed that schemes meant for providing economic benefit to the fishermen *viz.*, Alternative Facilities to fisherwomen, Matsyabhavans, schemes for promoting aquaculture, fish farmers development agency, etc., were not properly implemented as may be seen from the succeeding paragraphs.

Credit facilities to fisherwomen

3.2.46 The scheme was to provide credit facilities to women by formation of Vanitha Fisheries Bank so as to free them from the grip of money lenders and middlemen and for their socio economic development.

The Vanitha Fisheries Bank was not functioning from 2001-02

3.2.47 A Vanitha Fisheries Bank was started in Neendakara in 1993 to provide financial assistance and inculcate saving habit among fisherwomen. There were 645 individuals and 475 Self Help Groups of women who had taken membership. Government provided Rs 15.40 lakh to the Bank during 1993-2001 as working fund and the bank had been functioning well till 2001-02. When the Reserve Bank of India objected to the use of the name 'Bank', Government decided (July 2002) to change the nomenclature to 'Society for Assistance to Fisher women'. Government also directed the Deputy Director of Fisheries to modify the Bye-laws and Memorandum of Association. However, the Deputy Director did not modify the Bye-laws and Memorandum of Association as instructed and the functioning of the bank could not be revived so far (May 2004). The society had a deposit of Rs 10.34

lakh and the loans pending recovery was Rs 6.26 lakh. Thus the schemes intended to meet the credit needs of the fisherwomen did not materialise.

Scheme for promoting aquaculture

Construction of the building could not be started due to non-approval of the design

3.2.48 The department decided to establish an aquaculture extension training centre at Thevally for providing training to fish farmers and departmental officers. A sum of Rs 14 lakh allotted to the district in January 2000 and the construction of the building was to be executed by the Harbour Engineering Department. After inaugurating the scheme, spending Rs 25,000, the balance amount of Rs 13.75 lakh was deposited in the TP Account of the Department. However, the construction had not been started as consensus on the design of the centre could not be reached between the Fisheries and Harbour Engineering Departments (October 2004). The aim of providing training to fish farmers could not be achieved even after four years of release of funds.

Fish Farmers Development Agency

3.2.49 The Fish Farmers Development Agency (FFDA) was established with the objective of developing fresh water aquaculture through motivating farmers by providing incentives by way of subsidy, seed, training and extension support, and to bring all the cultivable area under fish culture. FFDA was functioning with 50 *per cent* GOI assistance upto 1999-2000 and 75 *per cent* from 2000-01 and 80 *per cent* from 2003-04. The expenditure incurred for the implementation of the schemes during 1998-2004 was Rs 43.92 lakh. However, during the period 2001-03 even though the department identified 310.50 ha. of cultivable area it could bring only 125 ha (40 *per cent*) under cultivation. As the agency implemented similar schemes like 'Janakiya Matsya Krishi', the number of beneficiaries under the scheme declined sharply from 374 in 1999-2000 to 34 in 2002-03. The Agency had an unspent balance of Rs 28.11 lakh (in Banks and Government Treasury) as of March 2003. The department had not evaluated the performance of the Agency and audited its accounts so far.

3.2.50 It was also seen that as the Director of Fisheries had not furnished the annual reports on physical achievement and financial performance, audited statement of accounts etc. of the FFDAs to GOI, the Central share of Rs 2.36 crore for the years 1998-2004 could not be obtained from GOI.

Matsyabhavans

Only 5 GPs constructed the Matsyabhavans and 11 GPs failed to utilise the funds

3.2.51 The department envisaged construction of 'Matsyabhavans' (Bhavans) in GPs having concentration of fishing community. The Bhavans were envisaged as nodal offices to interact with the fishermen and provide easy accessibility to administration at the grass root level. Out of Rs 60.51 lakh allotted (1996-2000) to the district Rs 42.50 lakh was distributed to 15 GPs at the rate of Rs 2.50 lakh each and Rs 5 lakh to one GP. Only five GPs constructed the Bhavans and eleven others failed to utilise the funds. The department as well as the DC could not furnish the details of expenditure of the balance amount of Rs 18.01 lakh and therefore the possibility of misappropriation in this case could not be ruled out. No action was taken to get back the unspent amount of Rs 30 lakh retained by the GPs. Releasing of funds to the implementing agencies without ensuring availability of land led to non-utilisation of substantial portion of the funds.

Patrolling Operations

A boat costing Rs 1.81 crore was used for patrolling only for 57 days

3.2.52 Under a Centrally Sponsored Scheme of Enforcement of Marine Fishing Regulation Act, the district was provided (January 1997) with a boat costing Rs 1.81 crore for patrolling in the sea for life saving and other operations. It was seen that the boat was used for patrolling for only 57 days during the period May 1997 to February 2002. In between, for nearly three years, the boat was under repairs. The boat has been kept idle since March 2002. During the period 1998-2000 and 2002-03 the district had spent Rs 8.70 lakh as idle wages to the staff and Rs 3.30 lakh as hiring charges (1998-2003) of private patrolling boats. The circumstances leading to the boat becoming unserviceable need to be investigated as the intended benefit could not be derived despite investment of Rs 1.81 crore.

Conclusions

3.2.53 KWA conceived and sanctioned schemes without ensuring availability of land for various components like water source, water treatment plant, reservoirs, etc., and resulted in non-commencement of execution and delay in completion of schemes. Thus KWA failed in providing safe drinking water to 82 *per cent* of the targeted population though finance was available. There were diversions of funds on schemes implemented through DC and under utilisation of funds allotted to District Panchayats. Nearly 40 *per cent* of the water supplied was found to be below the prescribed standards.

3.2.54 Patient care in the district suffered due to shortage of human resources, idling of equipment and non-utilisation of hospital infrastructure. Facilities in rural areas were inadequate when compared to that in urban areas.

3.2.55 Implementation of socio economic schemes did not result in the attainment of objectives in the fisheries sector. Drinking water and sanitation schemes were not implemented though funds were available.

3.2.56 Recommendations

- ★ The land required for implementation of components of water supply schemes should be ensured before sanctioning the scheme and raising loans.
- ★ Quality of drinking water supplied should be ensured by proper upkeep of facilities.
- ★ A properly planned project for the management and disposal of hazardous waste needs to be implemented.
- ★ Government may examine the possibility of increasing the bed strength of hospitals in rural areas.

Response of Departments

3.2.57 The report was discussed with the District Collector, Kollam on 1 July 2004. The DMO, Deputy Director of Fisheries along with the Finance Officer of the Collectorate participated in the discussion. Audit findings were accepted. The District Collector and other district level officers also agreed with the recommendations of Audit.

3.2.58 The above points were referred to Government in August 2004; reply has not been received (November 2004).

HEALTH AND FAMILY WELFARE DEPARTMENT

3.3 Indian Systems of Medicine and Homoeopathy

Highlights

Indian Systems of Medicine consists of Ayurveda, Siddha, Unani and Naturopathy. Ayurveda is widely practiced and Homoeopathy also enjoys popularity in Kerala. Thrissur district has the highest number (95) of Ayurveda hospitals/dispensaries and Thiruvananthapuram district has the highest number (55) of Homoeo dispensaries/hospitals, whereas Wayanad district has the lowest number of institutions under both the systems. During 1999-2004 expenditure on Indian Systems of Medicine and Homoeopathy was 11 per cent of the total expenditure on Health and Family Welfare. The review revealed delay in utilisation of Central funds, lack of infrastructure facilities, shortage and under-qualification of teaching staff, non-revision of user charges since April 1994, non-observance of prescribed guidelines issued by Central Council of Indian Medicine (CCIM) and Central Council of Homoeopathy (CCH) in Ayurveda Colleges (AVC) and Homoeopathic Medical Colleges (HMC) respectively, etc.

Ayurveda

- **There was shortfall in teaching posts compared to norms of CCIM in 5 AVCs ranging from 37 to 72 *per cent* as of March 2004. In these AVCs 49 teaching staff were under-qualified which would affect the quality of education. In AVC, Thiruvananthapuram and Kottakkal, Preliminary Examination for Post Graduate course was conducted by the Institutions themselves instead of by the Affiliated University according to the guidelines.**

  [Paragraphs 3.3.28 – 3.3.33]

- **Buildings constructed for 28 hospitals / dispensaries costing Rs 1.28 crore remained unoccupied for want of staff and basic amenities.**

  [Paragraph 3.3.13]

- **Acceptance of medicines not indented (cost: Rs 2.04 crore) from 'Oushadhi', a Government company, caused reduction in availability of funds for essential medicines.**

  [Paragraph 3.3.15]

- **Construction of hospitals one each for AVC, Kannur and AVC, Thripunithura have not been completed though Rs 8.72 crore was spent as of March 2004. There was an unspent balance of Central funds amounting to Rs 69.45 lakh as of March 2004.**

  [Paragraphs 3.3.24 - 3.3.26]

Homoeopathy

- **Buildings constructed for four hospitals/ dispensaries (cost : Rs 61 lakh) remained unoccupied as water and electricity have not been provided. Only one out of 31 Homoeo hospitals has staff quarters. Government Homoeo Dispensary, Chavakkad and Government Homoeo Hospital, Muvattupuzha were functioning in places which are not easily accessible.**

[Paragraphs 3.3.17 – 3.3.18]

- **Non-utilisation/delay in utilisation of Central funds amounting to Rs 50.24 lakh released for two HMCs were noticed.**

[Paragraph 3.3.36]

- **Herbal Garden could not be established as part of HMC, Thiruvananthapuram even after three years of acquisition of land.**

[Paragraph 3.3.37]

Introduction

3.3.1 Kerala's health care system consists of Allopathy, Indian Systems of Medicine (ISM) and Homoeopathy. ISM consists of Ayurveda, Siddha, Unani and Naturopathy of which Ayurveda is widely practiced and has an extensive network of hospitals and dispensaries, both in Government and private sector. Homoeopathy system is practiced throughout the State and enjoys popularity among the people. The objectives of the Department is to provide medical aid to the people and good medical education to the students. The three systems together had 2712 medical institutions (including Medical College hospitals) under Government Sector with 50805 beds as of March 2003 of which 46224 (91 *per cent*), 3411 (7 *per cent*) and 1170 (2 *per cent*) were under Allopathy, Ayurveda and Homeopathy respectively.

Organisational set up

3.3.2 The Department of Indian Systems of Medicine (ISM) exercises administrative control over the Ayurveda, Sidha, Unani and Naturopathy hospitals and dispensaries. The Department of Homoeopathy has been working as an independent department since 1973. The overall administrative control of the two departments vests with the Health and Family Welfare Department in the Secretariat. There are separate Directors for Indian Systems of Medicine (DISM) and Homoeopathy (DH). At the district level the DMO• (ISM)/DMO• (Homoeopathy) exercises administrative control over the respective hospitals and dispensaries. The Superintendents are in charge of the hospitals while Medical Officers hold charge of the dispensaries.

3.3.3 The Medical Education wing of ISM is headed by the Director of Ayurveda Medical Education (DAME). There is no separate Directorate for Homoeopathy Medical Education and the administrative control of all the Homoeopathy Medical Colleges vests with the Principal, Homoeopathy Medical College, Thiruvananthapuram.

• District Medical Officer

Audit Objectives

3.3.4 The objectives of the review was to:

- ascertain whether resources were adequate and effectively used,
- assess the quality of health care provided to the people,
- see whether the medical education facilities were in conformity with the standards prescribed by Government of India (GOI) and
- ascertain whether there exists an in-built control mechanism to provide reasonable assurance that the department functions in an effective and efficient manner to meet its objectives.

Audit coverage

3.3.5 A review on Indian Systems of Medicine and Homoeopathy was conducted during January - June 2004 by test check of the records relating to the period 1999-2004 in the three[#] Directorates and eight[∝] out of 27 DMOs. Data from 441 institutions (Ayurveda : 287 and Homoeopathy : 154) under the four selected districts received through *pro forma* were subjected to detailed analysis and records of 91 institutions were subjected to local verification. Records of all the five[$] Ayurveda Colleges and four[@] Homoeopathy Medical Colleges were also scrutinised. The review was confined to the functioning of Government/Aided institutions.

Financial Management

Financial outlay and expenditure

3.3.6 The overall budget provision and expenditure of the Department of Health & Family Welfare (H&FW) *vis-à-vis* the share of the Department of Indian Systems of Medicine and Homoeopathy (ISM&H) (including Medical Colleges) in H&FW during 1999-2004 were as detailed below:-

(Rupees in crore)

Year	Budget Provision			Expenditure		
	H&FW	ISM&H	Percentage share of ISM&H in H&FW	H&FW	ISM&H	Percentage share of ISM&H in H&FW
1999-2000	789.32	84.65	11	730.56	76.42	10
2000-01	720.27	79.34	11	748.56	73.35	10
2001-02	742.91	79.28	11	714.34	76.75	11
2002-03	830.69	84.75	10	806.74	84.46	10
2003-04	898.27	98.54	11	849.08	95.62	11
Total	**3981.46**	**426.56**	**11**	**3849.28**	**406.60**	**11**

3.3.7 Besides, an amount of Rs 9.14 crore had been incurred for ISM&H through local bodies during the period 1999-2004. On an average,

[#] Director of Indian Systems of Medicine, Director of Homoeopathy, Director of Ayurveda Medical Education

[∝] Four DMOs each of ISM and Homoeopathy in the districts of Thiruvananthapuram, Thrissur, Palakkad & Kannur

[$] Three Government colleges, one each at Thiruvananthapuram, Tripunithura and Kannur and two aided colleges one each at Ollur and Kottakkal.

[@] Two Government colleges, one each at Thiruvananthapuram and Kozhikode and two aided colleges, one each at Chottanikkara and Kuruchi expenditure on ISM and Homoeopathy was 11 *per cent* of the total expenditure of H&FW during the above period.

Programme Management

3.3.8 The audit findings are given in the succeeding paragraphs with separate sections for Hospitals and Dispensaries and Medical Education, both of which are sub-divided into Ayurveda, Homoeopathy and Other Systems of Medicine.

Health care

Ayurveda

3.3.9 There were 113* Ayurveda hospitals (bed strength: 2684) and 730# dispensaries in the State. The district-wise distribution of the institution in the State indicated that Thrissur district has the highest number (95) and Wayanad district the lowest number (24) of institutions. During 1999-2004, 9.33 crore patients were treated in Ayurveda institutions in Government sector of which 1.66 lakh were in-patients. During the above period, Rs 221.42 crore were spent on Ayurveda hospitals and dispensaries in the State as a whole and the analysis of expenditure incurred on three key areas (establishment, medicine and diet) in 287 institutions in the test checked Districts revealed that on an average salaries and wages constituted 88 *per cent*, medicine 10 *per cent* and diet 2 *per cent*.

Non-availability of facilities

Low occupancy in Ayurveda hospitals

3.3.10 During 1999-2004 there was no occupancy in four out of 18 hospitals and in the remaining 14 hospitals the average occupancy ranged between 1 and 29 against the bed strength of 6 to 50. The Medical Officers attributed this to shortage of medicines and diet. In five hospitals a substantial decrease in out-patients was also noticed for which the department could not give any valid reasons.

Only 8 out of 115 Ayurveda hospitals have staff quarters

3.3.11 In 232 Panchayats (out of 991) there were neither hospitals nor dispensaries of ISM department. In the Districts test checked out of 287 institutions 200 were functioning in own buildings, 53 in rented buildings and 34 institutions were provided with temporary accommodation by the local bodies. It was noticed that 68 institutions were not provided with electricity and 81 institutions had no proper water supply. Only eight out of 115 hospitals have staff quarters. Though this was brought to the notice of Government as well as Local Self Government Institutions no action was taken to provide electricity/water for ensuring the smooth functioning of these institutions.

3.3.12 Government Ayurveda Hospital (GAH), Elavally in Thrissur District, was located on a remote hill top and hence not easily accessible and this prevented the patients in approaching the hospital for treatment. No action was taken by the Department to find a solution for this problem. RMO's quarters and IP ward constructed in July 2003 and April 2002 respectively at a

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* Urban : 43, Rural : 70
\# Urban: 32, Rural : 698

total cost of Rs 4.77 lakh were unoccupied as of October 2004.

Idling of buildings

Idling of buildings for want of staff, electricity, water, etc.

3.3.13 Buildings constructed using funds from MPs, local bodies, for 27 hospitals/dispensaries in 8 districts at a cost of Rs 1.25 crore remained unoccupied for want of staff, electricity, water, etc. Out of this, one building for GAH, Puthenchira in Thrissur district constructed at a cost of Rs 17.22 lakh remained unoccupied for the last six years for want of adequate staff. In another case of GAH, Palakuzha in Ernakulam district the average occupancy was only two against 20 beds. Inspite of this, an additional building for IP ward constructed at a cost of Rs 3.05 lakh in January 2004 using MPLAD funds remained unoccupied. The department could not provide the requisite staff in time as they were unaware of the construction being taken separately through the MPLAD funds. However, Government stated that in such cases the feasibility of giving Administrative sanction by the user Department would be examined.

Avoidable expenditure on additional staff

Avoidable expenditure on additional staff

3.3.14 The bed strength of GAH., Paravoor was increased to 30 from 20 in March 2000 and two Government Ayurveda Dispensaries (GAD) at Valappad and Vadakkancherry were upgraded to a 20 bedded hospital in March 2001 and 24 posts of additional staff were sanctioned (GAH: 6 posts; GAD: 9 posts each). As the average annual occupancy of these hospitals during 2000-04 ranged between 6 and 16, the upgradation did not serve any purpose and Rs 26.91 lakh incurred on the additional staff up to March 2004 became avoidable.

Acceptance of medicines not indented

Acceptance of medicines not indented amounted to Rs 2.04 crore

3.3.15 The medicines required by the institutions were procured from Pharmaceutical Corporation (IM) Kerala Limited (Oushadhi), a Public Sector Company, based on a common indent system. The list of medicines to be supplied to the institutions under ISM as per the common indent, were ordered by the Director in 1996. Oushadhi was required to supply these medicines to the Hospitals/Dispensaries direct. DMO was required to pass the payments in respect of all the institutions in the district and payment to the Company was made by the Director. The department purchased medicines worth Rs 13.85 crore during 1999-2004. A scrutiny of the records revealed that out of medicines supplied, medicines worth Rs 2.04 crore (15 *per cent*) were not indented. Acceptance of medicines not indented by the department caused reduction in the funds available for the purchase of essential medicines actually required by the hospitals, thereby adversely affecting the quality of patient care.

Homoeopathy

3.3.16 There were 31[*] Homoeopathy hospitals (bed strength: 970) and 525[#] dispensaries in the State. The district- wise distribution of the institutions in the State indicated that Thiruvananthapuram District had the highest

[*] Urban : 21 Rural : 10
[#] Urban : 32 Rural : 493

number (55) and Wayanad District the lowest number (20) of institutions. During 1999-2004, 9.6 crore patients were treated in homoeopathy institutions of which 2.05 lakh were in-patients. During the above period, Rs 101.97 crore were spent on homoeopathy sector and the analysis of expenditure incurred on 3 key areas (Establishment, Medicine and Diet) in 154 institutions in the test checked districts revealed that on an average establishment expenditure constituted 95 *per cent*, medicine 4 *per cent* and diet 1 *per cent*.

Non-availability of facilities

Only one out of 31 Homoeo hospitals has staff quarters

3.3.17 In 487 Panchayats (out of 991) there were no Homoeopathy hospitals or dispensaries. Out of 154 institutions, 96 were functioning in own buildings, 40 were functioning in rented buildings and 18 institutions were provided with temporary accommodation by the local bodies. It was noticed that 24 institutions were not provided with electricity and 43 institutions had no proper water supply. Staff quarters is available only in one (Kurichi) out of 31 Homoeo hospitals. This points to the lack of interest on the part of local bodies in providing necessary infrastructure facilities for the benefit of the people of their locality.

3.3.18 Government Homoeo Dispensary (GHD), Chavakkad in Thrissur district was located in the second floor of the Municipal shopping complex where no lift facility was available. Government Homoeo Hospital, Muvattupuzha in Ernakulam District was located in a place which gets flooded during the rainy season. Buildings constructed in three districts at a cost of Rs 61 lakh for four hospitals/dispensaries using funds from local bodies remained unoccupied for want of electricity and water.

3.3.19 Government ordered (July 2001) not to provide accommodation to any other offices in the dispensary buildings or its premises as it would affect the functioning of the dispensaries. However, it was noticed that in three[@] GHDs, accommodation was provided to other offices against Government direction.

Other systems of Medicine

3.3.20 There were seven Siddha institutions[#], one Unani dispensary and one Naturopathy hospital under the control of the DISM. In addition, 10 beds are set apart in GAH, Ottapalam for Naturopathy.

3.3.21 During the period 1999-2004 the total number of patients treated under Unani and Sidha systems were 0.27 lakh and 4.73 lakh respectively. The expenditure incurred during the above period was Rs 7.15 lakh for Unani system and Rs 1.24 crore for Sidha system.

Medical Education

Ayurveda

3.3.22 There were five[∝] Ayurveda Colleges (AVCs) under Government/aided sector having an annual intake capacity of 230 students for

[@] Chazhoor in Thrissur, Thuruthy in Ernakulam, Chillithode in Idukki.
[#] One hospital and six dispensaries
[∝] Government sector : 3 Aided sector : 2

Graduate course and 62 students for Post Graduate courses. The hospitals attached to the AVCs had a strength of 854 beds. A review of the functioning of the Ayurveda Colleges and Hospitals was included in paragraph 3.4 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1997 (Civil).

3.3.23 Funds required for the three Government Ayurveda Colleges were provided in the State Budget. For the aided colleges, budgetary support in the form of grant-in-aid was provided for payment of salary and maintenance. For certain specific schemes for development of infrastructure and specialised training, GOI also provided grant-in-aid. During 1999-2004, Rs 59.20 crore was spent for Ayurveda Medical Education. Besides, Rs 1.91 crore was received from GOI during the period by the five AVCs for development of infrastructure and specialised training.

Non-completion of hospital buildings

Construction of hospitals for two AVCs have not been completed so far

3.3.24 In AVC, Thripunithura, construction of a 350 bedded hospital taken up in November 1997 at an estimated cost of Rs 11.63 crore with scheduled date of completion as September 1999 (subsequently extended to March 2004) was not completed as of June 2004 though Rs 6.94 crore was incurred upto March 2004.

3.3.25 In AVC, Kannur, construction of a 150 bedded hospital commenced in April 2000 at an estimated cost of Rs 2.15 crore with date of completion as 9 April 2002, was not completed though Rs 1.78 crore was incurred upto March 2004. The reasons for non-completion in the above two cases were attributed to non-provision of adequate funds in the budget.

Delay in utilisation of Central assistance

There was delay in utilisation of Central assistance

3.3.26 Out of Rs 101.64 lakh released by GOI during 2001-03, only Rs 32.19 lakh was utilised upto March 2004 leaving a balance of Rs 69.45 lakh as detailed below.

(Rupees in lakh)

Name of AVC	Purpose of assistance	Amount released and date of receipt	Amount utilised	Balance as of March 2004	Reasons for non-utilisation
Kannur	Upgradation of Kriyasareera and Roganidhan departments for PG training and research for 2001-02	14.64 (13.12.2003)	6.08	8.56	Delay in arranging purchase of equipment and want of sanction of the post of clerk
Thiruvanantha-puram	Construction of building and purchase of equipment for the drug testing laboratory	75.00 (8.05.2001)	20.00	55.00	Though a building to house the laboratory was constructed, equipment had not been purchased for want of sanction from Government
	Construction of college building, purchase of equipment, library books	12.00 (15.3.2002)	6.11	5.89	Delay in arranging purchase of books and equipment
	Total	**101.64**	**32.19**	**69.45**	

Lack of minimum standards as per CCIM norms

3.3.27 In August 1989 the Central Council of Indian Medicine (CCIM) prescribed norms for minimum standards and curriculum for undergraduate education in Ayurveda. However, these norms were not adhered to in various cases as detailed below:

102/113/2005—9

Shortage of teaching staff

As of March 2004, there was shortfall in teaching posts in 5 AVCs ranging from 37 to 72 *per cent* compared to norms of CCIM

3.3.28 As per the norms there shall be 14 departments and a minimum of 102 teaching staff in each AVC. None of the five[#] AVCs had the staff pattern prescribed by the CCIM and many of the posts were lying vacant. Even the sanctioned posts were much lesser than the norms. Though the shortfall ranged from 29 to 76 *per cent* as mentioned in the Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 1997, the percentage of shortfall in the filled up posts compared to norms ranged between 37 and 72 as of March 2004.

3.3.29 In AVC, Kottakkal there was no teaching staff in Kriyasareera department. In AVC, Thiruvananthapuram there were only two teaching staff each in the departments of Rachanasareera (against eight posts) and Koumarabrithya (against six posts). In Kriyasareera and Agathathanthra Departments there were only three teaching staff each against sanctioned strength of eight and six respectively. The shortage of teaching staff affected the quality of medical education imparted to the students.

Under-qualification of teaching staff

In 5 AVCs, 49 teaching staff were under-qualified

3.3.30 As per the Minimum Standard and Curriculum for Under Graduate Education in Ayurveda, prescribed by the Ministry of Health and Family Welfare, in August 1989 a postgraduate qualification in the subject/speciality concerned included in the schedule to Indian Medicine Central Council Act 1970 is essential for teaching staff recruitments made after 1 July 1989. But 49 teachers appointed after 1989 in five[@] AVCs were only Graduates. However, Special Rules for the Kerala Health Services (Ayurveda) Collegiate Teaching Services issued by the State Government in January 1998 prescribes only a first or second class degree in Ayurveda from recognised Universities, which is not in conformity with the minimum standards prescribed by GOI. The circumstances under which under-qualified teachers were appointed in violation of GOI norms called for from Government were awaited (September 2004). The appointment of under-qualified teaching staff would adversely affect the quality and standards of the students passing out of these institutions.

Post Graduate (PG) Courses

3.3.31 According to CCIM (PG Education) (Amendment) Regulations 1994, 16 specialties were prescribed for conduct of PG courses and it was mandatory for all Universities in India to follow the guidelines for minimum standards and curriculum for PG courses in Ayurveda including syllabus and pattern of examinations. Deviations were noticed in the following cases:

Irregular conduct of examinations for PG courses

3.3.32 In the case of AVCs at Kottakkal and Thiruvananthapuram, the MD (Ayurveda) Preliminary examination was conducted by the institutions themselves in January 2004. A total of 52 students (ten in AVC, Kottakkal and 42 in AVC, Thiruvananthapuram) appeared in those examinations. CCIM

[#] Thiruvananthapuram, Tripunithura, Kannur, Kottakkal and Ollur.

[@] AVC, Thiruvananthapuram:9, AVC, Thripunithura:14, AVC, Kannur: 9, AVC, Kottakkal:2, and AVC, Ollur:15

in February 2004 clarified that preliminary examination of PG courses should be conducted by the affiliated university only. As the Universities concerned did not ratify the action so far the examination conducted by the two AVCs was against the CCIM Regulations. There were also delays ranging from seven to 12 months in conducting examinations in these two AVCs.

PG courses conducted in two AVCs did not adhere to the norms prescribed by CCIM

3.3.33 In AVC, Kottakkal, PG Course in Manasikaroga was conducted from 2000-01 onwards with an intake capacity of six students per year and in AVC Thiruvananthapuram, PG Course in Panchakarma was sanctioned during 2001-02 with intake capacity of five students per year. There is no specialty 'Manasikaroga' as per the Regulations. Moreover, both the courses were now under the 'Kayachikitsa' department. Also the teaching staff required as per the norms* did not exist in the respective specialties. Non-adherence to the norms fixed by the CCIM affected standards of Medical Education.

Homoeopathy

3.3.34 There were four@ Homoeopathy Medical Colleges (HMCs) under Government/aided sector with an annual intake capacity of 250 students for Graduate course and 36 students for Post Graduate course. The hospitals attached to the HMCs had a strength of 325 beds. During 1999-2004, Rs 24 crore was spent for the Homoeopathy Medical Education against budget provision of Rs 24.76 crore.

Lack of minimum standards as per CCH norms

3.3.35 As per CCH norms there shall be 12 departments and a minimum of 62 teaching staff in each HMC (Professors ten, Asst. Professors 14, Lecturers 15, Demonstrators 23). The shortfall in staff with respect to norms ranged between 14 and 31 in four** HMCs. The average daily occupancy in the hospitals attached to the above four HMCs ranged between 13 and 71 against the sanctioned bed strength of 100 to 125. Government may examine the possibility of filling up of vacancies at the earliest so that the students/patients are not affected by shortage of teaching staff.

Delay/non-utilisation of GOI assistance

Non-utilisation / delay in utilisation of Central funds amounted to Rs 50.24 lakh

3.3.36 Out of Rs 80.58 lakh released by GOI during 1996-2001 to HMCs, Thiruvananthapuram and Kozhikode for strengthening of undergraduate colleges and upgradation of PG courses only Rs 56.17 lakh was utilised upto October 2004 leaving a balance of Rs 24.41 lakh. Besides, Rs 25.83 lakh released by GOI for the same purpose to HMCs., Kottayam and Ernakulam during 2002-03 had not been passed on to the institutions as of October 2004 for which reasons were not on record.

Delay in establishment of a Herbal Garden

3.3.37 With the objective of construction of a green house, raising of potted medicinal plants and also raising of a model demonstration garden in connection with establishment of a Herbal Garden in HMC Thiruvananthapuram, five acres of land were acquired by the Revenue

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* Professor - 1, Readers – 2, Lecturers – 4 for each specialty department

@ Government sector : 2 Aided sector : 2

** Kozhikode, Thiruvananthapuram, Chottanikkara and Kurichi

Herbal garden could not be established even after three years of acquisition of land

Department at a cost of Rs 61.68 lakh in October-November 2001. As the land acquired was marshy, herbal garden could not be developed as of October 2004. Thus, Rs 61.68 lakh spent on the land acquisition remained unfruitful. The Principal, HMC., Thiruvananthapuram stated (October 2004) that the nature of land had changed due to the construction of bund roads on either side of the two rivers passing by the acquired site and a project report had been prepared (August 2004) by the Directorate of Agriculture for utilising the land. Thus the objective of establishment of a Herbal Garden was not materialised even after a lapse of three years.

3.3.38 Incidentally, it was seen in Audit that out of Rs 1.27 crore placed at the disposal of the Revenue Department, the unspent balance of Rs 65.32 lakh was refunded by the department by cheque only in December 2003, after a lapse of 30 months. The cheque has not been encashed and credited to Government account by the Principal, HMC, Thiruvananthapuram as of September 2004.

Internal Control

3.3.39 The Internal Control System now being followed in both the Departments of ISM and Homoeopathy was based on the Kerala Indigenous Medicine Department Manual published in 1966. Though ISM and Homoeopathy have been functioning under separate Directorates since 1973, no separate Manual for the department of Homoeopathy has been brought out yet. The Supervisory Officers at State level and District level were not conducting effective inspection of the institutions under their control and submitting reports to the higher authorities for review as contemplated in the Manual.

3.3.40 An internal audit wing with three audit parties was functioning under the Director of ISM. No training was given to the staff posted to the wing as there was no training policy in the department.

3.3.41 Though the Ayurveda Medical Education has been working as a separate department under the Director since November 2000 no separate Manual has been prepared so far (October 2004).

3.3.42 Final replies to 180 Inspection Reports (IRs) containing 315 paragraphs relating to the period 1990-2003 were to be sent to Accountant General (Audit) as of March 2004. The department-wise and age-wise details are given in **Appendix XXXII**.

Conclusions

3.3.43 Funds provided by the GOI for various schemes for the Ayurveda and Homoeopathy colleges were not effectively utilised for the intended purposes. Essential infrastructure facilities for the smooth functioning of the institutions were not available and in many cases the existing infrastructure was not effectively used. Non-observance of guidelines prescribed by the CCIM/CCH in AVCs/HMCs in Government/Aided sector was noticed and this had affected the quality of education and training of medical students. Internal Control mechanism was either non-existent or not effective.

3.3.44 Recommendations

- ★ Monitoring at Government level is required to ensure that the Central assistance is passed on to the implementing departments in time and the schemes are implemented as per schedule.
- ★ Infrastructure like buildings, staff quarters, electricity, water, etc., need to be provided to Ayurveda and Homoeopathy hospitals lacking such facilities.
- ★ Provision of essential medicine to hospitals / dispensaries may be ensured, in case supplies from 'Oushadhi' are inadequate.
- ★ Government level action is required to comply with the norms prescribed by CCIM/CCH for AVCs/HMCs so as to ensure the quality of education.
- ★ Departmental Manuals need to be prepared/up-dated. Internal audit wing requires strengthening.

Response of the Department

3.3.45 The report was discussed with the Secretary in charge of ISM & H on 2 July 2004. Directors of ISM, Homoeopathy, Ayurveda Medical Education and Principal and Controlling Officer, HMC, Thiruvananthapuram also participated in the discussion. Audit findings were accepted. The Department agreed with the recommendations of Audit.

3.3.46 The above points were referred to Government in August 2004; reply has not been received (November 2004).

LABOUR AND REHABILITATION DEPARTMENT

3.4 Implementation of the Child Labour (Prohibition and Regulation) Act, 1986 in Kerala

Highlights

The Kerala Child Labour (Prohibition and Regulation) Rules 1993 and the directions issued in 1996 by the Honourable Supreme Court of India laid down the procedure and regulated the implementation of Child Labour (Prohibition and Regulation) Act, 1986 in Kerala. A review of the implementation of the Act in Kerala revealed several inadequacies in the implementation of the Act in the State.

- ➢ **There were significant limitations in the scope of the Act. Children employed in domestic labour and cases where the children are migrant labourers from other States are not covered under the Act.**
- ➢ **Recommendations of the Working Group on Amendment and Enforcement of the Act regarding recovery of the compensation as arrears of land revenue as also vesting the onus of proof of age of the children on the employers were not acted upon.**

(Paragraph 3.4.7)

- **Surveys conducted in the State on the directions of the Hon'ble Supreme Court in 1997 and 2004 failed to identify child labour.**
  (Paragraphs 3.4.22– 3.4.25)
- **Department failed to effectively frame charges, resulting in acquittal of offenders in most of the cases filed.**
  (Paragraphs 3.4.13 – 3.4.16)
- **The directions of the Hon'ble Supreme Court to provide education to the children engaged in non-hazardous occupations have not been followed. Action plan for identification of unhealthy and diseased children, organisation of medical camps etc. was not implemented.**
  (Paragraphs 3.4.17 - 3.4.20)
- **No modalities had been evolved to perform inspections in a systematic manner.**
  (Paragraphs 3.4.9 – 3.4.12)
- **There was no proper monitoring system in the Department**
  (Paragraphs 3.4.26 – 3.4.30)

Introduction

3.4.1 The Child Labour (Prohibition and Regulation) Act, 1986 (The Act) came into force on 23 December, 1986. The State Government framed The Kerala Child Labour (Prohibition and Regulation) Rules in 1993 which laid down the procedure for implementation of the Act in Kerala. The Act prohibited the employment of children who were below the age of fourteen in 13 notified occupations and 57 notified processes (details are given in **Appendix XXXIII**). It regulated the conditions of work of children in employments where they were not prohibited from working. It provided for the appointment of Inspectors for ensuring compliance with the provisions of the Act.

3.4.2 In December 1996 the Honourable Supreme Court of India, through its judgment in a writ petition, issued directions to State Governments regarding fulfilment of the legislative intention behind the Act on the disengagement and rehabilitation of children working in the notified or hazardous occupations and regulating the working conditions of the children working in non-hazardous occupations.

Programme Objective

3.4.3 The main programme objectives are detailed as under:

- The Act bans the employment of children, who have not completed their fourteenth year, in specified occupations and processes and lays down penalties for employment of children.
- Special schools were established under NCLP to provide a package of welfare measures including non-formal education, skill/craft training, supplementary nutrition, stipend, health care etc.

Organisational set up

3.4.4 The Secretary, Labour & Rehabilitation Department was responsible for the implementation of the Act. He was assisted by the

Labour Commissioner, two Additional Labour Commissioners and other officers[♠].

Audit Objectives

3.4.5 The Audit objectives were:

- to examine the difficulties in implementation of certain provisions of the Act and Rules.
- to examine the Regulatory and Prohibitory functions under the Act.
- to check progress of implementation of Supreme Court judgment.
- to examine the adequacy of monitoring and evaluation mechanism.

Audit Coverage

3.4.6 A test check of the records for the period 1999-2004 available at the Government Secretariat, Labour Commissionerate, five District Labour Offices (Enforcement)[*] , five District Collectorates[*] and the Directorate of Public Instructions was conducted during the period February - April 2004 to see whether :

- there was a system of inspection of establishments to identify child labourers and the survey was conducted as directed by the Supreme Court and necessary follow up action was taken on the findings;
- the child labourers if any, identified, as employed in any hazardous work were disengaged and rehabilitated in accordance with the provisions of the Act;
- penal action was initiated and proceeded against the offenders; and
- educational facilities were provided to the children in non-hazardous occupations.

Difficulties in implementing certain provisions of the Act and Rules

3.4.7
- Children employed in domestic labour are not covered under the Act.
- Consequent to the Supreme Court judgment the State Government were required to provide employment to a family member of the child who has been disengaged from hazardous occupation. Rules framed by Government of Kerala, however, has not clarified the position of providing employment to the family member of migrant child labourers as family members of such children may not be resident of the State from where the child has been detected and disengaged from hazardous occupation.

[♠] Joint Labour Commissioners (5), Deputy Labour Commissioners (9), District Labour Officers (14) District Labour Officers (Enforcement)/(Admn) (12), and Assistant Labour Officers (135).

[*] Thiruvananthapuram, Kollam, Ernakulam, Thrissur and Palakkad

- In many cases at the time of inspections, occupiers failed to produce certificate of age and did not also contest the contention of the Inspector that the child labourer was below 14. Such cases, when brought before the courts, were however, dismissed on the ground that the prosecution failed to produce medical certificate attesting to the age of the child. The recommendation (January 1997) made to Government of India (GOI) by the Working Group on Amendment and Enforcement of the Act that the onus of proof regarding the age of the Child should be on the employer has not, however, been acted upon. Similarly, the Working Group also recommended that in the event of offending employer failing to remit the compensation of Rs 20,000 within 30 days of issue of demand notice by Inspector, the amount should be recovered as arrears of land revenue. The Act has not, however, been amended to incorporate this recommendation also.

The recommendations made to GOI by the Working Group on Amendment and Enforcement of the Act has not been acted upon.

Regulatory and Prohibitory functions under the Act

3.4.8 Sections 3 to 5 of Part II of the Act read with the judgement of the Honourable Supreme Court prohibits the employment of children in establishments where hazardous occupations/processes are carried on. Test check of the records revealed violation of the provisions by employers and inadequate follow up of cases of child labour identified, as indicated below:

Inspections

No modalities evolved to perform inspections in a systematic and exhaustive manner

3.4.9 Inspection is an important regulatory function necessary for identification of child labour in the state. List of hazardous and non hazardous establishments in the State was not available with the Labour Commissioner. No modalities had been evolved by the Labour Department to perform inspections in a systematic and exhaustive manner. No targets and periodicity for inspections were also fixed by the Department.

3.4.10 In the districts of Thrissur, Thiruvananthapuram and Kollam where details of the Child Labour Survey of May 1997 were made available to Audit, there were 535, 1718 and 894 establishments respectively which employed child labour. But the average number of inspections conducted annually in these districts during 1997-2003 was only 26, 10 and 114 respectively. Even though officers of the rank of District Labour Officers and above were notified as Inspectors, their work was confined to monthly/quarterly review of works performed by the ALOs. The Department stated that the shortfall in inspections was due to inadequacy of staff and multiplicity of Acts and Rules to be enforced by the department.

3.4.11 Government stated (November 2004) that the enforcement officers had since been directed to conduct inspections under the Child Labour Act in Child Labour prone areas like construction, fish peeling, hotel and restaurant, agriculture and beedi industry.

3.4.12 It is suggested that Government may consider designating officers of other departments also as Inspectors after imparting proper training. Similarly, in respect of establishments requiring licence from Government Departments/Local Bodies compliance with the provisions of the Act and Rules may be made one of the conditions for grant of licence.

Failure in conduct of cases in courts

Department failed to effectively frame charges resulting in acquittal of offenders in most of the cases

3.4.13 During the years 1997-99, the Assistant Labour Officers (ALOs) in three of the five districts test checked, identified cases of child labour and filed 19 cases against 18 employers in various Magistrate Courts of which 18 related to employment of 36 children in hazardous occupations/processes. Only in 7 of the 19 cases involving employment of 12 children, the offenders were found guilty and convicted while in the remaining 12 cases involving 26 children the offenders were acquitted. Acquittals were made by the Courts mainly due to the failure of the department, *viz.*, to convince the Courts about the age of the child; establish the accused as the owners of the establishment; collect the names/addresses of parents of the children; and produce testimony of independent witnesses, etc.

3.4.14 Even in the seven cases where the offenders were found guilty and convicted they were imposed with only a fine ranging from Rs 250 to Rs 3000. This was due to the fact that the primary offence of employment of children in hazardous employment was not effectively brought to the attention of the Courts as charges under Section 14(1) for violation of Section 3 was filed only in respect of three cases while in the remaining cases, charges were framed under Section 14(3) for violation of Sections 9, 11 and 12[@]. The Department also failed to collect civil compensation of Rs 20,000 per child from these offending employers as directed by Supreme Court in its judgement (December 1996). This indicated serious lapse on the part of ALOs. The Department stated that the recovery was not effected as the procedure for recovery was not prescribed by Government.

3.4.15 Government stated (November 2004) that strict instructions had been given by the Labour Commissioner to the Inspectors not to commit such mistakes in future, to collect the fine of Rs 20,000 per child from the offending employers in the hazardous industries as directed by the Supreme Court and also to frame charges against the offenders in order to avoid acquittal of offenders.

3.4.16 It is suggested that suitable training may be imparted to the officers in proper defense of the cases in court.

Education of children

3.4.17 The Supreme Court in its judgement had directed to provide at least two hours of education to the children engaged in non-hazardous occupations at the cost of the employer. The survey of 1997 detected 8986 children as employed in non-hazardous occupations. But only 200 children attended the classes in eight centres in 1998-99. Further during 1999-2001, 625 children attended classes in 25 centres which indicate that majority of children in non-hazardous occupations were deprived of free education. It was stated by the Labour Commissioner that it was decided (January 1998) to open the educational centres only in four districts[♣] in the State and that such centres

[@] Section 9- Failure to send notice to Inspector within 30 days
11- Failure to maintain prescribed registers
12- Failure to display notice containing abstracts of Section 3 and Section 14

[♣] Thiruvananthapuram, Kollam, Ernakulam and Idukki would be opened only at places where 20 or more child labourers were available.

No effective mechanism was evolved to impart free education to the child labourers identified

3.4.18 The reply of the Commissioner was not tenable as educational centre was opened in Idukki District where only four children were identified as child labourers during the survey. Moreover, the decision to open educational centres only in places where more than 20 children would be available, deprived child labourers in the remaining 10 districts from obtaining free education, which was against the spirit of the Supreme Court Judgement.

Medical Advisory Board

3.4.19 To give effect to the provisions of Section 13 of the Act, Rule 5 of The Kerala Child Labour (Prohibition & Regulation) Rules, 1993 provided for the constitution of a Medical Advisory Board for advising Government on providing medical facilities in establishments employing child labour. The State Government constituted (June 1997) the Board with the Secretary (Labour) as the Chairman, Additional Labour Commissioner as the Convenor and with six other members.

Medical Advisory Board not reconstituted since June 2000

3.4.20 The Board met only once (December 1997) during its tenure of three years to approve a time bound action plan for identification of unhealthy and diseased child labourers, organisation of medical camps, strengthening of inspection/follow up action, etc. Neither the Action Plan was implemented so far (November 2004) nor the Board has been reconstituted after the expiry of its tenure in June, 2000. Government stated (November 2004) that the proposal for the reconstitution of the Board was under its active consideration.

Non-enactment of the Kerala Child Labour (Release, Rehabilitation and Welfare) Bill 2003

3.4.21 Government of Kerala promulgated (March 2000) 'The Kerala Child Labour (Release, Rehabilitation and Welfare) Ordinance 2000' for the constitution of a State Council for rehabilitation and welfare of children. The Ordinance lapsed as the Bill was not enacted. Though the ordinance was re-promulgated twice in 2001 the Government could not enact the Bill. The Bill was again got prepared (2003) by Government through the Law Reforms Committee, but it could not be got passed by Legislature (March 2004). In the absence of this, Government have no control mechanism till date for the Rehabilitation and Welfare of Child Labour.

Supreme Court judgement

Survey on Child Labour

Surveys conducted in 1997 and 2004 failed to identify child labour

3.4.22 As directed by the Supreme Court, a survey on child labour was conducted in the State during May-June 1997 by 1985 survey teams comprising of 5145 persons under the supervision of 117 Inspectors, who were notified under Section 17 of the Act. The survey identified 1081 child labourers as working in hazardous occupations/processes. The Inspectors who visited the spot immediately after the survey to ascertain the present position of the children identified in the survey could not find any child employment in such occupations. It is possible that the offending employers took evasive action soon after the survey to avoid penal action by empowered officials under the Act. The department, however, stated (March 2004) that the survey conducted was not reliable due to various reasons such as failure in the original investigation to rightly distinguish hazardous and non hazardous occupations and to ascertain the actual age of Child labour, etc. Thus the survey conducted in compliance of Supreme Court directions was rendered unfruitful.

3.4.23 As the Department felt the need for identifying child labour in the State, the Directorate of Economics and Statistics of the State Government was entrusted with the task of conducting a fresh survey to assess the number of child labour in the organised sector. The survey was conducted during February 2004 to March 2004 and covered 2.35 lakh registered enterprises from among an estimated 16 lakh enterprises in the State (15 *per cent*). Out of 375 cases of child labour identified in the survey 48 cases were in hazardous occupations.

3.4.24 Though the result of the survey was intimated (June 2004) to the Labour Commissioner, the officers of the Labour Department who conducted follow up inspections could not find any child employment. Thus this survey also failed to achieve the object of identifying child labour in the State.

3.4.25 It is suggested that Government may consider involving NGOs also in giving adequate publicity to the provisions of the Act.

Monitoring

Ineffective functioning of the State Level Monitoring Cell

State level monitoring cell not reconstituted

3.4.26 As directed by the Supreme Court, a separate Cell in the Labour Department headed by a Joint Labour Commissioner (Enforcement) as Chairman with three other members was constituted in June, 1997. Neither the minutes of meetings nor the details of action taken, if any, by the Cell was produced to Audit. Even though the Chairman retired in June 2001, the Cell had not been reconstituted yet (May 2004).

3.4.27 The Labour Commissioner stated that the records in respect of the functioning of the Cell were not readily available, and the remedial education programme and other follow up actions initiated, were not in existence after 2001. Therefore, the Monitoring Cell constituted did not actually have any substantial work to do and hence the Cell was not reconstituted. This contention was not tenable as the Cell was required to monitor the implementation of the provisions of the Act/Judgment as an ongoing process.

Reporting System

No proper reporting system in the Department

3.4.28 The Annual Administration Reports (AAR) of the Labour Department for the years 1997-2001 showed a steady decline in the conduct of inspections, identification of child labour and follow up actions. There was some improvement during 2001-02. Number of inspections/follow-up reported to GOI in Annual Reports (AR) was, however, inflated as shown below:

Year	Number of Inspections as per		Number of child labour detected as per		Number of prosecutions as per		Number of convictions as per	
	AAR	AR	AAR	AR	AAR	AR	AAR	AR
1997-98	801	2783	NA	26	11	17	-	4
1998-99	778	1788	NA	9	4	4	2	1
1999-00	665	1797	NA	10	1	1	-	-
2000-01	416	1695	NA	5	1	1	1	3
2001-02	828	2798	NA	36	-	-	-	1
TOTAL	**3488**	**10861**	**NA**	**86**	**17**	**23**	**3**	**9**

NA – Not available

3.4.29 Against a total of 3488 inspections conducted, the number reported to GOI was 10861. Reason for the wide variation has not however been stated (May 2004).

3.4.30 Even though 38 Child Labourers were identified and 19 cases filed in the courts during 1997-2004 by ALOs in the five districts test checked, Labour Commissioner stated that no case of child labour was detected during this period. This would indicate that the Head of the Department was not aware of the happenings and points to the urgent need of a good reporting system.

Conclusions

3.4.31 Even though the Child Labour (Prohibition and Regulation) Act came into force in 1986, the State Government framed Rules for the same only in 1993. The directions given by the Supreme Court in the judgement of December 1996 *viz.*, complete elimination of child labour in the hazardous sector, constitution of child labour rehabilitation-cum-welfare fund, effective functioning of the monitoring cell and granting of alternative employment to one guardian/parent of the disengaged child were also not implemented. The State Government did not evolve a strategy so far for providing two hours education to the children engaged in non-hazardous occupations at the cost of employers. The Department failed in monitoring, timely detection of cases of child labour, collection of evidence and proper presentation of cases in the Court.

3.4.32 Recommendations

- Government may consider designating officers of other departments also as Inspectors after imparting proper training.
- In respect of establishments requiring licence from Government Departments/Local Bodies compliance with the provisions of the Act and Rules may be made one of the conditions for grant of licence.
- Arrangements for providing part time education to children employed in non-hazardous occupations should be made in all districts.
- NGOs may also be involved in giving adequate publicity to the provisions of the Act.

Response of the Department

3.4.33 Secretary to Government stated that shortage of staff and consequent lack of inspections contributed to the weak implementation of the Act. He agreed with all the recommendations of Audit.

LOCAL SELF GOVERNMENT (RURAL DEVELOPMENT) DEPARTMENT

3.5 Pradhan Mantri Gram Sadak Yojana

Highlights

Government of India launched (December 2000) a cent per cent Centrally Sponsored Scheme viz., Pradhan Mantri Gram Sadak Yojana (PMGSY) aimed at providing good all-weather road connectivity to the unconnected habitation in rural areas. Unconnected habitations with a population of 1000 persons and above are to be covered in three years (2000-03) and those with a population of 500 and above by the end of the Tenth Plan period (2007). Implementation of the scheme which commenced in the State from 2000-01 suffered from various shortfalls/shortcomings such as non-utilisation of funds, non-achievement of physical targets, non-adherence to GOI guidelines, extending unintended benefits to contractors, etc.

- **State failed to utilise the funds released by GOI and the unspent balance as at the end of 31 March 2004 amounted to Rs 20.68 crore, being 30 *per cent* of the funds allotted.**

(Paragraph 3.5.7)

- **There was heavy shortfall in physical achievement as only 107 roads with a length of 217.22 km (out of 217 roads having a length of 370.30 km taken up during 2000-02) had been completed, which constituted only 60 *per cent* of the works undertaken as of March 2004.**

(Paragraph 3.5.13)

- **Core Network of roads as prescribed in the guidelines had not been prepared and got approved so far.**

(Paragraph 3.5.11)

- **Payment of lead charges for conveyance of earth and allowing concessional rate of sales tax for procurement of bitumen resulted in extending unintended benefit of Rs 93.98 lakh to contractors.**

(Paragraphs 3.5.15 - 3.5.16)

- **Four road works entrusted to a contractor for Rs 3.75 crore in 2000-01 were in an abandoned stage from June 2002 after incurring Rs 99.72 lakh. Works were retendered only in January 2004 resulting in increase in cost by Rs 1.12 crore.**

(Paragraph 3.5.17)

Introduction

3.5.1 In Kerala, 41 packages were identified in 41 Blocks of 14 Districts for implementation of the scheme. The scheme also provides for upgradation of existing roads in the districts where all the habitations have been provided with road connectivity and using upto 20 *per cent* of the State's allocation for upgradation where unconnected habitations still exist.

Objective of the scheme

3.5.2 The objective of the PMGSY is to provide connectivity by way of an all-weather road to the unconnected habitations in rural areas so that services (educational, health, marketing facilities, etc.) which are not available in the unconnected habitations become available. Accordingly a Programme Implementation Unit (PIU) constituted in each District Rural Development Agency (DRDA) with Project officer, DRDA as Chairman and manned by competent technical staff prepares the project proposals and Detailed Project Reports (DPRs) and forwards them to the State Technical Agency (College of Engineering, Thiruvananthapuram) for scrutiny of designs and estimates. DPRs are then forwarded to the National Rural Roads Development Agency (NRRDA) which submits the same to the Ministry of Rural Development, GOI for clearance.

Organisational set up

3.5.3 The Commissionerate of Rural Development is the Nodal Department vested with the overall responsibility for implementation of the project in the State. At the district level, DRDA was responsible for implementation of the scheme.

Audit objectives

3.5.4 The objectives of the review were to see whether:

- the selection of unconnected habitations was according to the prescribed guidelines;
- funds were obtained and utilised for the purpose for which they were given within the time prescribed;
- packages taken up were completed as per schedule in accordance with the prescribed guidelines.

Audit coverage

3.5.5 A review was conducted by test check of records of the Commissionerate of Rural Development and six[*] out of 14 DRDAs covering 16 out of 41 packages approved during 2000-04.

Funding pattern

Under-utilisation of Central funds

3.5.6 During 2000-01 funds were received through State budget. For subsequent years funds sanctioned for the scheme by GOI were credited to Savings Bank Account of the Nodal Department in State Bank of India which was in turn released to the separate bank accounts operated for PMGSY by each DRDA.

3.5.7 The funds received, expended and unspent balance as on 31 March 2004 were as under:

[*] Alappuzha, Kottayam, Kozhikode, Malappuram, Palakkad and Wayanad

(Rupees in crore)

Year	Funds received from GOI	Expenditure	Unspent balance
2000-01	19.71	13.76	5.95
2001-02	27.65	22.50	5.15
2002-03[$]	11.43	12.23	- 0.80
2003-04	10.38	Nil	10.38
Total	69.17	**48.49**	**20.68**

[$] The figures indicated against 2002-03 related to funds received for proposals sanctioned for 2001-02.

3.5.8 The proposals for the year 2003-04 were sent only in July 2003 by the Department and sanction for these was received from the Ministry in December 2003. As there was not sufficient time during the year for execution of works, no expenditure was incurred during 2003-04 despite allotment of Rs 10.38 crore. No specific reasons were on record for the delay in submitting the proposals. Due to the delay in rendering proposals by the State Government, the targeted population were denied the benefit of road connectivity.

3.5.9 In the six DRDAs test checked, the progressive expenditure incurred as of March 2004 was as follows:

(Rupees in lakh)

District	Funds received	Expenditure	Balance
Wayanad	499.96	488.07	11.89
Palakkad	480.13	454.73	25.40
Malappuram	696.61	711.04	- 14.43
Kozhikode	452.37	410.38	41.99
Kottayam	232.30	220.58	11.72
Alappuzha	457.63	448.84	8.79
Total	**2819.00**	**2733.64**	**99.79**

In Malappuram district interest accrued amounting to Rs 14.43 lakh on the funds deposited (Rs 6.97 crore) was also utilised for the scheme, which was in violation of GOI guidelines.

Programme management

3.5.10 The review revealed deficiencies such as non-preparation of Core Network of roads, non achievement of physical targets, provision of multi connectivity instead of single road connectivity, extending unintended benefit to contractors, diversion of funds, non-compliance with Government of India guidelines as discussed below:

Selection of roads

Core Network of roads were not prepared

3.5.11 As per PMGSY guidelines each roadwork taken up should form a part of the Core Network, which is the minimal network of roads that is essential to provide basic access to essential social economic services to the selected habitations. However, such a Core Network had not been prepared so far. Instead, Government had authorised NATPAC[#] to prepare draft District Plans for selecting the rural roads under PMGSY by gathering the data including unconnected habitation from the Block Panchayats. Thereafter the draft District Rural Road Plan of all districts were finalised by the concerned

[#] National Transportation Planning and Research Centre – an autonomous body under the control of State Government

Block Panchayats and District Panchayat in consultation with MPs and MLAs. Accordingly 5677 unconnected habitations were identified and the all-weather roads proposed for connectivity was to the extent of 14116.73 km. The estimated financial requirement was assessed to be Rs 1411.77 crore. Though this is a *cent per cent* Centrally sponsored scheme, the Department/ Government had made proposals only for connecting four *per cent* of the targeted habitations and failed even in utilising the amount received from GOI. A separate benchmark indicator report giving status of key indicators of education, health, income, etc., to be attached to each DPR had also not been prepared.

Implementation of the scheme

3.5.12 The scheme was implemented in four Blocks in four districts during 2000-01 and in 37 Blocks in the remaining 10 districts during 2001-02. The work in each Block was classified as a package. No Blocks were selected in 2002-03. Fourteen packages, one in each district sanctioned (December 2003) for the year 2003-04 had been tendered as of 31 March 2004. Even though all the habitations with a population of 1000 persons and above were to be covered by 2003, Government did not take effective action even in selecting the blocks. This would indicate that the Government/Department was not very keen on the implementation of the scheme despite availability of funds from GOI.

Physical achievement

Physical achievement was below 60 *per cent* of the works taken up

3.5.13 Out of 217 new road works taken up with a total length of 370.30 km, 107 roads totalling 217.22 km were completed which constituted only 60 *per cent* of the works undertaken as of March 2004. Out of 14 roads undertaken for upgradation, seven roads were completed. In the DRDAs test checked, out of 64 roads taken up for construction 20 remained incomplete as of March 2004 despite spending 97 *per cent* of the funds received. It was seen that against the stipulated time of six months for completion of works, the time taken was upto three years. The delay was mainly due to abandonment of work by contractors, non-availability of required land and non-clearance of site by removal of utilities, etc.

Providing Multi-connectivity

Instead of single road connectivity multi-connectivity was provided

3.5.14 As per the guidelines only single road connectivity was to be provided. But multi connectivity was seen provided in two packages - No.0902 and No.1201 - approved for Wayanad and Malappuram DRDAs respectively. While preparing the project proposals by PIU, two roads each were included in the package for connecting the above habitations as a result of improper investigation. The State Technical Agency also failed to observe this while scrutinising the DPRs which resulted in additional expenditure of Rs 82.73 lakh.

Unintended benefit to contractors

Lead charges paid for conveyance of earth resulted in unintended benefit of Rs 62.92 lakh to contractors

3.5.15 As per the guidelines, no lead charges shall be paid for transportation of soil. But transportation charges of Rs 62.92 lakh were paid for conveyance of 99470 m^3 of cut earth in five DRDAs. This resulted in an unintended benefit to the contractors as detailed below:

(Rupees in lakh)

Sl. No.	Name of DRDA	Package No.	Quantity of earth conveyed (m^3)	Amount paid
1	Kannur	KR-0401 to 0403	29550	14.89
2	Kollam	KR-0601 & KR-0602	21449	15.94
3	Malappuram	KR-1006	23303	13.63
4	Pathanamthitta	KR-1101, KR-1102 & KR-1103	13977	10.38
5	Wayanad	KR-1201	11191	8.08
	Total		99470	62.92

The department may investigate the reasons for extending undue benefit to the contractors and fix responsibility for the loss sustained to Government.

Concessional rates allowed for sales tax resulted in undue benefit of Rs 31.06 lakh to contractors

3.5.16 As per special conditions attached to contracts executed for PMGSY works, supply of departmental materials was not envisaged. This was not adhered to by four* out of six DRDAs test checked as they arranged procurement of rubberised bitumen (1022.60 MT) for the works directing the suppliers to charge sales tax at concessional rate (4 *per cent* + 15 *per cent* AST) applicable to Government purchases against normal rate (30 *per cent* +15 *per cent* AST). This resulted in an undue benefit of Rs 31.06 lakh to the contractors. On this being pointed out, the Department had agreed to review the matter.

Loss due to non-renewal of Bank Guarantee

Abandonment of work and retendering led to increase in cost by Rs 1.12 crore

3.5.17 In Idukki DRDA, during 2000-01 construction of 4 roads estimated to cost Rs 4.99 crore was entrusted to a contractor at an agreed amount of Rs 3.75 crore. The contractor abandoned the work after executing earthwork and receiving Rs 99.72 lakh till June 2002. The work was terminated at the risk and cost of the contractor in March 2003. No action had so far (May 2004) been taken to finalise and realise the risk and cost liability. It was noticed that Bank Guarantee of Rs 37.48 lakh furnished by the contractor expired in July 2002. But the Superintending Engineer being the custodian of the same did not take any action to get the bank guarantee renewed in time. Therefore the bank guarantee could not be adjusted towards the risk and cost realisable from the contractor. The work was retendered in January 2004 at a revised estimate cost of Rs 5.11 crore increasing the cost by Rs 1.12 crore with reference to the original estimate.

Diversion of funds

Funds of Rs 3.93 crore allotted to one DRDA diverted to 6 other DRDAs

3.5.18 Funds were allotted to each DRDA based on the DPRs. However, the unspent balance of Rs 3.93 crore available with Idukki DRDA was transferred to six other DRDAs♣ in 2003-04. Thus, funds received for one district during 2000-01 were transferred to other DRDAs, although the works for which it was sanctioned remained incomplete. The diversion made by the department was not on any specific authority and hence irregular. The DRDAs which received the diverted funds utilised it for additional works included in the revised estimate, before getting approval from the Ministry.

* Alappuzha, Kottayam, Kozhikode and Malappuram.

♣ Ernakulam – Rs 1 crore, Kannur – Rs 0.53 crore, Kasaragod – Rs 0.40 crore, Kozhikode – Rs 0.50 crore, Malappuram – Rs 1 crore and Pathanamthitta – Rs 0.50 crore.

The diversion of funds from one district to another and utilising it to incur expenditure in excess of sanctioned estimate was highly irregular.

Non-compliance with provisions of the guidelines

3.5.19 Test check of the records in the Commissionerate and District offices revealed non-compliance with the provisions of the guidelines in the following key areas:

Sl. No.	Provision	Remarks
1.	Each road work taken up under PMGSY should be part of Core Network	Core Network not prepared
2.	Nodal department will identify and establish a State level autonomous agency with a distinct legal status for receiving funds	Established in December 2003 only
3.	State will set up a State level standing committee to vet Core Network and project proposals	Not set up
4.	Bench mark indicator to be attached to proposals	Not done
5.	Second tier quality control structure to be set up independent of PIUs for periodical inspections to ensure quality	Not set up
6.	There will not be separate Bank account of PIUs for programme expenditure	Every PIU operates a separate Bank account

3.5.20 In the absence of core network the selection of packages was defective. Apart from this there was no control mechanism to monitor the implementation of the selected packages resulting in non-ensuring the quality of works completed.

Lack of monitoring mechanism

Supervision and monitoring of works were very poor

3.5.21 A separate wing had been formed only in December 2003 at State level to supervise the PMGSY works to ensure its quality as provided for in the guidelines. The supervision was limited to the normal checks applied by the DRDA staff along with many other schemes implemented by the Project Officers. Though progress reports were prepared, no analysis or follow up on these reports was undertaken. Changes/improvements in construction of work were made only on the basis of the reports of Joint Director, National Rural Road Development Agency.

Conclusions

3.5.22 Eventhough PMGSY envisaged providing connectivity to all the unconnected habitations with a population of 1000 persons and above by the year 2002-03, many of the packages taken up from 2000-01 remained incomplete as of March 2004. The basic requirement *viz.,* Core Network of roads was not prepared and got sanctioned before implementation of the scheme. In the absence of a separate Benchmark indicator report, status of key indicators of education, health, income, etc., of the habitations could not be ascertained. Inadequate investigation before commencement of works necessitated revision of estimates at later stages and increase in cost of works. Some works could not be taken up due to non-availability of land, non-clearance of site by removal of utilities, etc. Inadmissible/unintended benefits were allowed to contractors.

3.5.23 Effective monitoring mechanism and supervising system were not evolved. Several key provisions in the guidelines meant for effective implementation of the scheme and to ensure proper control, supervision and quality of works were not complied with.

3.5.24 Recommendations

- ★ The Core Network, the basic requirement for selection of road works under PMGSY should be prepared and got approved at the earliest.
- ★ There should be better co-ordination between various agencies involved in road construction/maintenance to avoid arranging same works by more than one agency.
- ★ Unauthorised transfer/diversion of funds from works not yet completed should be avoided.
- ★ The estimates prepared by the PIUs should be thoroughly scrutinised by field visits so that large scale revision of estimates after receipt of sanction is avoided.

Response of the department

3.5.25 The report was discussed with the Commissioner for Rural development. The Commissioner agreed to -

- ♦ Take remedial steps to avoid shortfall in utilisation of PMGSY funds
- ♦ Obtain approval for the Core Network shortly
- ♦ Guard against the lapses/omissions pointed out by Audit in future
- ♦ Prepare Bench mark indicator report

3.5.26 The above points were referred to Government in August 2004; reply has not been received (November 2004).

FINANCE DEPARTMENT

3.6 Information Technology Audit of Treasury Information System

Highlights

The computerisation of treasuries in the State taken up in 1998 at an estimated cost of Rs 13.70 crore was implemented in 23 District Treasuries and 165 out of 166 Sub Treasuries by September 2004 incurring an expenditure of Rs 29.54 crore. Information Technology (IT) audit of Treasury Information System (TIS) was conducted to assess the extent of benefit derived from TIS and its accuracy and reliability.

➢ **There was no record of testing and acceptance of the TIS version 3.0 software by the Department.**

(Paragraph 3.6.11)

➢ **Treasury Wide Area Network for interconnecting the treasuries and Data Centre vital for updating master files and macro level budget monitoring had not yet been set up.**

(Paragraphs 3.6.13 – 3.6.15)

102/113/2005—10A

- **Report generation in respect of Personal Deposit/Savings Bank transaction was defective.**

(Paragraphs 3.6.44 – 3.6.49)

- **Improper data validation in the case of Savings Bank Accounts resulted in inflating of the balance to the extent of Rs 310.73 crore.**

(Paragraph 3.6.30)

- **Saving Bank Account, Personal Deposit Account and Fixed Deposit Account balances were increased by Rs 4.62 crore, Rs 103.30 crore and Rs 211.60 crore respectively using the facility in TIS for alteration of balances, without any supporting documents to verify such transactions.**

(Paragraph 3.6.38)

Introduction

3.6.1 Department of Treasuries, under the administrative control of Finance Department, is mainly responsible for receipt and payment of money on behalf of Government and maintaining accounts relating to these transactions. The Department also acts as the Banker in respect of Local Bodies and others who keep their funds with the Treasury.

3.6.2 The scheme of computerisation of treasuries in the State estimated to cost Rs 13.70 crore was sanctioned (April 1998) based on the report (January 1998) of a High Level Committee. The Department had so far spent Rs 29.54 crore (January 2004) which included Rs 6.81 crore out of Rs 7.33 crore awarded by the Eleventh Finance Commission. Increase in cost over estimate was attributed to increase in number of servers/nodes provided and additional civil/electrical works carried out for installation of computers and allied equipment.

Objective of computerisation

3.6.3 The Treasury Information System (TIS) was developed to:

- computerise all treasuries,
- interconnect all treasuries in the State and link them to the Directorate of Treasuries and Finance Department,
- render timely accounts to Accountant General (AG),
- obtain day to day financial position of the State and
- exercise demand-wise/head of account-wise/scheme-wise/treasury-wise control over expenditure

Organisational set up

3.6.4 The Treasuries Department is under the administrative control of the Finance Department. The Director of Treasuries (Director) is the Head of Department assisted by two Joint Directors at the Directorate. There are three Regional Offices, 23 District Treasuries, 166 Sub Treasuries, 10 Stamp Depots and 17 One Man Treasuries under the Department.

Audit objectives

3.6.5 The objectives of Information Technology Audit of the Treasury Information System (TIS) was to assess the accuracy and reliability of the information generated out of the system and to ascertain how far the benefits of TIS could be derived.

Audit Coverage

3.6.6 IT audit of treasuries was conducted during August 2003-January 2004 covering the Directorate, 5 District Treasuries* and 13 Sub treasuries#. During Audit it was examined whether the TIS has been designed with adequate controls to maintain data integrity, safeguard assets and to allow organisational goals to be achieved efficiently and effectively. TIS backup data relating to District Treasury, Thiruvananthapuram was uploaded into DB2∝ and analysed using Computer Aided Audit Technique.

Programme Management

3.6.7 According to the report of the high level committee all treasuries in the State were to be computerised in three phases and completed by 31 March 1999. As of September 2004, the System was installed in all the 23 District Treasuries (DT) and 165 out of 166 Sub treasuries (ST) of which 104 Sub treasuries were computerised only during 2003-04 due to delay in site preparation and procurement of hardware.

3.6.8 Treasury Information System (TIS version 3.0) developed by National Informatics Centre (NIC) with DB2 as back end and Power Builder as front end was installed for on-line operation at District Treasury, Thiruvananthapuram from 1 February 2000 and replicated in other treasuries thereafter.

3.6.9 Computer System would produce results accurately and with greater speed only if it is designed properly with adequate controls. General computer controls cover security management, data centre operations, hardware/software acquisition, its maintenance, backup and recovery plans. Application controls ensure proper authorisation, accuracy and completeness of data input as well as output. Absence of controls may result in data loss, data corruption, fraud and may affect the continuity of the operations of the organisation.

3.6.10 Audit scrutiny revealed that the Department has not yet tested the adequacy of these controls in the software installed for on-line operation from 1st February 2000. It was also seen that required infrastructure such as Data Centre, Wide Area Network (WAN), nodes to Bank, etc., were not set up for efficient functioning of the system; instructions relating to system security issued by Government were not followed and application controls were inadequate leading to bypassing of controls, incorrect database maintenance and incorrect report generation.

* Thiruvananthapuram, Kattakkada, Pathanamthitta, Thrissur and Kannur

Secretariat, Vikas Bhavan, Pension Payment, Principal Sub treasury Thiruvananthapuram, Attingal, Neyyattinkara, Parassala, Pathanamthitta, Adoor, Kunnamkulam, Thrissur, Thaliparamba and Kannur.

∝ A Relational Database Management System supported by IBM

Failure to test controls

Absence of records of testing and acceptance of Software

No records to show the conduct of testing and acceptance of software

3.6.11 A standard computer control practice is to ensure that only authorised and fully tested application software is placed in operation. During July 1999 Government constituted a Committee for testing and acceptance of the Software. But the Committee did not submit any report even after four years. Though an expert group was formed (November 2002) for an aggressive final testing of the software, TIS version 3.0 to be completed by 30 December 2002, there was no record of completion of such testing.

3.6.12 The Department stated (September 2004) that the software was installed in DT, Thiruvananthapuram and later at all other treasuries as it was acceptable to the Department. The reply is equivocal in the absence of documentation relating to acceptance of the software based on approved testing methodology.

Absence of required infrastructure

Absence of Treasury Wide Area Network

Treasury WAN not set up

3.6.13 Mention was made in para 5.1 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2001 (Civil) about the non-functioning of the WAN connecting the treasuries in Thiruvananthapuram and Pathanamthitta Districts set up at a cost of Rs 96.70 lakh. As the WAN was a failure, the network was not extended to the treasuries in other Districts. Hence the function of TIS was reduced to compilation of transaction and no information was derived out of the System for macro level budget monitoring for effective Ways and Means control.

3.6.14 The Department stated (September 2004) that Treasury WAN connecting all Treasuries with Directorate, Finance Department and Accountant General's Office was under consideration of Government.

Non-establishment of Data Centre at the Directorate

Data Centre not set up at Directorate and no arrangement for updating Master Data file centrally

3.6.15 As per the scheme all District Treasuries were to be linked to a Data Centre at the Treasury Directorate. But no such Centre had been set up at the Directorate to link it with the District Treasuries so as to consolidate daily receipt and payment data or to assess day-to-day cash position. There was no module under TIS to discharge this function of the Directorate. In the absence of a Data Centre with required software, there was no arrangement for updating Master Data files to be maintained centrally. As a result, master files are to be updated at each of the 189 locations leading to scope for error and delay in effecting changes.

3.6.16 Department stated (September 2004) that an IT Management Cell had been set up for updating centrally maintained master data files and creation of a central database for compiling transaction data from all treasuries was in progress. But the Department had not yet devised methodology for transfer/updating of such data in the absence of WAN.

Absence of TIS nodes at Bank

3.6.17 It was decided (June 1999) to provide TIS nodes to Banks at par with the number of transactions in each Bank to facilitate access to TIS data to view the details of bills passed for payment and enable the treasuries to ascertain head of account-wise receipt and expenditure on the same day. Two nodes, two modems, one hub with necessary cabling were provided for State Bank of Travancore (SBT), Thiruvananthapuram Branch attached to Thiruvananthapuram District Treasury. But such nodes had not been provided to the Banks concerned in respect of 103 banking treasuries. In the absence of nodes at Bank, there was abnormal delay in day book closing in respect of banking treasuries due to delay in receipt of scroll from Banks causing delay in submission of monthly accounts to AG. Though TIS nodes in DT, Thiruvananthapuram is provided to the bank, nodes were not provided to banks in respect of STs resulting in delay of 10 to 12 days in receipt of accounts by AG.

Misuse of TIS facility for backlog voucher/chalan entry

TIS not used for scrutiny and passing of bills

3.6.18 As per User Manual, the data entry, scrutiny and passing of bills in respect of banking treasuries are to be done through the computer before sending the bills to Banks for payment. The System generates a daily sequence number to identify each transaction and also captures the date and time of the data entry, scrutiny and passing of bills together with, user id for audit trail. It was, however, seen that the system was not at all used for scrutiny and passing of the bills in the banking treasuries test checked. Instead, the details of bills passed were entered using the *backlog option* on receipt of the paid vouchers from Bank with scroll. The backlog option had actually been provided in TIS for entering data which may fall in arrears due to an interruption of on-line system or due to an emergency situation such as network failure or system failure. Due to misuse of this facility, data entry was in arrears in these treasuries for 3 to 20 days, which would affect the time schedule for sending the vouchers and List of Payments (LOP) to AG, defeating the very purpose of computerisation.

3.6.19 The Department stated (September 2004) that POC♠ system had been introduced in all banking treasuries thereby eliminating misuse of the System. The Department's failure to review the effectiveness of computerisation led to the delay of more than four years in extending POC facility to all banking treasuries.

Absence of System Security

Compliance with instructions on system security ignored and no regular monitoring of audit trail

Failure to monitor Audit Trail

3.6.20 Audit trail is incorporated into an IT System for tracing an item from input through its final stage. TIS version 3.0 has the facility to capture details of terminal log on, start up time, activities of user etc. Further, Government stipulated (January 2000) maintenance of the System Administration register, Password register and Daily Activity register. But these Registers were not seen maintained by the Treasuries covered by audit.

3.6.21 A scrutiny of the data relating to audit trail in DT, Thiruvananthapuram revealed that log out details were missing in 20381 out of 87259 cases. User name and log on time were duplicated in 997 records,

♠ Pay Order Cheque treated as negotiable instrument which included log on by the same user to another terminal simultaneously due to absence of restriction regarding multiple log on.

3.6.22 Analysis of Electronic data revealed 2 to 5 log in attempts by users due to absence of provision to restrict unauthorised log on and/or provision for automatic terminal shut down after 2 unsuccessful log in attempts.

3.6.23 The Department had neither entrusted the periodic review of audit trail to any responsible officer nor evolved a documented procedure for regular monitoring of audit trail to watch deviations in access trends and to ensure compliance of instructions relating to system security.

3.6.24 The Department stated (September 2004) that directions had been issued to Treasury Officers during August 2004 to maintain the registers and to monitor daily activities. Missing log-outs were attributed to abnormal termination of applications and multiple log-on was resorted to for utilising the services of the user during the time taken to generate lengthy reports. As the Department has not filled up any technical posts and the System administration is managed by the staff at lower level, steps for effective security monitoring need to be taken.

Lack of change management control

Department failed to ensure that latest modified version was installed in all Treasuries

3.6.25 The menus described in the User Manual in respect of version 3.0 of TIS and versions of software in use in the treasuries varied drastically. Though many changes had since been made to the earlier version installed during February 2000, the present version is still numbered as 3.0. The details of amendments after installation of the software had not been documented. There was no record of testing the amendments. Different editions of version 3.0 were also seen running in different treasuries and even in the same treasury (Eg. ST, Parassala). In the absence of change management and version control, the Department could not ensure that the latest modified version was installed in all Treasuries and the users were benefited by the program amendment. There is a risk of accidental or malicious changes to software and data due to poor change management control.

3.6.26 The Department stated (September 2004) that TIS version 3.0 had been frozen from December 2003 to ensure that the same software was running in all the treasuries. The Department has to ensure that the latest version is installed in all the 188 treasuries computerised.

Ineffective back up policy

Off-site storage of back up data was not ensured

3.6.27 Back up policy formulated and circulated by Government during January 2000, stipulated that two copies (one in tape and another in CD) each of back up of transaction data should be taken on each working day and two copies of the back up of data relating to accounts should be taken every month in CDs, of which one copy should be kept by the Treasury Officer concerned and the other should be sent to the nearest treasury identified by the Director for off-site storage.

3.6.28 But the prescribed procedure for back up was not followed in two treasuries[♥] as CDs and/or CD writers had not been supplied. Against the requirement of six tapes in each treasury for taking back up, one to three tapes only had been supplied to three treasuries[#]. The Director had not yet (January 2004) identified the treasuries for off-site storage of back-up. In the absence of adequate back up and off-site storage of data, it would be difficult to restore the system in the event of a disaster.

3.6.29 The Department stated (September 2004) that the Treasury Officers had been directed to follow the instructions scrupulously and that proposals had been submitted to Government for providing CD writers to treasuries. It was also stated that off-sites for storage of monthly data for each treasury have been identified and communicated to treasuries. As this does not address the risk of loss of weekly transaction data in the event of a disaster, the Department has to ensure that weekly data are also stored at the identified off-sites.

Defective maintenance of database

Excess accounting of SB Account Balance

Data validation to rectify the differences of Rs 310.73 crore in the closing balance of Manual ledger and computerised ledger not done

3.6.30 Treasury Department is responsible for the maintenance of Savings Bank Accounts in respect of deposits by local bodies, other institutions, pensioners and public. The statement of closing balance along with annual interest is forwarded to AG every year for making adjustments in the accounts. It was, however, seen that data entry relating to closing balance in respect of SB Accounts in District Treasury, Thiruvananthapuram were not validated before switch over to computerised transaction from 1 February 2000. As a result there was a difference of Rs 310.73 crore between the balance as per Manual Ledger (Rs. 1231.87 crore) and Computerised Ledger (Rs 1542.60 crore) as on 31 March 2000. The excess accounting of Rs 310.73 crore was irregular and needs to be rectified by proper data validation.

3.6.31 The Department admitted the failure to compare ledger balance with computer generated accounts and stated (September 2004) that the difference occurred due to non-inclusion of certain accounts in the manually prepared statement of interest (Rs 146.64 crore) and adoption of incorrect balance in respect of certain accounts involving shortage of Rs 39.59 crore. But the difference of Rs 124.49 crore remained to be reconciled.

Bypassing of Appropriation Control

Prescribed procedures for budget control of expenditure not followed

3.6.32 Treasury Officers were required to monitor the expenditure against provision through the Appropriation Control Register provided in the TIS. The details of allotments received in the treasury were to be entered into the system through the *New Allotment* menu except for the heads of accounts exempted. After each transaction, the balance of allotment under each head of account in respect of a Drawing and Disbursing Officer (DDO) can be retrieved/viewed through the Appropriation Control Register. But in DT, Thiruvananthapuram the appropriation details were not entered into the system promptly and the prescribed procedure for budgetary control was not

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[♥] DT, Pathanamthitta & ST, Pathanamthitta

[#] ST, Kunnamkulam, ST, Thaliparamba, ST, Thrissur followed.

3.6.33 In respect of the Departments whose expenditure was to be watched through the Appropriation Control Register, payment through the transaction type "contingent payments" is prevented by a message that "no appropriation was available". To bypass this, payments were made through "miscellaneous payments" option.

3.6.34 *Bill_Exmptn* table contained 138 cases where payment was made in relaxation of appropriation control, but reason for exemption had not been indicated properly. In 27 cases, it was recorded as *inevitable* without authority. In 14 cases, the reason noted was "*5 Advances pending*" which was a valid reason for rejecting the bill, instead of passing it as inevitable payment.

Advances pending adjustment

Tour advances of retired/transferred SDOs pending adjustment not included in LPC/NLC

3.6.35 As per codal provisions, if a final bill for advance drawn is not presented within 3 months of its drawal, the entire amount of advance is to be recovered from the next salary bill of the Self Drawing Officer (SDO) concerned with interest. But there was no provision in the software to recover such advance with interest. As the default option for Travelling allowance bills had been set as 'Advance', final payment is to be entered by changing the default option to 'settlement'. Because of the failure to change option, some of the final payments are wrongly booked as advance payment. As such the amount of tour advance actually pending adjustment cannot be segregated from the data. Tour advances amounting to Rs 3 lakh in 467 cases were pending against SDOs in four treasuries covered by audit, including those of officers who had been transferred/retired. But these pending advances were not seen included in the LPC/NLC* due to absence of provision therefor.

3.6.36 NIC stated that provision for recovery of tour advance/indicating the same in LPC/NLC was not included in TIS for want of specific request of the Department.

Inadequate application control

Provision for alteration of balance

Facility for alteration of balance to correct mistakes during change over period not withdrawn resulting in inflation of balances in SB/FD/PD accounts

3.6.37 A facility for the alteration of balance in the Savings and Deposit account was incorporated in TIS to correct mistakes in balances during the change over period from manual system to computerised system. Opening Balance adjustment short option (OB+) is used to increase the balance as per the system and Opening Balance adjustment excess option (OB-) to decrease the balance. But the facility was not withdrawn even after 4 years of implementation of TIS at DT, Thiruvananthapuram.

3.6.38 Between February 2000 and August 2003 DT, Thiruvananthapuram carried out several transactions using the options OB(+) and OB(-) which resulted in the increase in Savings Bank (SB) balance by Rs 4.62 crore, Personal Deposit (PD) account by Rs 103.30 crore and Fixed Deposit (FD) account balance by Rs 211.60 crore as shown below:

* LPC/NLC - Last Pay Certificate/Non-Liability Certificate

(Rupees in crore)

Type of account	Number of transactions using OB+	Amount increased through OB+	Number of transactions using OB-	Amount decreased using OB-	Net increase in balance
SB Account	283	7.73	9	3.11	4.62
PD Account	284	122.32	44	19.02	103.30
FD Account	588	211.60	-	-	211.60

3.6.39 But the treasury did not have any document in support of above transactions involving crores of rupees. In the absence of any document, the authority for such data entry was not verifiable.

3.6.40 In the absence of regular receipt of Plus and Minus Memorandum indicating opening balance short and opening balance excess adjustments, such adjustments escape accounting by AG thereby misrepresenting the balance of State under Public Account.

3.6.41 There is no justification for retaining this facility to manipulate opening balance without affecting cash transaction so as to cover up the defective data validation. Moreover, there is greater risk of misuse of this facility by the users of the system to arrange payment to account holders even if balance is not available.

3.6.42 The Department stated (September 2004) that this facility is essential to make alteration for correcting wrong entry in the account and that OB(+) facility was included in majority of cases to include Opening Balance which were not entered into the system at the time of computerisation. As this was a facility included to correct mistakes in carry forward of balance to computerised system, there is no justification in retaining the facility at treasuries for such a long period which may provide scope for manipulation.

Absence of provision in the stamp account

3.6.43 There is no provision to generate a report on the details of stamp issued on a particular day or stamps issued to a particular vendor and also for automatic deduction of income tax from a stamp vendor whose commission exceeds Rs 2500 in a financial year.

Defective Report Generation

3.6.44 The figures as per reports generated through different options for the same period were different in the following cases.

Different closing balances for the same PD account

3.6.45 The closing balance of a PD account for a particular day was different when extracted through the PD Ledger option and the PD Pass Book option.

OB and CB mismatch in respect of SB accounts

3.6.46 The closing balance for a particular month and the opening balance for the following month were different when the Savings Bank Extract Registers were generated for the Head of Account 8001-00-102-99-00 through the option *Reports-Reconciliation* and *Reports-SB Extract Registers*.

3.6.47 The annual closing balance for 2000-01 and 2002-03 exceeded the closing balance for the month of March 2001 and March 2003 by Rs 24.61 lakh and Rs 117.59 lakh respectively and the closing balance for March 2002 exceeded the annual closing balance for 2001-02 by Rs 55.93 crore.

3.6.48 The closing balance for 2000-01, 2001-02 and 2002-03 did not tally with the opening balance of the following year.

3.6.49 The closing balance as per the Plus and Minus Memorandum did not tally with the closing balance as per the Annual Interest Statement sent to AG during 2000-01, 2001-02 and 2002-03.

3.6.50 The department stated (September 2004) that the discrepancies occurred due to bugs in the software and action had been taken to rectify the same.

Inconsistencies in the Annual Interest Statement for SB Accounts.

Discrepancies in the Annual Interest Statement for SB accounts

3.6.51 The Annual Interest Statement in respect of Savings Bank accounts in a treasury is a mandatory return to be sent to the AG at the end of each financial year. Total annual interest credited as per TIS during 1999-2000 to 2002-03, did not tally with the figures in the Plus and Minus Memorandum and as per the Annual Interest statement furnished to AG.

3.6.52 The amounts of short passed interest, annual interest, etc., credited to SB accounts as shown in the Plus and Minus Memorandum did not tally with the amounts shown in the SB extract register for the year 2002-03.

3.6.53 The interest on closed accounts and short passed interest as per the Annual Statement of Interest furnished to AG did not tally with the figures as per the Plus and Minus Memorandum.

3.6.54 The Department stated that the error in the report generation module had been rectified. As the present version of the software is stated to be frozen, the modification would be effective only when the next version is installed.

Absence of Internal Audit in computerised Treasuries

No training imparted to Internal Auditors

3.6.55 Internal Auditors have an important role in protecting the IT Systems by detecting deviations in prescribed procedure, identifying threats to information system, suggesting safeguards for timely rectification. Three Regional Deputy Directors and one Deputy Director at the Directorate were responsible for internal inspection of Treasuries. But the Internal Inspection Team had neither been trained in TIS nor new methodology of audit devised.

3.6.56 Though Treasury transactions are subject to Internal Audit by the Department and annual Inspection by AG there is no provision in TIS to query the data and extract the information required by audit. Evidently, the Internal Audit wing failed to present the above requirement at the time of development of the software.

3.6.57 The Department took (January 2004) steps to arrange training to Inspection Staff only after the lapse was pointed out by audit but no methodology of audit had been evolved so far (September 2004).

Conclusions

3.6.58 The computerisation of all treasuries (except one) targeted to be completed by March 1999, was completed only by August 2004. However, in the absence of required infrastructure such as WAN, Data Centre, etc., the objective of budgetary control over expenditure expected from Treasury Computerisation could not be derived so far. As there was a delay of 10 to 12 days in the receipt of LOP and Cash account from computerised treasuries (January 2003), the objective of timely rendering of accounts had also not been achieved. As the adequacy of controls was not tested so far, the system lacks controls relating to system security and software change. The system remains vulnerable due to inadequate application controls.

3.6.59 Recommendations

- ★ Test the final modified version of the software following approved testing methodology to ensure the adequacy of controls;
- ★ Interconnect the treasuries and set up a Data Centre at the Directorate to update the centrally maintained Master data files and for Macro level Budget monitoring ;
- ★ Conduct a thorough data validation of Closing Balance of Savings Bank and Personal Deposit accounts urgently and thereafter withdraw the facility for alteration of balances to minimise the risk of fraud;
- ★ Evolve suitable methodology for audit of computerised treasuries by the Internal Audit wing.

3.6.60 Government endorsed (November 2004) the remarks of the Department and stated that all possible efforts would be taken to make the accounts uptodate and achieve the goals aimed at by computerisation of treasuries.

FINANCE DEPARTMENT

3.7 Special Development Fund for Members of Legislative Assembly

Introduction

3.7.1 Government of Kerala constituted (October 2001) a Special Development Fund for MLAs from 2001-02 on the pattern of "Members of Parliament Local Area Development (MPLAD) Scheme" of Government of India. The annual contribution of Rs 25 lakh for each MLA was enhanced to Rs 50 lakh from 2003-04. The objective of the scheme was to enable the MLAs to suggest developmental activities based on locally felt needs in their Legislative Assembly Constituencies (LACs) with emphasis on creation of durable assets[#]. The guidelines issued in October 2001 had been modified several times and the guidelines issued in May 2004 are by and large in conformity with the guidelines of MPLAD scheme.

3.7.2 The implementation of the scheme during 2001-04 in 58 constituencies of five (out of 14) districts was reviewed by a test check of records relating to five District Collectorates[*] and 30 implementing offices. Audit also conducted physical verification of 50 works in 22 LACs.

[#] Construction of buildings, roads and bridges, water supply scheme, etc.

[*] Alappuzha, Ernakulam, Kozhikode, Pathanamthitta and Thiruvananthapuram

3.7.3 Funds released by Government during 2001-04 were Rs 140.72 crore of which the expenditure incurred upto March 2004 was only Rs 44.77 crore (32 *per cent*). Amount of expenditure covered in the review was Rs 14.55 crore. Release of funds and expenditure incurred for works sanctioned for 2001-04 are given below.

(Rupees in crore)

Year	Release of Funds	Expenditure
2001-02	35.00	-
2002-03	35.25	38.31
2003-04	70.47	6.46
Total	**140.72**	**44.77**

Implementation of the scheme

3.7.4 The major irregularities/defects noticed in the implementation of the scheme are shortfall in utilisation of funds, delay in proposal by MLAs and sanction of the schemes by District Collectors (DCs), delay in execution of works etc., as shown below.

Shortfall in utilisation of funds

3.7.5 The funds released were kept in non-lapsing treasury savings deposit accounts of DCs. Government had not fixed any specific time limit for utilisation of funds. Out of Rs 58.50 crore released to 58 LACs in five districts, DCs sanctioned works for Rs 42.23 crore as of April 2004. As at the close of the year 2003-04 unspent balance in five districts was Rs 43.95 crore.

Percentage of short fall in utilisation of funds ranged between 42 and 100 in the 58 LACs

3.7.6 Percentage of shortfall in utilisation of funds ranged between 42 and 100 in the 58 LACs. There were 9 LACs where the percentage of shortfall in utilisation was 90 *per cent* or more.

3.7.7 Late submission of proposals (668) by MLAs, delay in preparation of estimates (101) by the implementing agencies and execution of works (28) by implementing agencies were the reasons for the low utilisation of funds.

Delay in proposals/sanction

3.7.8 As per the guidelines, each MLA is required to give his choice of works to the DC. The DCs after getting estimates from the implementing departments*/executing agencies should issue sanction within 45 days from the date of receipt of proposals from MLAs.

Delay ranging from 103 to 415 days in according administrative sanction by DC

3.7.9 It was seen that 41 MLAs gave 668 proposals towards the end of the year or the succeeding year. In 101 works (estimated cost: Rs 3.39 crore) proposed by 24 MLAs delays ranging from 103 to 415 days were noticed in according administrative sanction by DCs. Delays in identification of sites and preparation of estimates by the executing agencies were the reasons for delay in issuing administrative sanctions by DCs.

Lack of co-ordination between District Collectorates and user Departments

Lack of co-ordination resulted in delay in execution of works

3.7.10 DCs did not consult user departments before sanctioning works. This resulted in delay in execution of works due to revision of plans and

* Block Development Offices, Public Works Department, Kerala Water Authority, Kerala State Electricity Board and Local Bodies are the main implementing agencies.

estimates to suit the requirements of the user departments and delay in utilisation of assets created.

Lack of proper planning/ feasibility study before sanctioning works

Abandoning/non-completion of works as administrative sanctions were issued without ascertaining availability of land and infrastructure

3.7.11 Administrative sanction for works were issued without ascertaining the availability of land, proper estimates, infrastructure, etc., resulting in abandoning/non-completion of the works as shown below:

- Due to non-availability of land, sanction issued in April and May 2002 (estimated cost : Rs 17.50 lakh) in Kilimanoor LAC for construction of buildings for 14 Anganwadi Centres were cancelled (September 2003) and construction of building for an Anganwadi Centre sanctioned in February 2003 (estimated cost : Rs 1.53 lakh) in Perambra LAC was not started so far (June 2004).
- In Balussery LAC construction of first stage of a mini stadium at Ulliyeri was completed in December 2003 at a cost of Rs 7.45 lakh, the second stage proposed by the MLA was not sanctioned due to non-availability of land.
- In Balussery LAC, a large project, a stadium with gallery and shopping complex was sanctioned in July 2002. A small portion of gallery was constructed for Rs 8.90 lakh (2001-02) and allotted Rs 10 lakh for second phase (2002-03). Physical verification revealed that only about 10 *per cent* of the entire project had been completed so far. This would indicate that this project requires a very huge investment. Though sanction was given to the project the cost of the project and the expected date of completion of the project is not known by the sanctioning authority and as such the investment of Rs 19 lakh is not likely to fetch the intended benefit in the near future.
- A mini water supply scheme sanctioned in August 2002 in Vadakara LAC at a cost of Rs 1.50 lakh had no provision for installation of motor and distribution system.

Sanctioning of inadmissible works

DCs sanctioned 16 works costing Rs 1.28 crore in disregard of the guidelines

3.7.12 According to the guidelines construction of office buildings, residential buildings and other buildings of Central or State Governments, Departments, agencies or organisations, works belonging to private institutions, etc., were not permissible. However, in four districts♥ the DCs issued administrative sanction (between April 2002 and November 2003) for 16 works costing Rs 1.28 crore in disregard of the guidelines. The amount spent on these works as of March 2004 was Rs 62.54 lakh **(Appendix XXXIV)**.

Sanctioning of works in violation of guidelines

3.7.13 There was no provision in the guidelines for sanction of certain works. Government, however, sanctioned the following works for Rs 61 lakh

♥ Alappuzha, Ernakulam, Pathanakthiatta and Kozhikode under the scheme during 2003-04 in violation of its own guidelines. No expenditure was incurred on the following works so far (August 2004):

- Construction of Kerala State Road Transport Corporation bus station at Chadayamangalam LAC.
- Construction of building for Institute of Human Resources Development Engineering College in Karunagappally LAC.
- Construction of Railway foot over bridge in Kannur LAC.
- Payment of arrears of electricity charges of Memury Coconut Development Lift Irrigation Scheme at Kaduthuruthy LAC.

Government may therefore reconsider the sanctions issued to the above works.

Delay in execution of work

3.7.14 Delays were noticed in arranging works and in commencing work after execution of agreements.

3.7.15 In Thiruvananthapuram District the implementing officers did not arrange construction of four school/hospital buildings and 3 bridges which are permissible under the guidelines costing Rs 18.50 lakh (**Appendix XXXV**) sanctioned between February 2002 and June 2003. These works were tendered but there were no volunteers/convenors to take up the work.

3.7.16 In three districts delays ranging from six to 15 months occurred in arranging 14 works costing Rs 41.25 lakh due to delay in selecting the convenors by the beneficiary committee to take up the works. **(Appendix XXXVI)**

Nature of assets created

47 *per cent* of the completed works were for repairs and maintenance of roads

3.7.17 The main purpose of the scheme was creation of durable assets. In the five districts out of 1486 works sanctioned during 2001-04, only 676 works were completed and 810 works were not completed as of March 2004. Out of the completed works, 315 works (47 *per cent*) were for repair and maintenance of roads for which expenditure of Rs 5.08 crore was incurred which cannot be considered as creation of durable assets.

3.7.18 The Principal Secretary, Finance Department, however, disagreed with the audit observation that repair and maintenance of roads did not constitute creation of durable assets. This argument is not tenable as expenditure on repairs and maintenance of roads is treated as revenue expenditure and cannot be considered as leading to creation of durable assets. The scheme guidelines itself prohibited utilisation of the scheme funds for revenue expenditure.

Irregular execution of works

3.7.19 In Kayamkulam LAC though the DC sanctioned (April 2002) construction of a ward in Government hospital, physical verification revealed that against the sanction for construction of a ward, an office building was constructed at an expenditure of Rs 3.13 lakh which was against the guidelines.

Non-utilisation of assets created

Out of 34 buildings completed, 15 buildings were not utilised

3.7.20 There was no system in the five district collectorates to ensure that the assets created are utilised for the purposes for which they were created. Physical verification by Audit revealed that out of 34 buildings completed between October 2002 and January 2004, 15 buildings were not utilised.

- A ward for the Ayurvedic hospital in Parassala LAC completed in June 2003 at a cost of Rs 3.64 lakh could not be used for want of furniture.
- A mortuary room completed at a cost of Rs 3.56 lakh in Alappuzha Medical College in March 2003 remained idle due to non-installation of cooling chambers by the Department.
- Two comfort stations completed at a cost of Rs 3 lakh in Thiruvananthapuram North LAC between April and June 2003 were not opened to public for want of water and power connections.

3.7.21 A crematorium completed in June 2003 in Kakkanad in Thripunithura LAC for Rs 9.24 lakh was not handed over to the local body so far (March 2004).

Non-maintenance of Asset Register

3.7.22 As per the guidelines, an Asset Register showing the details of assets, drawal of funds, physical progress, etc., was to be maintained by the DCs and the Implementing Officers. However, the DCs and Implementing Officers (except BDO, Kazhakuttom) were not maintaining the registers.

Internal control

3.7.23 Finance Department is the nodal department at State level for implementation of the scheme. According to the scheme the Department was responsible for the following:

Finance department, being the nodal department failed to take action as stipulated in the scheme

- Issue of general instructions to all the planning and implementing agencies of the scheme at State/District level.
- Monitoring the progress of implementing the scheme and to decide on monitoring mechanism.
- Conducting meetings involving MLAs and DCs to assess the progress of project at least once in a year.

However, Finance Department failed to take action on these so far.

3.7.24 As per guidelines, the DCs, being the nodal officers of the scheme, at district level, were to inspect at least 20 *per cent* of the works every year, send monitoring reports to the Finance Department and MLAs once in two months, prescribe schedule of inspections to the implementing officers and to maintain asset register.

3.7.25 None of the DCs of the five districts had inspected any of the works. Progress reports were sent to the Finance Department only once in a year for release of funds. No schedule of inspection was prescribed for implementing officers in any of the districts.

102/113/2005—11

Conclusions

3.7.26 The objectives were not achieved as there was considerable delay in the submission of proposals by MLAs, partial utilisation of the fund allotted for the creation of durable assets and inordinate delay in arranging works in many cases. All the assets created were also not put to use due to lack of co-ordination with the user department. Monitoring at State/District levels was ineffective.

3.7.27 Recommendations

★ In order to ensure speedy and timely completion of schemes/projects the guidelines should prescribe specific time schedule from the stage of proposals to the handing over of the assets created and its utilisation for the intended purpose.

★ The format prescribed in the guidelines issued in May 2004 may be used as a monitoring tool, by submitting a monthly report in this format to the MLAs and nodal department at Government level.

★ Availability of land, proper estimates and infrastructure may be ensured before sanction of works

Response of the Department

3.7.28 The points were discussed with the Principal Secretary to Government, Finance Department. The Principal Secretary agreed with the recommendations of Audit.

CHAPTER IV
AUDIT OF TRANSACTIONS

4.1 Fraudulent Drawal/Misappropriation/Embezzlement/Losses

GENERAL EDUCATION DEPARTMENT

4.1.1 Defalcation of Government money

Failure of Drawing and Disbursing Officers to exercise checks prescribed in financial rules led to misappropriation of Rs 10.19 lakh.

Scrutiny of the records (January 2004) of Government Vocational Higher Secondary School (GVHSS), Mulakuzha in Alappuzha district revealed misappropriation of Rs 10.19 lakh. In 72 establishment pay bills pertaining to the period September 2000 to December 2003 the Drawing and Disbursing Officers (DDOs) drew Rs 10.19 lakh in excess of the actual amount required for disbursement by fraudulently inflating the total column of the Bills. The seven Principals of the school, who were the DDOs during the period, failed to check the totalling of each column of the establishment bills and acquittance rolls by themselves or get it checked by some other staff as required under the rules.

The Deputy Director of Education (DDE), Alappuzha who conducted the internal audit of the school in June 2001 and July 2003 did not detect the defalcation. On this being pointed out by Audit, the DDE, Alappuzha suspended the Upper Division Clerk (UDC) of the school in January 2004.

The UDC who was suspected of involvement in the defalcation was punished (August 2000) with barring of three increments in another case of defalcation. In spite of this the Principals of the school failed to conduct the necessary checks on the bills prepared by this UDC.

The DDOs need to exercise all the prescribed checks before the bills are presented to the Treasury. Proper training to the DDOs in financial matters is also necessary. It is suggested that persons punished for misappropriation of Government money should not be entrusted with responsibilities of handling cash at least for a specified period.

While admitting the fact Government stated (October 2004) that the Finance (Inspection) wing would conduct inquiry on the failure of the Drawing and Disbursing Officer.

102/113/2005—11A

4.2 *Infructuous/Wasteful expenditure and overpayment*

PUBLIC WORKS DEPARTMENT

4.2.1 Excess payment to contractor

Excess payment of Rs 0.52 crore to the contractor due to non-availing of rebate over cost of material.

In May 2002, the Superintending Engineer, NH Circle, Kozhikode concluded two contracts with a firm, for the special repairs of NH-17 for a total length of 21.35 km under NH Division, Kannur, with a tender rebate of 17.1 *per cent* in respect of work 'A' and 24.2 *per cent* in respect of work 'B'. According to the conditions of contract, however, the tender rebate was not to be applied over the cost of cement and bitumen and the hire charges of Tools and Plant, if the same were supplied or made available by the Department.

In respect of works 'A' and 'B' the total value of work done was Rs 2.31 crore and Rs 1.66 crore respectively. As the Department neither supplied any materials nor made available Tools & Plant, tender rebate was applicable to the cost of materials/hire charges of Tools and Plant supplied/arranged by the firm. This component was Rs 1.52 crore for work 'A' and Rs 1.07 crore for work 'B'.

While admitting the final claims of the firm, tender rebate was not applied over the cost of materials and hire charges of Tools and Plant supplied/ arranged by the firm, leading to lower rebate and thereby excess payment of Rs 0.52 crore.

Government stated (July 2004) that the rebate offered by the firm was over departmental rates less cost of materials, and that the accepted probable amount of contract was worked out and exhibited in the agreement accordingly. According to the contract conditions only the cost of materials supplied by department alone was to be kept outside the purview of rebate. Since the contract conditions did not envisage supply of materials by the department, the accepted Probable Amount of Contract was incorrectly worked out and exhibited in the agreement for which collusion between departmental officers and the contractor cannot be ruled out. As such the reply of Government is not acceptable.

4.2.2 Extra expenditure on execution of works not approved by Government of India

Even though the Government of India had deleted the work of 'levelling undulations' from the sanctioned estimates, the work was done incurring extra expenditure of Rs 0.57 crore.

In January 2000, Chief Engineer, National Highway, Thiruvananthapuram (CE) proposed three estimates for strengthening the Black Top Surface of NH 17 for a total length of 36.415 km (spread over in Kozhikode and Kannur Districts) by providing Bituminous Macadam (BM) and Asphalt Concrete

(AC). The surface strengthening formed part of implementation of Improvement of Riding Quality Programme (IRQP) for the year 2000-01 and the total estimated value of works as per approved estimates was Rs 6.91 crore. The Superintending Engineer, NH (North) Circle, Kozhikode (SE) arranged the works on the basis of three contracts concluded between 16 October 2000 and 27 November 2000 for a total contract outlay of Rs 5.50 crore. The contract agencies completed the works between March 2001 and December 2001. The aggregate value of work executed was Rs 6.28 crore, which was paid to the contract agencies between May 2001 and March 2002.

CE's proposals, among other items, envisaged, 'providing and laying bituminous macadam' on the existing road surface for a total estimated quantity of 16345 cubic metre. While estimating this quantity, the quantity required for levelling undulations on the road surface was also taken into consideration. The Ministry of Road Transport and Highways, Government of India (GOI), while scrutinising the estimates judged that levelling course proposed by CE was not necessary and reduced the total estimated quantity to 14814 cubic metre in the sanctioned estimates. The SE, however, arranged the execution of 'levelling course' also on the plea that it was essential to provide 'minimum profile correction' to the road surface. Against the approved quantity of 14814 cubic metre, the quantity done under the item was 17851 cubic metre resulting in extra expenditure of Rs 0.57 crore.

In the light of the specific observation of the Ministry that levelling course was not considered necessary, execution of the item was irregular and additional expenditure of Rs 0.57 crore incurred on this account was unauthorised and avoidable and not eligible for reimbursement from GOI.

The matter was referred to Government in June 2004; reply has not been received (November 2004).

4.3 *Violation of contractual obligations/undue favour to contractors*

FISHERIES AND PORTS DEPARTMENT

4.3.1 Avoidable extra financial commitment on construction of breakwaters

Government inherited avoidable liability of Rs 6.40 crore on replenishment of partially damaged structure and overruling the findings of Committee of Secretaries as well as that of Chief Engineer allowed upward revision of agreed rates.

Mention was made in the Report of the Comptroller & Auditor General of India (Civil) for the year ended March 2001 about avoidable expenditure of Rs 0.93 crore on account of conveyance charges of stones on construction of breakwaters for Azheekkal Cargo Harbour in Kannur district. Scrutiny of the accounts of work, targeted for completion in November 2004, revealed that Government further inherited avoidable liability of Rs 6.40 crore on replenishment of partially constructed breakwater damaged during the period of abandonment and also due to post contractual revision of rates as narrated below:

Consequent to Government's decision (August 1999) to allow higher rates for conveying stones from the alternate source, the firm resumed the construction activity at Mattul site in September 1999 i.e., after a lapse of two years. As the partially constructed structure was in an abandoned state from August 1997 to September 1999, it suffered damages for a length of 430 metres. The damaged portion of the breakwater was replenished through the same firm incurring an additional expenditure of Rs 1.17 crore which turned out to be a loss to Government though the work was stopped by the firm.

Further, claiming delay in completing works due to reasons not attributable to it and consequent escalation in construction cost, the contractor firm demanded (October 1999) payment at revised rates equivalent to 1996/1999 schedule of rates for conveying stones from alternate source and for work done after July 1997. The firm in the meantime approached the High Court and the latter, in March 2000, ordered disposal of the representation, expeditiously in accordance with law. Accordingly, Government constituted a committee of Secretaries to examine contractor's demands and to make recommendations thereon. The Committee judged that the demand for rate revision was not justifiable and recommended its rejection. Government accepted the Committee's recommendations in November 2001 and rejected the contractor's claim.

The firm filed a review petition (November 2001) before the Minister for Ports, requesting to refer the matter to a superior Government official (in service or retired) who has technical knowledge to get the Government orders reviewed or alternatively, to relieve it from the contract after payment of all dues. Government referred the review petition to Chief Engineer, Harbour Engineering Department for his remarks. The Chief Engineer (CE), in his report held (October 2002) that as there was no breach of contract on the part of Government there was no need for review of orders issued by Government in this regard and arrangements could be made to execute the remaining works at the risk and cost of the firm. Government, however, ordered (March 2003) payment to the firm at enhanced rates equivalent to 1996 schedule of rates with the quoted premium of 27.7 *per cent* for works done between July 1997 and June 1999 and at 1999 schedule of rates without tender premium for works executed from July 1999 onwards. Thus the orders of Government allowing revision of rates disregarding its own earlier orders (November 2001) as well as ignoring the views of Chief Engineer were unjustifiable. The extra liability entailed on Government including the cost of replenishment would work out to Rs 6.40 crore on an estimate basis, of which, Rs 5.84 crore was paid till March 2004.

The matter was referred to Government in May 2004; reply has not been received (November 2004).

PUBLIC WORKS DEPARTMENT

4.3.2 Loss due to non-enforcement of contract conditions

Failure of the Department to enforce the contract conditions resulted in avoidable liability of Rs 1.93 crore.

Superintending Engineer, Buildings and Local Works, South Circle, Thiruvananthapuram (SE) arranged the construction of buildings (classrooms, laboratory, workshop and hostel) for Government Polytechnic, Pala through a contractor in February 1994 for a contracted outlay of Rs 2.25 crore. The work was to be completed in 24 months from the date of issue of work order. As the contractor did not maintain satisfactory physical progress, the SE terminated the contract in May 1998 when the value of work done by the contractor was only Rs 0.88 crore.

The contractor challenged the termination of contract in the High Court, and the latter in its judgement (October 2001) directed the former to file a representation before Government for revoking the termination order. The Court also ordered to take appropriate action by the department on the representation, in accordance with law, within a period of two months, after a personal hearing of the contractor. Accordingly, the contractor filed a representation before Government and the Principal Secretary to Government, Public Works Department held a personal hearing with the contractor (December 2001). According to the contractor, the foremost handicap in maintaining stipulated physical progress was non-supply of cement and steel by the department in time. He offered to complete the work, subject to the conditions that (i) percentage excess as in the previous contract was allowed over 1999 schedule of rates (quoted rates were 34.11 *per cent* above 1992 SOR); and (ii) 20 *per cent* margin was paid over and above the claim admissible as per condition (i).

Government Arbitration Committee considered (January 2002) the demand and concluded that there was delay in reimbursing the cost of materials purchased by the contractor for the work. The Committee judged that condition (i) only was entertainable and recommended acceptance of the same or alternatively closure of contract without risk and cost. It was noticed that the Committee came to the conclusion on the authority of a written request received from the contractor subsequent to execution of agreement requesting supply of materials by the Department. In April 2002, the contractor intimated that the recommendations of the Committee were not acceptable to him and requested relief from the contract. Government, in May 2002, permitted closure of contract and re-arrangement of balance works. The SE re-arranged (January 2003) the left over works through another agency for an agreed probable amount of contract of Rs 3.30 crore.

Audit scrutiny revealed that provision existed in the contract for contractors to opt for supply of materials by the department and such options were to be exercised at the time of submitting bids. In this case, the tender submitted by the contractor was not accompanied by such an option. This is evident from the report of the Inspection Wing (Non-technical) of the Finance Department. Finance Department also elaborated the malpractices committed by the officers of the Department in helping the contractor and recommended recovery of the loss sustained to Government from the Chief Engineer and other officers of the Department who were responsible for the irregularity.

As the contractor himself was responsible for the supply of materials required for the work and since the quoted rates were inclusive of cost of all materials, there was no contractual obligation on the part of the department to supply materials for the work. The contract condition in this regard ought to have been enforced strictly and this aspect was not properly brought to the notice of the Arbitration Committee. Closure of contract without risk and cost of the contractor lacked justification and resulted in an avoidable extra liability of Rs 1.93 crore.

The matter was referred to Government in July 2004; reply has not been received (November 2004).

4.3.3 Unintended benefit of Central Excise Duty exemption to contractors

Though the quoted bid amount was inclusive of all duties and taxes payable, Central Excise Duty exemption to the tune of Rs 3.28 crore was extended to the contractors.

The Project Director, Kerala State Transport Project, Thiruvananthapuram (Superintending Engineer) concluded 13 contracts between March 2002 and July 2002 with eight contractors for the improvements and maintenance of State Highway for a total length of 339.1 Km. The contract packages were part of implementation of World Bank aided 'Kerala State Transport Project' and the aggregate outlay of contracts was Rs 96.72 crore. Maintenance works contemplated in nine contract packages were completed and under remaining packages the works were nearing completion and the total amount paid to the contractors towards value of work done was Rs 67.03 crore as of October 2003.

According to the agreed provisions of contracts under discussion (concluded on 'item rate' basis), the bid price quoted by contractors was inclusive of cost of materials and all duties/taxes/levies payable during their procurement. Subsequent to finalisation of contracts, the firms requested the Project Management to issue necessary certificates to enable them to avail of the benefit of Central Excise Duty exemption, introduced by Government of India (GOI) (August 1995) on the cost of bitumen procured for projects approved by GOI and financed by International Organisations. The Project Management, however, issued necessary certificates to the firms (between December 2002 and May 2003) in order to avoid delay in the implementation of the works. The firms, on the authority of these certificates, derived the benefit of Central Excise Duty exemption to the extent of Rs 3.28 crore (at the rate of Rs 1492.80 per tonne for 21995MT representing the rate of duty in force in November 2002) excluding element of Sales Tax payable thereon.

As the contractors themselves were to procure and supply bitumen for works and the quoted bid price was inclusive of all taxes/duties/levies payable on its cost, issuance of certificates to facilitate the firms to claim duty exemption was outside the scope of agreements. Further, the contract packages contemplated adjustment in contract price in case of escalation in cost of bitumen, for which purpose, the retail price of bitumen notified by the Indian Oil Corporation from time to time was to be reckoned as a component and the retail price so notified was inclusive of all taxes and levies.

Moreover, the facility of exemption from payment of Central Excise Duty was introduced by GOI to enable Government departments to effect savings in cost of projects aided by external bodies. Therefore the Project Management should have allowed the availment of benefit only if it entailed reduction in cost of the project. Instead the Project Management extended undue benefit of Rs 3.28 crore to the firms by issue of the certificates without any corresponding reduction in the cost of the project.

Government stated (December 2003) that the contract documents did not specify the rates at which duties and taxes are payable and, therefore, the contractors were entitled to duty exemption introduced by GOI. The Steering Committee was of the view that the price submitted included all taxes and duties and the issue of certificate was ratified (January 2003) in order to avoid delay in the implementation of the works. This was not acceptable as, in the case of contracts negotiated and concluded on item rate basis, in the absence of any specific contractual provision guaranteeing the benefit of duty exemption, quoted rates were inclusive of cost and other taxes payable for the procurement of materials.

The matter was again referred to Government in May 2004. While reiterating their earlier stand regarding the rates of duty payable by contractors, Government, further stated (June 2004) that (i) contractors, while quoting rates were aware of the existence of central excise duty exemption on cost of bitumen and this enabled the department to obtain competitive offers leading to savings in project cost and (ii) the Dispute Review Board for one of the contract packages had recommended extension of the facility of duty exemption to contract agencies. Government's argument mentioned in (i) above, is not tenable as it is not based on any pre-contractual documents confirming the assumption made by contractors. As regards the point mentioned in (ii) the Dispute Review Board has no mandate to take decisions which over ride the contract conditions.

4.3.4 Unjustifiable reclassification of soil as hard rock

After execution of agreement, sizeable quantity of earth to be excavated was reclassified as hard rock, resulting in extra expenditure of Rs 0.87 crore.

The Superintending Engineer, Roads and Bridges (North) Circle, Kozhikode (SE) arranged the work of 'improvements to Angadippuram-Pariyapuram-Cherukara road' (km 0/000 to km 7/610) in Malappuram district, through a contractor in May 2000 for an accepted contract outlay of Rs 1.39 crore

(17.99 *per cent* below estimate). Improvement works were completed (January 2002) and final bill was paid to the contractor in August 2003.

The schedule of works attached to agreement envisaged 98400 cubic metres of 'earth work cutting in all classes of soil except hard rock and medium rock requiring blasting' (@: Rs 1176 per 10 cubic metres). In August 2000, the Executive Engineer, Roads Division, Manjeri (EE) reported to the SE that presence of hard boulders which required blasting was noticed in the alignment of the road and that blasting could be done only under protective measures in certain reaches in view of the existence of residential buildings and electricity lines. The EE also proposed the rates of Rs 7538.70 and Rs 2436.85 each per 10 cubic metres for blasting hard rock under protective measures and in ordinary condition respectively. SE sought approval of the Chief Engineer, Roads and Bridges, Thiruvananthapuram (CE) for the rates in November 2000. Even though the CE sanctioned (11 December 2000) the rate proposed for blasting in ordinary condition, he did not approve the rate for protective blasting on the ground that it was on the higher side but subsequently approved (20 December 2000) this rate also.

The contractor executed supplemental agreement in May 2001 for carrying out blasting for an estimated quantity of 15348 and 4985 cubic metres respectively under protective measures and in ordinary condition. According to the final bill, the contractor had executed blasting of rock of 15731.04 cubic metres under protective measures and 4980.37 cubic metres in ordinary condition.

It was seen in Audit that the rate allowed for providing protective measures was exorbitantly high i.e. 209 *per cent* of the rate allowed for blasting in ordinary condition whereas the rates allowed for similar item in the adjoining districts of Kozhikode (by the same SE during March 2001) and Thrissur were 32 and 30 *per cent* respectively of the rate allowed for blasting in ordinary condition. Even the re-classification of sizeable quantity of earth as hard rock, subsequent to conclusion of contract, lacked justification as the nature of soil of the cutting area was initially reckoned as ordinary rock (which requires no blasting) on the authority of trial pits. Moreover, the tender rebate quoted by the contractor (after ascertaining site conditions) also suggested that risks involved in earth cutting, which was the major component of improvement works, were less. Calculated with reference to the rate for earth work excavation, originally agreed to, the post contractual re-classification of soil resulted in extra expenditure of Rs 0.87 crore.

The matter was referred to Government in July 2004; reply has not been received (November 2004).

4.4 *Avoidable/excess/unfruitful expenditure*

HEALTH AND FAMILY WELFARE DEPARTMENT

4.4.1 Avoidable payment of surcharge on electricity charges

Superintendent of a Government Hospital incurred avoidable expenditure of Rs 1.79 crore towards surcharge due to long delay in payment of electricity charges.

Mention was made in paragraph 3.6 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1995 No. 3 (Civil) about payment of penal interest on electricity charges and unnecessary payment of electricity charges for the pay wards of the Kerala Health Research and Welfare Society * (KHRWS) by the District Hospital (DH), Palakkad. It was also pointed out that the electricity consumption of KHRWS were sub metered through the main meter in the DH. The Public Accounts Committee (1998-2000) in its Ninety First Report presented to the Legislature on 18 December 2000 had recommended that sufficient funds should be provided to the hospitals for making payments of electricity and water charges in time and that immediate action should be taken to realise energy charges already paid by the Department in respect of KHRWS pay wards.

A test-check of the records of the institution in January 2004 revealed that the same irregularities persisted. The Superintendent of the Hospital did not pay electricity charges for the period from January 1995 to March 2003 due to paucity of funds and paid Rs 3.03 crore (which was in excess by Rs 29.16 lakh) to Kerala State Electricity Board for settling the pending claims in March – April 2003 (Rs 1.18 crore and Rs 1.85 crore respectively). This included surcharge of Rs 1.79 crore on belated payment of electricity charges of Rs 94.47 lakh. The electricity charges of KHRWS pay wards continued to be included in the invoices of the electricity charges relating to DH, Palakkad. The department, however, had not taken any action to collect energy charges from KHRWS.

Government failed to take corrective steps to avoid the extra payment towards penal charges and stop payment on behalf of KHRWS pay wards though these were mentioned in the Report of Comptroller and Auditor General of India for the year ended 31 March 1995 No. 3 (Civil). Laxity on the part of the Government led to further avoidable payment of Rs 1.79 crore as surcharge. This points to the need of an effective machinery at Government level to monitor remedial action on Audit Paragraphs and recommendation of the Public Accounts Committee so that similar irregularities do not recur. Responsibility also needs to be fixed for such grave lapses involving avoidable payment of Government money.

* An autonomous body engaged in providing pay wards and other medical care facilities in Medical Colleges/Government hospitals

Government admitted (September 2004) the facts and stated that KSEB had adjusted Rs 21.31 lakh out of Rs 29.16 lakh upto February 2004 and the balance pending adjustment was only Rs 7.85 lakh. Regarding recovery of energy charges of KHRWS pay wards, Government stated that the KSEB had been addressed to intimate the minimum charge of electricity based on the connected load. However the DH Palakkad continued to pay energy charges of KHRWS also.

HOUSING DEPARTMENT

4.4.2 Non-recovery of compensation paid in excess

Lapse on the part of KSHB/LAO resulted in payment of excessive compensation of Rs 1.36 crore including interest.

Kerala State Housing Board (KSHB) acquired (May 1982) 3.0214 ha of land for implementation of the Nalanchira Housing Accommodation Scheme. The Land Acquisition Officer (LAO) passed two awards (October 1982) fixing the land value as Rs 4.72 lakh (63.73 ares) and Rs 17.81 lakh (238.41 ares). Even though the land owners had given (1982) a common consent letter accepting the awards passed by the LAO and foregoing their right to make a reference seeking higher compensation, they moved a reference application in the Sub-court, Thiruvananthapuram. This vital evidence was, however, not produced by the LAO in the court. The court enhanced (March 1992) the compensation by Rs 22.07 lakh* and Rs 83.03 lakh* respectively for the above two plots. As these enhancements were considered unjustified the State went in appeal to the Hon'ble High Court.

In the meantime, execution petitions were filed by the land owners for realisation of the decretal amounts due as per the judgment of March 1992, and the court ordered payment of 50 *per cent* decretal amount on the condition that the claimants should offer security which will remain in force till the final disposal of the land acquisition references. Accordingly, KSHB deposited Rs 25 lakh in March-June 1993 in respect of LAR 5/88# and Rs 41.51 lakh in August 1994 for LAR 39/88#.

The amount of Rs 25 lakh was withdrawn by the land owners without offering any security and Rs 41.51 lakh was withdrawn by them after giving a bank guarantee for that amount. However, Bank guarantee for Rs 41.51 lakh was not got renewed by KSHB from time to time till final disposal of the reference.

The Hon'ble High Court set aside (December 1998) the awards of March 1992 and remanded the matter to the reference court for fresh consideration. However, the crucial consent letter from land owners was produced by the LAO only on the penultimate day of the hearing. The Sub-court refixed (April 2001) the enhanced compensations as Rs 1.49 lakh against Rs 22.07 lakh and Rs 5.99 lakh against Rs 83.03 lakh.

* Including Solatium and interest

LAR 5/88 for 63.73 ares; LAR 39/88 for 238.41 ares

Consequent on the reduction of the enhanced compensation, KSHB had to recover Rs 1.36 crore[$] from the land owners including interest of Rs 76.56 lakh. Though the judgment was pronounced in April 2001, KSHB had filed the restitution petition only in April 2002 for recovery of the amount withdrawn by the land owners.

Thus, lapse on the part of the LAO in producing the vital piece of evidence in time and failure of the officials of KSHB to obtain and keep alive the security from land owners for withdrawing the amounts deposited in the court resulted in payment of excessive compensation of Rs 1.36 crore (including interest) which remained unrecovered as of May 2004.

This is a result of defective internal control system in KSHB and lack of monitoring of LA cases. The collusion of the officials with the land owners cannot be ruled out and the matter calls for investigation. Government/KSHB may fix responsibility for the serious lapse on the part of officials and initiate action to recover the loss sustained to KSHB.

Government admitted (August 2004) the facts and stated that all possible steps were being taken to recover the excess amount paid. Government added that an investigation by the Vigilance Officer of the Board had been ordered to fix responsibility on the officers of the Board who failed to follow up the case in time.

LOCAL SELF GOVERNMENT DEPARTMENT

4.4.3 Extra liability due to delay in completion of a remunerative project

Lack of planning on the part of the authority led to unnecessary burden of Rs 1.67 crore, apart from potential loss of rental income.

Government approved (April 1993) the proposal of Thrissur Urban Development Authority for constructing a six storeyed office-cum-commercial complex having 53 shop rooms in the ground and first floors and office space in the remaining floors. The project was conceived as a self supporting and remunerative one with the cost of construction to be financed by availing loans from Kerala Urban Development Finance Corporation (KUDFC) and collecting non-refundable advance by leasing out the shop rooms. Accordingly, the Authority availed a loan of Rs 67.75 lakh at varying interest rates of 14 to 17 *per cent* from KUDFC. During the period from October 1994 to September 1996 they collected non-refundable advance of Rs 89.20 lakh from 12 prospective shop owners at 14 *per cent* interest to be paid from the date of remittance to the date of intimation for occupation.

The Authority entrusted (May 1993) the construction of the office-cum-commercial complex to a contractor for an agreed amount of Rs 1.44 crore (including cost of departmental materials) at 93.5 *per cent* above the estimated cost of Rs 91.82 lakh (based on 1990 schedule of rates), with the date of completion as 18 May 1995. As the Authority failed to supply departmental materials in time, the work could not be completed within the targeted date.

[$] Excess compensation :Rs 23.51 lakh and Rs 35.52 lakh and interest Rs 33.12 lakh and Rs 43.44 lakh as of October 2002 in LAR 5/88 and LAR 39/88 respectively

There was also delay in payment of part bills of the contractor. The contractor demanded enhanced rates after the scheduled date of completion and as there was no response for his demand from the Authority the contractor stopped the work in October 1997.

It was noticed in audit that though the Executive Committee of the TUDA decided in May 1995 to enhance the rate by 40 *per cent* (overall increase in rates being 133.5 per cent) and requested approval of Government, Government sanctioned the enhancement only in August 2000 i.e. after a lapse of about five years.

The contractor executed a supplemental agreement in September 2000 and the time of completion was fixed as March 2001. Though an expenditure of Rs 2.26 crore had been incurred on the project, the work remained incomplete as of March 2004. Out of the 53 shop rooms only 12 shop rooms could be leased out by the Authority so far (August 2003).

Thus, improper planning on the part of the Authority, its failure to ensure supply of materials and undue delay on the part of Government in approving the enhancement in rates resulted in avoidable extra expenditure of Rs 0.82 crore on account of escalation in the cost of work. The liability on interest to be paid to the 12 lessees on the non-refundable deposits for the period from June 1995 (stipulated date of completion) to July 2003 works out to Rs 0.85 crore. The avoidable expenditure was to the tune of Rs 1.67 crore in addition to the potential loss of rental income.

Government agreed (July 2004) with the facts and stated that the electrification work had been tendered and on completion of the above work the building would be fit for occupancy.

4.4.4 Unproductive expenditure on salary of staff of Kerala State Rural Development Board

Failure to redeploy the staff of defunct Board resulted in unfruitful expenditure of Rs 3.34 crore.

Kerala State Rural Development Board was constituted as a statutory body as per the Kerala State Rural Development Board Act, 1971 with the objective of undertaking remunerative developmental works such as construction of shopping complexes, bus stands, market halls etc., in Grama Panchayats. Based on the recommendations of the first State Finance Commission, Government decided (June 1996) to restructure the Board into a financing institution and directed the Board not to take up any new work. Consequently, the activities of the Board almost came to a standstill.

Mention was made in paragraph 6.18 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1999 (Civil) about the failure to redeploy the engineering staff and consequent payment of idle wages amounting to Rs 35.35 lakh. Government replied (June 1999) that restructuring of the Board as a pure financial institution would take place shortly and thereafter redeployment of engineering staff would materialise.

Government, however, allowed (July 1999) the Board to continue in the same manner till the 1971 Act was repealed. Government ordered (September 2002) discontinuance of the 189 posts in Engineering Wing of the Board. Though, the Kerala Decentralisation of Powers Act, 2000 contained provisions for repealing the 1971 Act, Government issued notification in this regard only on 22 July 2003. Government further ordered (August 2003) treating the Board's staff as Government employees until further orders. Thus, the Board continued to exist with 32 numbers of staff without serving any purpose as of March 2004. The expenditure incurred for the period from April 1999 to December 2003 on retention of the engineering and other staff of the Board was Rs 3.34 crore.

Thus, inaction/delayed action to redeploy the staff resulted in unfruitful expenditure of Rs 3.34 crore which could have been avoided had the staff been redeployed suitably on cessation of work.

Government stated (September 2004) that it was decided to deploy the staff of the Board to the offices of the Chief Engineer (LSGD)/PWD and the delay was due to administrative reasons.

PUBLIC WORKS DEPARTMENT

4.4.5 Avoidable expenditure due to change in scope of work

Post contractual change in the design of foundation and non-observance of Chief Engineer's guidelines resulted in avoidable liability of Rs 5.89 crore.

The Superintending Engineer, Roads and Bridges (North) Circle, Kozhikode (SE) awarded the contract for the construction of Kadalundi Kadavu Bridge (Malappuram District) in March 1998 at an accepted contract price of Rs 5.92 crore at a tender premium of 90 *per cent*. The contract contemplated well foundation for the abutments and piers of 13 span bridge of 345 metre long. After completing the foundation work of one abutment, one pier and partially completing the foundation work of two piers, the contractor, in December 1998, intimated the Chief Engineer (CE) that the site of the bridge was at the confluence of river and sea and therefore tidal action in the river was severe, rendering well sinking difficult. The contractor also requested for change from well foundation to cast in-situ pile foundation. CE accepted the contractor's request and obtained a new drawing (July 1999) from the Design Wing contemplating cast in-situ pile foundation for nine piers. The partially completed well foundation of two piers were also abandoned and changed to pile foundation. The construction of the bridge was in progress as of March 2004. The estimated extra expenditure due to change in design was Rs 5.05 crore and Rs 0.33 crore spent on the partially completed well foundation became infructuous.

Contract conditions demanded the contractor to construct the bridge and approaches in accordance with the plan and design attached to agreement. The contractor was expected to have quoted rates taking into account the hostile site conditions and as such the contractor had no valid ground for a request in change of the design of foundation after the contract was concluded.

In the design of the bridge the Department proposed well foundation for piers after taking into consideration all the aspects of the site and as such there was no justification on the part of the department in allowing a change from well foundation to cast in-situ pile foundation.

Further, in March 2002, the CE proposed a revised estimate for Rs 10.29 crore to Government, which, apart from taking the design change into account, envisaged construction of retaining walls in cement concrete for protecting the sides of approaches at places more than the number provided for in the original agreement. The revised estimate also contained provision for cement concrete belts over retaining walls constructed in rubble masonry. According to the instructions issued by CE in December 1990, retaining walls above 3 metres height need be constructed only in rubble masonry avoiding cement concrete belts. Proposal to construct side wall in cement concrete and to provide cement concrete belt over rubble masonry walls deviating from CE's instructions, resulted in extra liability of Rs 0.51 crore.

Government stated (July 2004) that the change in design was necessitated owing to the drastic environmental changes near and around the site during the intervening period after the investigation (1984) and execution of agreement (1998). Regarding construction of side wall in cement and providing cement concrete belt over rubble masonry wall, Government stated that it was due to limitation in space to accommodate the bottom width of embankment and also to accommodate future expansion. However, the reply is silent as to why due professional care was not taken by taking into account these aspects at the time of according technical sanction in 1995 despite specific provision in Kerala PWD Manual that if there is a time lag of two years or more between the date of preparation of an estimate and the date of its sanction, it is necessary that site conditions are examined again to verify whether any changes have occurred necessitating modifications and as such the reply is not acceptable.

4.4.6 Erroneous preparation of estimates and consequential loss

Substitution of an item of work during execution resulted in estimated loss of Rs 35.25 lakh by way of compensation.

The Project Director (SE) who is in charge of implementation of World Bank aided Kerala State Transport Project (KSTP), concluded a contract with a firm in April 2002 for the periodic renewal of Cherkala-Jelsoor road (length 41 km) under the jurisdiction of Executive Engineer, KSTP Division, Kannur for a contract outlay of Rs 9.74 crore.

The Bill of quantities attached to agreement, among other items, included 'surface dressing' of pavement after doing the 'Profile Corrective Course' (PCC). According to the Ministry of Road Transport and Highways' (MORTH) Manual for Construction and Supervision of Bituminous Works, surface dressing is a thin layer of treatment, which does not enhance the structural strength of pavement, and does nothing to improve riding quality where the existing surface is full of undulations and irregularities.

In September 2002, the firm pointed out that the entire black-topped road surface, running through deep ghat terrain, was full of potholes and that some treatment other than surface dressing was necessary to maintain the structural strength and to improve the riding quality. The firm proposed 'Mix Seal Surface' (MSS) over PCC in the place of surface dressing. The SE rejected this proposal and instructed (November 2002) the firm to proceed with the work of surface dressing as contemplated in the Agreement. The work of surface dressing was undertaken at the agreed rate of Rs 150 per sq.metre.

When surface dressing was completed for a length of one km it was found that performance of this wearing course was unsatisfactory and it was decided to replace 'surface dressing' with MSS (30 mm). The firm demanded (February 2003) a rate of Rs 179 per sq. metre for providing MSS. As the Project authorities perceived the rate as too high, the matter was placed before the Adjudicator. The Adjudicator in May 2003, recommended the rate of Rs 145 per sq. metre. This rate, *inter-alia*, included pro-rata allowances of Rs 15 per sq. metre towards compensation to the firm on account of loss sustained by it on mobilising men, material and machinery for doing the item of surface dressing. Based on the estimated quantity of 235000 sq. metre of MSS, the firm thus became entitled for a claim of Rs 35.25 lakh as compensation due to post contractual change in the nature and scope of work.

Thus the incorporation of an item of work which was not necessary and the failure of SE to address the problem in time resulted in estimated loss of Rs 35.25 lakh towards compensation payable to contractor. The work was completed by the firm in May 2003 and the final payment has not been made (April 2004).

Government stated (July 2004) that surface dressing originally proposed was more cost effective but on ground it was found unsuitable for Kerala conditions and that there was public protest against this item and hence changed to MSS. Thus this reply is an indirect admission that the original contract was not properly concluded. Government further stated that no extra expenditure was incurred due to the change of surface dressing to Mix Seal Surfacing. But the fact remains that had the problem been addressed in time and action taken to substitute the item, payment of the element of compensation @ Rs 15 per sq. metre included in the rate approved by the Adjudicator could have been avoided.

4.4.7 Erroneous preparation of estimates leading to extra expenditure

Post contractual reclassification of soil and execution of excess quantity of work entailed extra liability of Rs 2.76 crore.

Superintending Engineer, Roads and Bridges Circle, Aluva (SE), arranged (September 2002) the work of 'Improvements to Kanjar-Pullikkanam road' (Ch. km 3/500 to km 19/000) in Idukki district through a contractor for a contracted price of Rs 2.68 crore (0.3 *per cent* below estimate). The work targeted to be completed in March 2005 is in progress. Audit scrutiny of the accounts of the work revealed the following:-

The contract included a provision for excavating 104400 cubic metre of earth in all classes of soil (except hard rock and medium rock requiring blasting) for widening the road way, easing gradient, etc. After commencement of work, the Executive Engineer (Roads Division, Painavu) re-estimated the quantity as 223115 cubic metre of which 111123 cubic metre of soil was classified as Medium rock.

The reason for increase in quantity of excavation was attributed to steepness of one side of road under improvement where widening by filling with earth was not practicable thereby demanding extra excavation on the other side. As regards re-classification of soil as medium rock, it was reasoned that it was an omission in the original estimate and that its presence was noticed only when excavation commenced. This argument is not acceptable as the categorisation of soil was done after detailed investigation and the admission of the department that there was omission in the reclassification of soil suggests carelessness in preparation of the estimate. Calculated with reference to the rates for excavation in all classes of soil (Rs 848 per 10 cubic metre) and in medium rock (Rs 1560 per 10 cubic metre) the reclassification of soil entailed an extra commitment of Rs 0.79 crore.

In respect of the item of work 'Blasting and removing hard rock' the excavation was estimated at 1200 cubic metre (Rs 0.03 crore). However, after commencement of the work the quantity was re-estimated as 26662 cubic metre (Rs 0.74 crore), an increase of 2122 *per cent* in the quantity, for which no valid reason had been indicated by the department. The extra expenditure on this account was Rs 0.71 crore.

In respect of the item of work of construction of retaining wall to protect sides of the road under improvement, the estimated cost of Dry Rubble Masonry work was Rs 0.07 crore (1168 cubic metre). After commencement of the work the cost of the item was re-estimated as Rs 1.33 crore (13418 cubic metre @ Rs 611 per cubic metre and 17311 cubic metre @ Rs 298 per cubic metre), an increase of 2531 *per cent* in quantity, on the ground that protective walls were needed at more places. This aspect could have very well been foreseen at the time of preparation of the estimate and as such there was no justifiable reason for a conclusion that protective walls were needed at more places after commencement of the work. The estimated avoidable liability on this account was Rs 1.26 crore.

Thus Government incurred an avoidable liability of Rs 2.76 crore in the execution of the above three components of the work due to erroneous preparation of estimates. Apart from this, post contractual reclassification of soil and increase of 2100-2500 *per cent* in quantities executed vitiated the entire tender process. Collusion of officers of the department with the contractor cannot be ruled out as the estimate of the work has been revised to Rs 8.07 crore from Rs 2.69 crore.

The matter was referred to Government in July 2004; reply has not been received (November 2004).

4.4.8 Failure to observe conditions governing tender and resultant avoidable expenditure

Though the circumstances demanded awarding the contract to second lowest bidder, it was not done leading to avoidable expenditure of Rs 1.47 crore.

Superintending Engineer, Buildings and Local Works Circle, Thrissur (SE) invited prequalification bids in March 1998 for arranging the construction of a building for Mini Civil Station at Irinjalakuda in Thrissur District. Four tenders were received from the selected panel of contractors. Though contractor 'A' who quoted a premium of 32.2 *per cent* was the lowest tenderer (accepted Probable Amount of Contract Rs 4.15 crore), Government decided (May 1999) to award the work to M/s. Kerala State Construction Corporation Limited (KSCC), a Government owned company, at their quoted premium of 39.8 *per cent* (accepted probable amount of contract - Rs 4.39 crore) on the ground that the company was entitled for price preference to the extent of 10 *per cent*. Accordingly SE issued selection notice to KSCC on 8 June 1999 with directions to execute an agreement within a week from the date of receipt of notice. KSCC, however, executed the agreement only after six months (December 1999), and commenced the work in January 2000. Even though the time specified in the agreement for completion of the work was 24 months, progress in construction work was very slow and the value of work done by KSCC was only Rs 12.51 lakh as of July 2002 (2.8 *per cent* of contract value). The SE, therefore, terminated (July 2002) the contract at the risk and cost of KSCC and rearranged (March 2003) the balance works through another contractor (incidentally contractor 'A') on competitive tender basis for a contract price of Rs 5.50 crore. The construction of building is targeted for completion in October 2005.

Conditions governing tender enjoin that successful tenderer shall execute agreement within 30 days from the date of acceptance of tender, failing which the work shall be awarded to the next lowest tenderer. Had this condition been followed, and contract awarded to 'A' at the quoted premium of 32.2 *per cent*, the estimated value of contract would have been only Rs 4.15 crore. The failure of the SE to invoke this condition resulted in an avoidable estimated expenditure of Rs 1.47 crore on this work besides the expenditure towards rent of offices occupied in rented buildings.

The Department also failed to assess the risk and cost liability of KSCC even after a lapse of 14 months of rearrangement of the work even though Government orders in force demanded fixation of risk and cost liability provisionally on the basis of estimates within one year from the date of termination of contract.

The matter was referred to Government in June 2004; reply has not been received (November 2004).

102/113/2005—12A

4.4.9 Loss due to cost and time over run

Defective preparation of estimate led to cost over run of Rs 10.91 crore and time over run of four years.

Based on sanction accorded by Government of India (GOI) in March 1996 for an estimate of Rs 12 crore, the Superintending Engineer, NH South Circle, Thiruvananthapuram arranged works (estimated to cost Rs 9 crore) relating to construction of Thiruvananthapuram bypass (Ch:5600 m to 5750 m and 6119 m to 10617 m) through a contractor in December 1996. The contract price was Rs 9.35 crore and the construction was to be completed by 30 June 1999. On commencement of construction, it was noticed that the characteristics of sub soil were different from that reckoned for estimation purpose. Fresh soil studies were, therefore, arranged through M/s. Lal Bahadur Shasthri Centre for Science and Technology, an autonomous body of Government. The consultant firm, in their study, suggested various remedial measures which included execution of additional cross drainage works providing vertical drain and horizontal drain using metal chips and needled coir fit. The Chief Engineer NH, Thiruvananthapuram, in October 2002, proposed to GOI, a revised estimate of Rs 24.99 crore which included, in addition to provisions suggested by the consultants, increased provision for junction improvement and provision for cost escalation. While approving (March 2003) the first revised estimate of Rs 22.91 crore, the Standing Finance Committee (GOI – MORTH) decided that action for fixing responsibility of the concerned State Government Officers involved on this project at the sanction stage should be taken by the State Government. But State Government has not taken any action against any official so far (June 2004).

The project to be completed in June 1999 could therefore be completed only in December 2003 i.e., after a lapse of more than four years. Audit scrutiny revealed the following points:

(i) Project estimate was prepared without conducting proper soil study and underestimating quantities which led to re-estimation of project cost. Consequently there was inordinate delay in implementation and the project cost registered an increase of 91 *per cent*.

(ii) While original estimate did not contain provision for payment of cost escalation, the revised estimate envisaged noticeably huge expenditure of Rs 1.17 crore towards escalation charges, which is attributable to the unprecedented time and cost over run.

(iii) While approving the revised estimate, GOI rejected the provision for Agency charges on the ground that time and cost over run was primarily because of the poor preparation of the project by State PWD. This resulted in an estimated loss of Rs 0.99 crore to State Government.

While admitting that there was delay at various stages of implementation, Government stated in July 2004 that MORTH, State PWD and Railways are equally responsible for the delay in the execution resulting in cost and time over run.

4.4.10 Loss on account of delay in handing over site to the contractor

Lapse on the part of the Department in handing over site in time to the contractor and consequent post contractual increase in rates resulted in extra financial commitment of Rs 50.92 lakh.

In January 2000, Superintending Engineer (SE), Roads and Bridges, Thiruvananthapuram awarded the contract for the work 'Forming approaches to the Rail Under Bridge' at Varkala in Thiruvananthapuram district to a contractor for an accepted outlay of Rs 2.10 crore (1996 SOR). One of the conditions of the contract was that the work should be completed within six months from 31 December 1999 (date of selection notice). As the land required for forming approaches was not fully in the possession of the department, the site of work could be handed over partially in March 2000. The remaining portion of land (belonging to Kerala Water Authority, Health Department and land leased to a Hospital) was handed over to the contractor only in November 2001 by the Department. In the meantime, the contractor demanded (October 2001) enhancement in agreed rates for works done after the original time of completion.

Considering the contractor's demand Government Arbitration Committee adjudicated (January 2002) that there was lapse on the part of the department in handing over site in time to the contractor and recommended payment of originally quoted tender premium of 7.4 *per cent* over 1999 schedule of rates for works done after February 2001. Government accepted the recommendation in March 2002. Extra financial commitment to Government following the post contractual increase in rates was Rs 50.92 lakh.

According to the provisions of Kerala Public Works Department Manual, departmental officers, before inviting tenders for arranging works should ensure that there is ample provision of funds for the work in the budget and that in no case should tenders be invited before making sure that the land required will be ready for being handed over to the contractor or to start the work in time. Though Administrative sanction was accorded by Government in January 1998 and the tender was invited in August 1999 the land was completely handed over to the contractor only in November 2001, after a lapse of 17 months from the date of completion of the work originally fixed. Thus non-adherence of these provisions by SE resulted in extra liability of Rs 50.92 lakh to Government.

The matter was referred to Government in May 2004; reply has not been received (November 2004).

SOCIAL WELFARE DEPARTMENT

4.4.11 Unfruitful expenditure on purchase of computers

Computers purchased in the Anganwadi centres at a cost of Rs 43 lakh remained unused due to non provision of electric connection and non-availability of software.

In October 2002, Government sanctioned Rs 55 lakh under Plan scheme to develop Anganwadi Centres as Community Resource Centres (CRCs). The

CRCs are meant for the overall physical, mental and social development of women and children by imparting life and health education through information technology. Government selected (March 2003) 50 Anganwadi Centres each from the backward districts of Palakkad and Malappuram for implementation of the scheme. The Director of Social Welfare (Director) placed (March 2003) orders with Kerala State Electronics Development Corporation Limited (KELTRON) for the supply of 100 Computers and furniture at a cost of Rs 43 lakh. KELTRON supplied the items to the Integrated Child Development Scheme Officers in the Palakkad and Malappuram Districts in May 2003 and the Department paid the entire amount in August 2003.

In Palakkad District, though the electrification works were completed by April 2004 electric connection was provided only in 10 centres and computers were installed in 4 centres. In Malappuram District out of 50 centres, 48 centres were provided with electrical fittings and only 22 centres were electrified and provided with computers. In respect of other 68 centres computers were not installed for want of electrification. Though the guarantee period of the computers had expired by March 2004, the computers could not be put to use in any of the centres as the Department did not take steps to purchase or to develop the required application software (July 2004).

The procurement of computers without making available the infrastructure facility has led to the idling of computers for the last one year. As the price of computers is gradually coming down consequent to reduction in taxes and duties, technological development, etc., the purchase of computers long before providing the infrastructure is a case of serious financial impropriety.

Thus the Scheme has failed to serve the intended purpose of converting the Anganwadi Centres into Community Resource Centres due to improper planning.

The matter was referred to Government in June 2004; reply has not been received (November 2004).

WATER RESOURCES DEPARTMENT

4.4.12 Avoidable expenditure due to change in specification of pipes

The decision to change the specification of pipes while awarding the work resulted in an avoidable expenditure of Rs 66 lakh.

Kerala Water Authority (KWA) sanctioned (March 1996) a Rural Water Supply Scheme estimated to cost Rs 7.85 crore for supplying drinking water to Thirumarady and adjoining three villages with loan assistance from Life Insurance Corporation of India. In the detailed engineering report of the scheme, the gravity main* of length 10038 metres from ground level tank to sump was recommended to be laid with 200 mm Cast Iron (CI Class LA$) pipes. The Superintending Engineer (SE), PH Circle, Muvattupuzha recommended (November 2000) the use of 200 mm Asbestos Cement (AC)

* Pipeline for transmission of clear water by gravitational pull
$ Lower than A

pipes of classes 10 to 20 which were available as surplus stock in four[#] other divisions of KWA instead of CI pipes, as AC pipes could be safely used for gravity main. It was also indicated in the proposal that by using AC pipes Rs 30 lakh could be saved on the project cost. The Chief Engineer (CE), Southern Region approved (January 2001) the proposal and directed to use 200 mm AC pipes of class 15 and above for this component. However, ignoring the direction of CE, the SE awarded (January 2002) the above work to two contractors for execution with 200 mm CI (Class LA) pipes on 'supplying and laying basis'. The work of laying gravity main was completed in February 2003 at a total cost of Rs 1.44 crore, of which the cost of 10,317 metres of CI pipes used was Rs 1.03 crore. As AC (Class 15) pipes could withstand a working pressure of 7.5 kg per cm^2 and the working pressure of the gravity main was only 6 kg per cm^2 the execution of work with CI pipes was avoidable.

Thus, the action of the SE in awarding the work of laying of gravity main with CI pipes instead of AC pipes, disregarding the direction of CE and his own earlier recommendation led to avoidable expenditure of Rs 66 lakh for which no responsibility has been fixed.

The matter was referred to Government in May 2004; reply has not been received (November 2004).

4.5 Idle investment/idle establishment/blockage of funds

GENERAL EDUCATION DEPARTMENT

4.5.1 Idle investment on buildings

Four staff quarters and one students' hostel costing Rs 58.29 lakh remained unoccupied for over four years.

Under centrally sponsored scheme of Teacher Education, Public Works Department constructed (September 1998) one students' hostel and four staff quarters for the District Institute for Education and Training (DIET) Kottarakkara at a cost of Rs 58.29 lakh. The buildings were handed over (October 1999) to the Principal, DIET, Kottarakkara without providing electric connection. The Principal remitted Rs 0.10 lakh to the Kerala State Electricity Board in March 2002 for electric connection.

Though electric connection was provided (June 2002) to one of the four quarters this was not occupied as its toilets, doors, etc., were damaged. Electric connection could not be provided to the remaining three quarters and hostel building as the wiring/fittings had been damaged by antisocial elements. Thus the quarters and hostel constructed at a cost of Rs 58.29 lakh remained unoccupied for over four years as of March 2004.

The matter was referred to Government in April 2004; reply has not been received (November 2004).

[#] PH Divisions at Pathanamthitta, Alappuzha, Edappal and WS Division, Attingal

FISHERIES DEPARTMENT

4.5.2 Non-implementation of a Scheme

Lethargic attitude of Matsyafed in implementing a scheme despite availability of funds resulted in non-achievement of the objective of uplifting the living conditions of fisherwomen.

Government of India (GOI) released an amount of Rs 45 lakh to the State Government during 1991-92 for implementation of a 50 *per cent* Centrally Sponsored Scheme of Trash Fish Project. Accordingly, the State Government released Rs 99.83 lakh (Rs 49.83 lakh in March 1995 and Rs 50 lakh in March 1996) to the Kerala State Co-operative Federation for Fisheries Development Limited (Matsyafed) for implementation of the Project. The project aimed at the production and marketing of value added products of trash fish* as a joint venture with private sector firms and thus to provide employment to 2500 women beneficiaries directly and three to four times of it indirectly. The scheme was to be implemented in five southern districts** of Kerala through 135 Vanitha Societies of Matsyafed. As the offers received from the private firms were not viable, the project was not implemented. Matsyafed could spend only Rs 0.57 lakh as of February 2004 and the balance amount was kept in TP Account in the District Treasury.

The Director of Fisheries directed (September 1998) Matsyafed either to implement the project or to refund the assistance received. Instead of refunding the amount Matsyafed submitted (June 2000) an alternative project costing Rs 1.50 crore which was not approved (July 2000) by GOI and Matsyafed was directed to refund the unutilised Central assistance. Though the State Government again directed (January 2001) Matsyafed to refund the Central assistance, they, however, did not make any refund. Matsyafed submitted another project in February 2004 for which sanction was accorded by Government on 27 March 2004. This project had not, however, been approved by GOI so far (June 2004).

The non-implementation of the project was brought to the notice of the Government as well as Matsyafed by Audit in May 2004 and Matsyafed stated (June 2004) that the amount was utilised by 31 March 2004. It was noticed that Matsyafed had only transferred Rs 16.50 lakh each to the five district offices and Rs 9.25 lakh to Matsyafed Ice and Freezing Plant, Kochi by the end of March 2004 while retaining the balance amount.

The lethargic attitude of Matsyafed in implementing the scheme resulted in non- achievement of the social objective of providing employment to 2500 fisher women and thereby uplifting their living conditions.

Managing Director, Matsyafed stated (August 2004) that 500 beneficiaries in 50 Self Help Groups were given training before 31 March 2004 and they had started production and marketing of value added products. Government endorsed (September 2004) the reply of the Managing Director. The reply is not acceptable for the following reasons:

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* Low value fishes and seasonally abundant fishes.

** Thiruvananthapuram, Kollam, Alappuzha, Kottayam and Ernakulam

(i) As per guidelines, the assistance was to be utilized for training establishing production centres with equipment and furniture, procurement of raw materials, marketing support etc. But the reply is silent on the details of physical achievement, number of production centres established etc. Component wise details of expenditure incurred were also not available with the Matsyafed.

(ii) The original project approved by GOI and for which central assistance was released aimed at providing direct employment to 2500 fisherwomen whereas the scheme now stated to have been implemented would benefit only 500 fisherwomen.

GENERAL ADMINISTRATION (TOURISM) DEPARTMENT

4.5.3 Blockage of funds in an ill-conceived project

Failure of the Government initially to assess the viability of the project 'Guest House at Mumbai' led to abandonment of work midway resulting in blocking of funds of Rs 3.48 crore.

State Government decided (February 1997) to construct a Guest House at Mumbai for the Kerala Tourism Department to provide accommodation to Ministers, officials and people from Kerala visiting Mumbai. In October 1997 the department took possession of 2000 square metres of land at Vashi, New Mumbai on lease for 90 years from the City and Industrial Development Corporation, Mumbai by paying lease premium of Rs 1.29 crore for the land.

Based on the administrative sanction issued by Government (September 1998) for construction of the Guest House at a cost of Rs 7.27 crore, Kerala Public Works Department entrusted (November 1999) the construction of civil works of the building to a Mumbai based firm for Rs 2.96 crore. After spending Rs 1.62 crore for completing the structure, Government felt (February 2002) that further provision of funds would not be possible due to financial constraints and that the project would not be viable due to limited utility and huge recurring and non-recurring expenditure. As the lease deed prohibited sale of land or transfer of ownership Government decided to convert the project into a Joint Venture Concern (JVC) and ICICI Kinfra was appointed (May 2003) as a Consultant for finding a partner, which has not been done as of October 2004.

Though it was decided in February 2002 not to go ahead with the project, the work was terminated only in July 2003. The expenditure incurred on the project upto May 2004 was Rs 3.48 crore.

Failure of the Government initially to assess the viability of the project led to abandonment of work midway resulting in blocking of funds of Rs 3.48 crore.

Government stated (August 2004) that the Guest houses are not constructed as commercial projects. The reply of the Government is not convincing as Government itself decided (February 2002) not to go ahead with the project after it was found that the project was not at all viable due to limited utility.

Government added that the consultant ICICI Kinfra had submitted a draft bid document for inviting JVC partner.

INDUSTRIES DEPARTMENT

4.5.4 Blockage of funds in setting up of an Industrial Development Area

Government's inaction led to non acquisition of full extent of land required for an Industrial Development Area and the non-utilisation of even the acquired land resulted in blocking up of Rs 1.65 crore.

Government accorded sanction (June 1993) for setting up of a 200 acre (80.97 hectares) Industrial Development Area at Puzhakkalpadam in Thrissur district. Notification for acquisition of land was published (October 1994) under the Kerala Land Acquisition Act (Act). But as the declaration under Section 6 of the Act was not made before the expiry of one year from the date of issue of notification, the notification lapsed and Government had to issue the administrative sanction again in January 1998 for the purchase of land invoking urgency clause of the Act. The revised notifications were issued between July 1999 and July 2000.

District Industries Centre paid Rs 1.65 crore* between February 1996 and October 2002 to the Special Tahsildar, Land Acquisition, (General) (LAO), Thrissur towards cost of the land and other incidental charges. Of this, Rs 1.02 crore was irregularly drawn before issuing the notification for acquisition of land. The LAO credited the entire amount under 8443-Civil Deposits. The acquisition of land was started in December 2001 and 20.81 hectares only were acquired at a cost of Rs 1.38 crore.

Even after ten years of sanctioning of the project only one fourth of the land required could be acquired and the acquired land has not yet been developed. Consequently the acquired land could not be allotted to the prospective entrepreneurs. The department stated (June 2004) that Government decided (December 2002) to drop further acquisition of land. This would indicate that the project was conceived without proper planning and a definite time schedule. The lackadaisical approach of the department and Government led to abnormal delay in setting up the Industrial Development Area and resulted in blocking up of Government money to the extent of Rs 1.65 crore.

The matter was referred to Government in May 2004; reply has not been received (November 2004).

4.5.5 Release of grants for a scheme without considering its viability

Failure to ensure viability of the project before releasing the assistance resulted in blocking of fund of Rupees one crore.

Government approved (January 2001) a project for establishment of a High Tech Coir Park at Perumon in Kollam District. The objective of the park was

* February 1996 – Rs 0.25 lakh; March 1997 – Rs 101.32 lakh; October 2002 – Rs 63 lakh

to provide the environment and infrastructure required to promote high technology coir manufacturing, research, design, development and training establishment. The project envisaged setting up of six coir manufacturing units by Co-operative societies, dyeing unit, a unit for designing and manufacturing of coir machinery, testing and quality control unit and a Research and Development Centre at an investment of Rs 18.48 crore to be met from various sources. The project was to be implemented by the Centre for Development of Coir Technology (C-DOCT), a State autonomous body.

Government released (January 2001) Rupees one crore to C-DOCT for the project. However, C-DOCT deposited the entire amount of Rupees one crore in the current account of Indian Overseas Bank (IOB), Main Branch, Thiruvananthapuram upto 17 November 2002 and thereafter Rs 89 lakh was transferred to term deposits. C-DOCT had purchased (December 2001) only one Geo-textile making powerloom and accessories spending Rs 7.49 lakh which is lying idle as of May 2004.

C-DOCT stated (May 2004) that the Governing Body had since decided to establish a National Coir Research and Management Institute at Thiruvananthapuram and to maintain the unit at Perumon as a Training Institute and pilot project location. It was also opined that if the proposed High-Tech Coir Park was established as such, it would lead to the creation of another Public Sector Undertaking in coir and as per the policy of the Government this was not acceptable.

Government stated (September 2004) that they do not agree with the opinion of the Governing Body. Government added that steps for implementation of the High Tech Coir Park were initiated and building for Research and Training Institute for Coir Geo-textiles had been constructed with MPLAD fund and trial run of the powerloom purchased for coir Geo-textiles production had been conducted between January-December 2003. Government further stated that activities for the establishment of the proposed National Coir Research and Management Institute at Thiruvananthapuram were in progress. The reply of Government is not acceptable as none of the components of the High-tech Coir Park had been fully established even after three years of sanctioning the project and allotment of funds. Thus, Rupees one crore released to C-DOCT did not serve any purpose and resulted in unnecessary retention of funds outside Government account for more than three years, thereby entailing avoidable interest payment of approximately Rs 20 lakh[♣] on the financing of working capital requirements of the Government.

REVENUE DEPARTMENT

4.5.6 Non-utilisation of River Management Fund

District Collectors did not undertake river bank protection works though Rs 37.65 crore was available in the River Management Fund.

River sand is an essential raw material for building construction. The indiscriminate and uncontrolled removal of sand from the rivers causes large

[♣] Calculated at the bank rate of interest scale river bank sliding and disturbs the biophysical environment system of the rivers in different degrees. To ensure protection of river banks, Government set up a River Management Fund in November 1998. Subsequently, Government enacted the Kerala Protection of River Banks and Regulation of Removal of Sand Act, 2001 (Act) and notified the related Rules in April 2002 (Rules).

According to the Rules, the corpus of the Fund consisted of fifty *per cent* of the amount collected by the Local Self Government Institutions through sale of sand, grants given by Government, donations or contributions from public or from non-governmental agencies, penalties imposed under the Act, etc. The District Collector (DC) was responsible for maintaining and operating the Fund. The District Expert Committee (DEC) with the approval of Government was to implement the River Bank Development Plan for establishing, co-ordinating and protecting river banks within the district.

During the period 1998 to 2003 (as of 31 December 2003) the amount of Rs 38.58 crore received by the 14 DCs were deposited in the Treasury Public (TP) Accounts. Out of this Rs 0.93 crore were spent by the 11 DCs towards fuel charges, hiring of speed boats, etc., and the balance of Rs 37.65 crore was retained in the TP accounts. Though Government approved the plan in four districts[@], the protection work was taken up only in Pathanamthitta district as of January 2004. In six districts[#] plans were pending approval by Government and in four districts[$] plans were under preparation.

Despite availability of funds DECs under the Chairmanship of District Collectors failed to formulate and implement riverbank protection works even after a lapse of two years. Government also failed to monitor and ensure timely utilisation of the funds collected for the intended purpose. Considering the serious deterioration caused to river banks and biophysical environment system of rivers, Government need to set up an effective internal control mechanism to monitor implementation of such schemes meant to prevent ecological disasters.

The matter was referred to Government in April 2004; reply has not been received (November 2004).

WATER RESOURCES DEPARTMENT

4.5.7 Delay in commissioning of a Water Supply Scheme.

Selection of water source without ensuring its availability resulted in non-commissioning of a water supply scheme on which Rs 2.01 crore had been spent.

Managing Director (MD), Kerala Water Authority (KWA) sanctioned (December 1995) a comprehensive rural water supply scheme under the Centrally Sponsored Accelerated Rural Water Supply Programme for providing drinking water to Thekkumkara and three adjoining water problem

[@] Kottayam, Wayanad, Pathanamthitta and Malappuram
[#] Kollam, Alappuzha, Ernakulam, Thrissur, Palakkad and Kozhikode
[$] Thiruvananthapuram, Idukki, Kasaragod and Kannur

villages in Thrissur District at an estimated cost of Rs 3.25 crore. The scheme comprising of eight components was to be commissioned in December 1998. According to the detailed engineering report prepared by the Chief Engineer, KWA about 1.69 mld* of water was proposed to be tapped from the reservoir of Vazhani Dam in Thrissur District, managed by Irrigation Department, through a control system to be installed at the dam and through a water channel and a sump to be constructed at the dam site. KWA requested (July 1997) Irrigation Department to hand over 25 cents of land for construction of sump and a water channel at the dam site for completion of intake arrangements. Irrigation Department, however, denied (September 1997) permission to tap water for the scheme from the reservoir due to insufficiency of water and informed KWA that Government had already directed (June 1994) not to transfer land belonging to Irrigation Department to other departments. KWA decided only in December 2002 i.e., after a lapse of five years to construct an alternative source in the down stream of the dam, for which sanction of Government was not obtained as of February 2004. Pending finalisation of source, other components of the scheme constructed at a cost of Rs 2.01 crore as of November 2003 could not be put to use.

The failure of the Chief Engineer, KWA to ensure the availability of source while formulating the project proposals and also the failure of Managing Director to identify an alternative source had resulted in the non-completion of the scheme even after 8 years of its sanction thereby depriving the facility of drinking water to the people in the problem villages.

The matter was referred to Government in July 2004; the reply has not been received (November 2004).

4.5.8 Inordinate delay in completion of a Rural Water Supply Scheme

Failure of Kerala Water Authority to monitor the execution of work resulted in non completion of a scheme sanctioned 20 years ago and expenditure of Rs 1.25 crore remained unproductive.

Government sanctioned (December 1983) a Rural Water Supply Scheme to benefit a population of 25,000 in Thelliyoor, Valakuzhy and Ezhumattoor in Alappuzha District at an estimated cost of Rs 73.18 lakh. Kerala Water Authority (KWA) awarded works relating to the six# components of the scheme to a contractor (first contractor) in March 1984 at a cost of Rs 5.90 lakh and the work of laying distribution system to another contractor (second contractor) in August 1984 at a cost of Rs 8.19 lakh. The scheme scheduled to be completed in December 1986 could not be completed and commissioned as of September 2004 even after incurring an expenditure of Rs 1.25 crore as detailed below:

The first contractor executed only a small portion of the work awarded to him and did not undertake the construction of well-cum-pumphouse, as the revised design of the well to increase the diameter from 6 metre (original proposal) to

* mld – million litres per day

\# Construction of well cum pump house , infiltration gallery, pumping main, booster pumphouse and sump, ground level tanks and retaining wall.

9 metre was not made available. Due to the delay in execution of the works the SE, PH circle, Kottayam relieved (December 1988) the contractor from executing these works but allowed (January 1990) the contractor to complete the construction of booster pump house, sump and one ground level tank which were completed in July 1991.

The agreement with the second contractor was also terminated in April 1992 as he had laid only 45186 metres out of 53528 metres of pipes issued to him. Though the contract was terminated in April 1992 KWA did not recover the amount of Rs 19.80 lakh being the value of materials not returned by the contractor for which revenue recovery proceedings was initiated only in September 2001. The amount had not been recovered so far (September 2004).

Although the balance works of the scheme *viz.*, laying of pump main, construction of one GL tank, laying gravity main, erection of pump sets and balance work of distribution system remained at a standstill since January 1992, only the construction of a 6 metre diameter well cum pump house was awarded to another contractor in January 2001 which was completed in May 2003 at a cost of Rs 45.06 lakh. The remaining works of the scheme for which an amount of Rs 1.35 crore was required were not re-arranged as of September 2004.

Though the delay in making available the revised design of the proposed well from 6 metre to 9 metre diameter was the main reason for the delay in work it was noticed in audit that the well constructed after 19 years was of 6 metre diameter as originally proposed and the cost incurred was Rs 45.06 lakh as against the estimated cost of Rs 2 lakh in 1984.

The Executive Engineer, PH Division, Thiruvalla stated (August 2004) that due to paucity of funds it had been decided (June 2004) to recast the estimate for balance works by limiting the distribution system and complete the works by December 2005.

Thus, failure of SE, KWA, Kottayam in arranging the works and KWA to monitor the progress of execution of work led to the non-completion of a scheme intended to benefit a population of 25000 and their aspirations of safe drinking water remained unfulfilled even after 20 years of its commencement. It is suggested that Government may investigate the matter and take action against the persons responsible for the lapse.

The matter was referred to Government in July 2004; reply has not been received (November 2004).

4.5.9 Non-commissioning of a Water Supply Scheme due to purchase of poor quality pipes for its gravity main

Purchase of defective pipes delayed the completion of a scheme on which Rs 14.38 crore had been spent thereby depriving the population from supply of safe drinking water.

The comprehensive Water Supply Scheme to Varkala Municipality and adjoining villages envisaged supply 18.70 million litres per day (mld) of drinking water (ultimate demand) to 2.47 lakh population in the municipality and in seven adjoining villages where the shortage of drinking water was such that in the Municipality against the demand of 6 mld of water only 0.5 mld (8 *per cent* of the demand) was being distributed. Government sanctioned (March 1993) part of the scheme for supplying water to the municipal area (9.75 mld) at an estimated cost of Rs 8.25 crore to be commissioned in December 1997. In March 2000 Government sanctioned the remaining part of the scheme for the rural area (8.95 mld) at an estimated cost of Rs 9.06 crore under Centrally Sponsored Accelerated Rural Water Supply Scheme to be commissioned in March 2003. Source, Treatment Plant, Pumping Main, Gravity Main, Sumps, Service Reservoirs and Distribution Network were to be established, of which the first four components were common to both parts of the scheme. Kerala Water Authority (KWA) availed a loan of Rs 6.59 crore from HUDCO (Rs 5.59 crore in March 1999 and Rupees one crore in March 2001) for implementation of the scheme.

In September 1995, KWA placed orders with a firm for supply of 6490 metres of 600 mm class 10 AC pipes required for the scheme. During inspection (June 1996) of pipes at the premises of the firm, the agency authorised by KWA detected inherent defects in the pipes. Though this fact was brought to the notice of the Chief Engineer, Planning, Services and General (CE) of KWA, the matter was not taken up with the firm. The pipes supplied (6487 metres) by the firm during May-August 1996 were, however, accepted by KWA and Rs 1.05 crore was paid in October 1996.

The work of laying gravity main* was awarded to a contractor in May 1997 with the completion date as 29 November 1997. The contractor could, however, start the work only in March 1998 and the time of completion was extended up to 30 March 1999 by the Managing Director, KWA. The contractor laid pipes for a length of 1697 metres till June 1998. During pressure tests conducted (June 1998), a total length of 1489 metres of pipes could not withstand the required test pressure of 7.5 kg/cm^2, of which 520 metres could not withstand even the test pressure of 4.5 kg/cm^2. On reporting the matter to the supplier firm, it arranged (December 1998) testing of pipes and found that 45 *per cent* of pipes were defective due to pealing of shell layers in the edges. Hence they shortened the length of each pipe by 10 to 30 cm which was not in conformity with the standard of maximum tolerance on the nominal length of 40 mm of each pipe as prescribed by Bureau of Indian Standards. KWA, however, allowed these defective pipes to be laid for a length of 5150 metres by incurring an expenditure of Rs 20.54 lakh as of July 2000. Laying of pipes was held up thereafter and the work was resumed in January 2003 only. Although the components of the scheme for the supply of 9.75 mld of water to the municipal area were completed, supply of water had not commenced (July 2004) pending completion of rectification of leak of pipes. The remaining works of construction of one sump, six service reservoirs and distribution system of the scheme to supply 8.95 mld of water to seven villages had not commenced (July 2004) even though they were to be commissioned by March 2003.

The action of the Chief Engineer in accepting defective pipes delayed the commissioning of the scheme by more than six years and the expenditure of

* Pipeline for transmission of clear water by gravitational pull

Rs 14.38 crore incurred on it remained unproductive. Further, as the gravity main was common to both portions of the scheme intended to distribute 18.70 mld of water to the municipal and rural areas, the capacity of the pipes to withstand the pressure when both the portions of the scheme are commissioned is doubtful.

The matter was referred to Government in June 2004; reply has not been received (November 2004).

4.6 Delays in commissioning equipment

AGRICULTURE DEPARTMENT

4.6.1 Delay in implementation of a scheme for providing Copra Dryers

A scheme for providing Copra Dryers was sanctioned by Government without proper study necessitating revision of scheme on several occasions and delaying its implementation.

Under the special package of relief measures for agricultural sector, Government sanctioned (March 2002) the scheme for providing seed money assistance for purchase of copra dryers[♦] of capacity 10000 to 30000 nuts a day by Service Co-operative Banks. An amount of Rs 11 crore was earmarked for providing 220 dryers at the rate of Rs 5 lakh or 25 *per cent* of the cost of the dryer whichever is less. Government provided Rs 9.40 crore through Supplementary Grant in February 2003 for the scheme.

In March 2003 Government modified the scheme mainly to provide assistance of Rs 0.75 lakh to selected women self help groups for purchasing 220 dryers of capacity of upto 5000 nuts a day. Though the outlay was thus reduced to Rs 1.65 crore, the Director drew Rs 9.40 crore provided in the Supplementary Grant on the last day of the financial year (31 March 2003) and deposited it in a Treasury Savings Bank (TSB) Account. Four months later in July 2003 Government again modified the scheme by reducing the number of dryers to 150[♣] and decided to meet the cost of shed and 20 *per cent* of working capital in addition to the cost of dryers thereby limiting the Government contribution to Rs 1.37[#] crore. Government again modified the scheme in December 2003 enhancing the working capital to each unit to Rs 0.20 lakh thus increasing the total commitment to Rs 1.63 crore.

The Kerala Agro Industries Corporation Limited (KAICO), a Government Company, was the implementing agency and the project was to be completed by July 2003. As per Government order the cost was to be released to KAICO only after commissioning of the dryers. However, Rs 50 lakh each was paid as advance in August 2003 and March 2004. KAICO commissioned only one dryer as of March 2004.

It was further noticed that Government sanctioned (October 2003) drawal of Rupees three crore from the balance available in the TSB Account of the

[♦] Equipment for drying coconut

[♣] Dryers of 5000 nuts capacity – 30 numbers, 3000 nuts capacity – 40 numbers, 2000 nuts capacity – 80 numbers

[#] cost of 150 dryers : Rs 80.50 lakh, cost of 150 sheds : Rs 52.50 lakh, working capital : Rs 4.30 lakh scheme for making payments under an entirely different scheme of Paddy Procurement on the plea that budget provision was exhausted, savings could not be located and funds were urgently required. Thus the balance left in the TSB Account as on 31 March 2004 was Rs 5.40 crore.

This reveals serious discrepancies and gross violation of financial rules as indicated below:

- The scheme was sanctioned without any proper study of requirements or practicability of the proposals necessitating four revisions of the scheme of which two of these were after the drawal of funds.
- Though the outlay of the scheme was reduced to Rs 1.65 crore in March 2003 and the Director was aware of this fact, he drew the entire supplementary provision of Rs 9.40 crore and lodged it in TSB account mainly to avoid lapsing of provision.
- The pace of implementation of the scheme was very slow due to frequent modification and thus only one out of 150 targeted dryers could be set up even after payment of advance of Rs 1.00 crore to the implementing agency.
- Government committed gross violation of principles of budgetary control by sanctioning drawal of unrequired funds for another budgetted scheme instead of refunding the funds.
- The diversion of Rupees three crore to another scheme vitiated the accounts and resulted in inflating the expenditure on the original scheme and thus expenditure was without the approval of the Legislature.

Thus the department failed to achieve the main objectives envisaged in the scheme.

The matter was referred to Government in May 2004; reply has not been received (November 2004).

4.7 Regularity issues and other points

FISHERIES AND PORTS DEPARTMENT

4.7.1 Delay in receipt of Central assistance on a scheme

Non-adoption of revised pattern for the saving-cum-relief scheme for marine fishermen during 2000-01 resulted in delay in receipt of Central assistance of Rs 1.91 crore and avoidable liability of Rs 3.82 crore.

Saving-cum-relief scheme was introduced for marine fishermen in the State from 1991-92. The scheme provided for collection of Rs 360 from fishermen at the rate of Rs 45 per month during eight months from July to February and payment of Rs 1080 in four equal instalments during the lean fishing season from March to June. The share of the State Government and Government of India (GOI) was fixed as Rs 360 each. In July 2000, GOI modified the scheme commencing from April 2000 onwards by enhancing the beneficiary contribution to Rs 600 for eight months and reducing contributions of State

Government and GOI to 50 *per cent* each of the beneficiary contribution for distribution of Rs 1200 to the fishermen during the lean months. State Government did not implement the modified scheme from 2000-01 though orders from GOI were received in August 2000 and collected Rs 3.82 crore from 107127 fishermen as per old pattern and paid Rs 7.64 crore as contribution of State Government and GOI.

GOI clarified (November 2000) that if the modified scheme was not implemented from April 2000 onwards, Central assistance would be released at the rate of 50 *per cent* of amount collected from the beneficiaries. But the State Government did not forward any proposal to GOI to claim the admissible central assistance of Rs 1.91 crore based on the clarification issued. Director of Fisheries sought (September 2002) administrative approval for the scheme in the old pattern despite specific instruction (July 2000) by GOI that no request for *ex post facto* sanction would be entertained. On a reference, GOI intimated Audit (April 2004) that *ex post facto* approval on the basis of old funding pattern was not permissible as per the guidelines of the scheme.

State Government did not receive Central assistance of Rs 1.91 crore for 2000-01 due to the failure of the Fisheries Department to prefer the claim within the stipulated period. In addition to this, the State Government had to incur an extra liability of Rs 3.82 crore because of implementation of the scheme in the old pattern during 2000-01.

Government stated (January 2004) that it was difficult to collect the enhanced rates as prescribed by GOI from the beneficiaries as collection of contribution according to the old pattern had begun (July 2000) well before the receipt of the new guidelines (August 2000) and a sudden reduction in matching contribution might have caused much 'hue and cry' among them. This contention of Government is not tenable as Government conveyed approval for implementation of the scheme in the revised pattern for 2001-02 only in October 2001 after commencement of collection in July 2001 and this issue was not raised at that time.

Government intimated in July 2004 that the claim was preferred in March 2004 based on assurance received (August 2003) from GOI that assistance would be released on receipt of claim in the revised pattern from State Government. However, the central assistance has not been received so far (September 2004).

GENERAL EDUCATION DEPARTMENT

4.7.2 Diversion of funds received from Government for implementation of specific programme

Diversion of Rupees two crore received from Government for implementation of modernisation of Printing Technology course in Vocational Higher Secondary Schools.

Government sanctioned (March 2003) Rupees two crore for the project 'Modernisation of Printing Technology Course' offered by Government Vocational Higher Secondary Schools based on the proposal submitted by the

Director, Vocational Higher Secondary Education (VHSE). Kerala State Audio Visual and Reprographic Centre (KSAVRC), a State autonomous body, was the implementing agency. The funds were transfer credited on 31 March 2003 to the Treasury Public Account (TP Account) of the implementing agency.

The Director, VHSE had stipulated (April 2003) that KSAVRC should get his prior approval for the specification of machinery and equipment and these were to be procured only after complying with tender formalities. The work was to be completed before July 2003 so as to commence the practical training in the schools in the academic year 2003-04. KSAVRC was also to identify the availability of the buildings in the schools before-hand for installation of the equipment. Though KSAVRC stated that tenders were invited in July 2003, nothing had materialised so far (May 2004). A technical committee was constituted by Government only in May 2004 for implementation of the scheme.

Meanwhile, the amount deposited in the Treasury Public Account was withdrawn by the Commissioner, Employees Provident Fund (EPF), Thiruvananthapuram in May and July 2003 towards dues payable by KSAVRC. Though KSAVRC stated (November 2003) that the funds required would be generated from its own sources, they could not locate the funds for implementing the VHSE scheme so far (August 2004).

The severe financial crisis of the implementing agency thus derailed the modernisation project as funds provided for were diverted to pay off statutory dues. Thus, the objective of imparting training on modern printing technology techniques to the students in Vocational Higher Secondary Schools from 2003-04 academic year could not be achieved inspite of release of Rs 2 crore by Government.

Government stated (June 2004) that EPF arrears had accumulated due to the mismanagement of the former management of KSAVRC and it was not possible to implement the project without getting the fund back from the Commissioner, EPF. The reply of Government is not acceptable as the Commissioner, EPF had withdrawn the amount from the TP Account of KSAVRC towards arrears of EPF dues from January 2001 and there was no scope for getting refund of the amount. Therefore, it can be inferred that the Government was not interested in implementing the project in the VHSE Schools. Further, Government reply is silent on why the funds for implementing a project in VHSE Schools were released to an autonomous body in a difficult financial situation.

HEALTH AND FAMILY WELFARE DEPARTMENT

4.7.3 Non-payment of assistance meant for poor patients

The Superintendent failed to pay the amounts received even before 1996 from various Government and other agencies for partially meeting the cost of treatment of poor patients.

Superintendent, Medical College Hospital, Thiruvananthapuram operates a current account in a Nationalised Bank for crediting amounts received from various agencies for partially meeting the cost of treatment of economically poor patients, pending disbursement to the beneficiaries. As per records Rs 1.27 crore remained undisbursed in the Bank account as on 31 December 2003. Of this Rs 1.24 crore[∝] received from various agencies from 1996 to 2003 was payable to 450 patients. The balance amount related to periods prior to 1996 for which proper records were not available. The assistance sanctioned ranged from Rs 1 lakh to Rs 2.26 lakh in 13 cases, Rs 0.50 lakh to Rs 0.99 lakh in 89 cases, Rs 0.10 lakh to Rs 0.49 lakh in 286 cases and below Rs 0.10 lakh in 62 cases. In reply to an enquiry, the Superintendent stated (March 2004) that the disbursement could not be made since the patients had not approached them for financial assistance. The Superintendent, however, was unable to explain why the patients of the hospital, belonging to economically poor sections of society, after producing various certificates and other documents required for obtaining the assistance did not turn-up to receive the amounts after the cheques for assistance were received in the hospital. He also did not make any attempt to release the payment even though the details of the patients were available with him. It was also seen that against the undisbursed balance of Rs 1.27 crore as per the records of the hospital the bank pass book showed only a balance of Rs 1.05 crore as on 31 December 2003 and therefore the possibility of misappropriation/ defalcation of funds could not be ruled out. This reveals:-

- Failure of the Superintendent to take effective action to disburse the assistance to the beneficiaries who were the patients of the hospital.
- Failure of the financing agencies to ensure that assistance sanctioned by them was actually disbursed in time and unpaid amounts were refunded by the hospital.
- Failure of the Superintendent to maintain proper accounts of the receipts and disbursement and to reconcile the Departmental balance and Bank balance.

As a result of the administrative apathy and weak internal controls, funds intended for extending relief to poor patients for partially defraying the cost of treatment, although have reached the hospital, did not reach the beneficiaries.

It is recommended that Government may set up an effective control mechanism involving the hospital and financing agencies to ensure the timely disbursement of assistance. Government also need to enquire into the various lapses in the maintenance of accounts in the hospital and also investigate why the patients did not approach the hospital for receiving assistance as claimed by Superintendent.

The matter was referred to Government in June 2004; reply has not been received (November 2004).

[∝] Prime Minister's Relief Fund (Rs 29.98 lakh), Society for medical assistance to the poor (Director of Health Services) (Rs 59.15 lakh), Director of Insurance Medical Services (Rs 31.74 lakh), Scheduled Caste Development Department (Rs 1.68 lakh), Charitable Trust, Individuals (Rs 1.45 lakh)

4.7.4 Retention of surplus staff

Failure of Government to redeploy 417 surplus vertical staff in the National Leprosy Eradication Programme led to payment of idle wages of Rs 11.79 crore.

Consequent on the declining trend in the prevalence rate of Leprosy, Government of India (GOI) decided to integrate the National Leprosy Eradication Programme (NLEP), with General Health Services (GHS) of the State. Accordingly, first phase of the NLEP came to an end in September 2000 and phase II of the NLEP with less funds and reduced staff commenced for a period of three years from 01 October 2000 which was extended upto 31 December 2004. GOI agreed in principle for retaining State unit, District units, Urban Centres and one Non-Medical Supervisor/Senior Para-Medical worker at each Community Health Centre and Block Primary Health Centre in rural areas. As a result, there were 618 surplus staff as of October 2000. GOI expected (July 2003) to reduce the regular vertical leprosy staff by 75 *per cent* by March 2003 by absorbing them within the General Health Care system.

At the instance of Government, the Director of Health Services submitted (April 2004) proposals to Government to retain 82 personnel (79 vertical staff and 3 general staff) in the NLEP consequent on reduction in the prevalence rate of leprosy to less than 1 per 10,000 population by 2000-01. Director also proposed to absorb the 201 surplus staff working in the general wing, in the Health Department and to integrate the remaining 417 vertical leprosy staff with the Technical staff against vacant/arising posts in the General Health wing. However, Government had not issued any orders to integrate the services of vertical staff as of August 2004.

Delay in integration of surplus vertical staff of leprosy with General Health Services even after three years of winding up of Phase I of World Bank assisted NLEP resulted in retention of these staff without any work to perform. The consequential payment of idle wages to the 417 vertical staff for the period from October 2000 to March 2004 was Rs 11.79 crore.

Government stated (September 2004) that 417 vertical staff were continuously working in the ongoing leprosy Programme and additional responsibilities related to National Health Programmes were given to them from time to time. The reply of the Government is not acceptable as the implementation of NLEP Phase II required only 82 staff and Government could have redeployed the excess staff in the available/arising vacancies of General Health Wing.

HIGHER EDUCATION DEPARTMENT

4.7.5 Inefficient management in execution of civil works

Failure of the University in monitoring the progress of civil works and to enforce the conditions of contract led to time and cost overrun apart from the blocking of (Rs 2.03 crore) the scarce resources of the University.

The civil works of the University of Kerala are executed by the Engineering Wing of the University. Scrutiny (November 2003) of eight works (PAC - Rs 4.03 crore) undertaken by the University during the period from July 1990 to April 1998 revealed mis-management of works evidenced by non-completion, partial completion, failure to terminate or rearrange the abandoned works at the risk and cost of the original contractor, etc. Details of four works with a PAC of Rs 3.31 crore remaining incomplete even after spending Rs 3.59 crore as of May 2004 (though scheduled dates of completion of the works were between July 1992 and July 1999) are discussed below.

(i) The work of construction of the prestigious Golden Jubilee Complex comprising of a Jubilee Hall, Academic Staff College and Centre for Special Education awarded (June 1990) to a contractor to be completed by July 1992 for an agreed amount of Rs 2.03 crore could not be completed even as of May 2004. The first contractor completed only the Jubilee Hall by December 1996 incurring an expenditure of Rs 1.56 crore including an enhancement of Rs 19.45 lakh awarded in April 1995. The work of other two blocks were rearranged and awarded to a second contractor for the same contract amount. As the works dragged on, inspite of awarding two arbitration awards involving enhancement in rates amounting to Rs 60.99 lakh, the contract was terminated (September 2002) and the work of Block II was awarded (October 2002) to a third contractor. However, the second contractor was allowed to complete the balance works of block III. The works have not been completed. Though an expenditure of Rs 2.89 crore had been incurred against the agreed rate of Rs 2.03 crore, the construction of Golden Jubilee Complex taken up to commemorate the Golden Jubilee of the University remained incomplete even after a decade.

(ii) The work of construction of the Women's Hostel Block III was awarded to a contractor in April 1998 for an agreed amount of Rs 61.50 lakh. Though five years had elapsed from the stipulated date of completion (November 1998) only structure of the three storied building was completed incurring an expenditure of Rs 25.01 lakh and the work was in an abandoned stage (December 2003). Due to non-completion of the work UGC assistance of Rs 8 lakh was lost.

(iii) Similarly, construction of Golden Jubilee Library building entrusted to a contractor in December 1997 for a contract amount of Rs 43.43 lakh to be completed by November 1998 had not been completed though the time of completion was extended upto December 2002. The expenditure incurred aggregated to Rs 24.03 lakh.

(iv) Kerala State Nirmithi Kendra was entrusted (March 1997) with the work of construction of Bio-technology building at an estimated cost of

Rs 23.06 lakh with stipulated date of completion as July 1999. After incurring an expenditure of Rs 20.74 lakh, the work was at a standstill from June 2001. No action had been taken by University for completion of the work.

No specific reasons were adduced by the University for the inordinate delay in completion of the works. Failure of the University to monitor the progress of works despite having a full fledged Engineering wing cannot be justified and the undue delay in completing the works rendered blocking of (Rs 2.03 crore) scarce resources of the University, apart from denying the benefits to the students. Besides, the action of the University in granting repeated enhancement in rates and extension of time as demanded by the contractors and its inaction in enforcing the conditions stipulated in the contract also indicated absence of due professional care in safeguarding the financial interests of the University.

The matter was referred to Government in August 2004; reply has not been received (November 2004).

4.7.6 Inordinate delay in publication of Malayalam Encyclopaedia

Out of 20 volumes of Malayalam encyclopaedia only 12 volumes could be published so far even after three decades of the publication of the first volume suggesting poor governance by the Board/Government.

State Institute of Encyclopaedic Publications, Kerala (Society) was constituted by Government in May 1976 by converting the erstwhile Malayalam Encyclopaedia Department into a society registered under the Travancore Cochin Literary, Scientific and Charitable Societies Act, 1955. The aim of the Institute was to publish encyclopaedia in Malayalam and similar other publications in Malayalam. The Institute having a staff strength of 63 is financed by grants from Government and an expenditure of Rupees one crore is being incurred annually by the Institute.

Mention was made in paragraph 7.3 of the Report of the Comptroller and Auditor General of India for the year 1983-84 (Civil) about certain serious deficiencies in the functioning of the Institute and its unsatisfactory performance in bringing out only seven of the 20 volumes of the encyclopaedia. The Public Accounts Committee (1984-86) in its 106th Report severely criticised (March 1986) the functioning of the Institute and urged that a time schedule be drawn up to bring out the remaining 13 volumes. A scrutiny conducted (October 2003) revealed that there was no improvement in the functioning of the Institute.

- No time-frame had been drawn up by the Institute for publishing the remaining volumes. Only five more volumes of Malayalam encyclopaedia were published in a span of 20 years.
- During this period four out of the 10 volumes of Encyclopaedia of World Literature were also published. A complete set of encyclopaedia in Malayalam language could not be made available even after three decades of the publication of the first volume by the former Malayalam Encyclopaedia Department.

- Though the Board of Trustees of the Institute was to meet once in four months and also approve the programme of work for each year and the annual Budget to be submitted to Government, the Board did not meet regularly; the last meeting of the Board was held in November 2001.
- The report to be submitted to the Government by the Board within six months after the close of each financial year on the working of the Institute was also not being prepared by the Institute.
- The Institute supplied copies of the encyclopaedia to educational institutions, libraries etc. on credit basis. An amount of Rs 26.28 lakh was awaiting collection from them which included amounts relating to the period from 1977 which indicated that the Institute had not taken adequate steps to realise the amounts due.

The above facts suggest poor governance of the Institute by the Board/Government. It is recommended that the Government may review urgently the progress of work made by the Institute and take necessary steps to bring out the remaining volumes within a limited time frame.

Government stated (September 2004) that a master plan had been chalked out to bring out the remaining volumes within four years.

REVENUE DEPARTMENT

4.7.7 Inordinate delay in preparation of Kerala Land Revenue Manual

Failure of Government in prescribing a definite time frame for preparation of Kerala Land Revenue Manual resulted in non-publication of the Manual even after six years.

Consequent on the abolition of the Board of Revenue, Government created (June 1998) a temporary ex-cadre post of Special Officer and five* temporary posts (November 1998) for the preparation of Kerala Land Revenue Manual (Manual). One officer of the Indian Administrative Service assumed charge of the post of Special Officer in July 1998 and he was of the view that the Manual could be prepared within a period of six months of posting of additional staff.

The Special Officer requested (August 1998) Government to specify the time limit, issue guidelines for the preparation of the Manual and also post additional staff requested for early completion of the Manual. Consequently five other staff joined duty on various dates in 1999. The Government has, however, neither issued the guidelines nor fixed any time limit for the preparation of the Manual as of May 2004. Upto June 2004 Government had ordered continuance of the post of Special Officer six times and other posts two times and the present sanction for continuance of posts expires by June 2004/September 2004 respectively. An amount of Rs 70.56 lakh♣ has so far been incurred towards pay and allowances of the Special Officer and staff as of May 2004.

* Deputy Collector, Special Tahsildar, Junior Superintendent, Upper Division Clerk and Peon
♣ Based on average monthly expenditure of Rs 0.98 lakh for six years

The Special Officer submitted the first volume in December 1999 and second volume in June 2002 to Government. The drafts of the Manual sent by Government to the Commissioner of Land Revenue (Commissioner) for his remarks have not been received back (May 2004). The Special Officer reported (June 2004) that the preparation of third and fourth volumes were in progress.

Though the Government had stated (September 2003) that it was decided to dispense with the present arrangement of Special Officer for preparation of the Manual and to entrust the Commissioner with the balance work to be completed within six months, nothing has materialised (June 2004).

There was abnormal delay in preparation of the manual. The work which was assessed to require six months for completion could not be completed even after six years. Therefore the expenditure of Rs 70.56 lakh incurred so far was unjustifiable.

SOCIAL WELFARE DEPARTMENT

4.7.8 Delay in implementation of World Bank assisted Scheme

A World Bank assisted scheme intended to ensure supply of safe drinking water in 800 Anganwadi Centres was implemented partially.

State Government sanctioned (September 2001 and October 2002) a scheme for installing hand pumps/construction of well/provision of pipe connection for 800 Anganwadi Centres (AWCs). This was a component of World Bank assisted Integrated Child Development Services - III Project under which each AWC was entitled to receive Rs 0.40 lakh to ensure supply of safe drinking water to the children. State Government entrusted the scheme to Local Self Government Institutions (LSGIs), on condition that the works would be completed within one month of the receipt of funds.

Between March 2002 and March 2003 Child Development Project Officers (CDPOs) released Rs 2.70 crore to LSGIs for implementing the scheme in 764 AWCs. Audit scrutiny revealed that as of March 2004 LSGIs completed the work only in 304 AWCs (cost : Rs 1.22 crore). Funds provided for eight AWCs were surrendered (Rs 0.03 crore) and works were just started in 151 AWCs. In 301 AWCs, LSGIs did not start the work due to restriction in operation of PD accounts, non-sanction of estimates, delay in finalisation of tenders, etc. Thus out of the unspent balance of Rs 1.48 crore, LSGIs retained Rs 1.45 crore for periods ranging from one to two years.

Though the works were to be completed within one month, only 40 *per cent* of the AWCs implemented the scheme despite advance release of funds.

Thus the priority given by the Government/LSGIs in the implementation of a very important social welfare scheme was inadequate. This resulted in denying the benefit of safe drinking water to a large segment of the poor children.

It is suggested that Government may set up a machinery at appropriate level to monitor progress of such welfare scheme to avoid undue delay in its implementation.

The matter was referred to Government in June 2004; reply has not been received (November 2004).

GENERAL

4.7.9 Lack of responsiveness of Government to Audit

The Accountant General (Audit) arranges to conduct periodical inspection of the Government departments to test check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs) to the Heads of Offices inspected with a copy to the next higher authorities. The provisions of Article 63 (C) of Kerala Financial Code and instructions* issued by Government provide for prompt response by the Executive to the IRs to ensure rectificatory action and accountability for the deficiencies, lapses etc. The Heads of offices and next higher authorities are required to report their compliance to the Accountant General within four weeks of receipt of IRs. A half yearly report of pending IRs is sent to the Secretary of the concerned department to facilitate monitoring of the pending IRs.

At the end of June 2004, 10962 IRs and 40888 paragraphs issued upto December 2003 were outstanding for settlement. The year-wise breakup of these IRs is given below:-

Year	Number of IRs	Number of Paragraphs
Upto 1999-2000	3886	10396
2000-01	1232	3875
2001-02	1608	8014
2002-03	2118	8783
2003-04	2118	9820
Total	**10962**	**40888**

The department wise break-up of these IRs and paragraphs is indicated in **Appendix XXXVII**.

A review of the outstanding IRs pertaining to Industries Department and Insurance Medical Services Department revealed that 504 paragraphs contained in 195 IRs having money value of Rs 230.07 crore remained unsettled at the end of June 2004. The Year-wise position of the outstanding IRs and paragraphs and the nature of irregularities are indicated in **Appendix XXXVIII**.

4.7.10 Follow up action on Audit Reports

Government had to finalise remedial action on all audit paragraphs within a period of two months of the presentation of the Reports of the Comptroller and Auditor General of India to the Legislature. The Administrative Departments concerned were required to furnish notes explaining the remedial/corrective action taken (ATNs) on the audit paragraphs to the Public Accounts

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

Committee (PAC)/Committee on Public Undertakings (CoPU)[#] as well as to the Accountant General within the prescribed time limit.

The position of pendency as of August 2004 in furnishing ATNs on paragraphs included in the Reports of the Comptroller and Auditor General of India, Government of Kerala (Civil) pertaining to the years 1993-94 and 1995-96 to 2002-03 was as indicated below:

Reference to Report (year and number)	Number of Paragraphs included	Number of Paragraphs for which ATNs have been furnished by Government	Number of paragraphs for which ATNs were due from Government
1993-94 (No.2)	83	78	5
1995-96 (No.3)	62	55	7
1996-97 (No.3)	53	45	8
1997-98 (No.3)	64	59	5
1998-99 (No.3)	62	48	14
1999-2000	58	31	27
2000-01	51	25	26
2001-02	24	3	21
2002-03	63	21	42
Total	**520**	**365**	**155**

The department-wise details of the ATNs pending are furnished in **Appendix XXXIX.**

Paragraphs relating to Kerala Water Authority and Kerala Khadi and Village Industries Board are examined by CoPU

CHAPTER V
INTERNAL CONTROL SYSTEM IN GOVERNMENT DEPARTMENTS

INDUSTRIES DEPARTMENT

5.1 Internal Control System

Highlights

Internal Control System is an integral process by which an organisation governs its activities to effectively achieve its objectives. A built-in Internal Control System and strict adherence to Statutes, Codes and Manuals minimise the risk of errors and irregularities and helps to protect resources against loss due to waste, abuse, mismanagement, etc. An evaluation of internal control system in the Industries Department revealed the weakness of the internal controls in vogue in the department, non-compliance with rules, manuals and codes in the areas of budget preparation, expenditure control, accounting of transactions, implementation of schemes for promotion of industries, etc.

- **Budget proposals were not submitted in time and the estimates were not assessed correctly resulting in substantial provision remaining unutilised.**

(Paragraphs 5.1.6 – 5.1.7)

- **Procedures in Kerala Budget Manual for control of expenditure and directives of Finance Department on monitoring of monthly ceiling of expenditure were not adhered to.**

(Paragraphs 5.1.8 – 5.1.10)

- **Contingent advances from 1992-93 amounting to Rs 3.39 crore were awaiting adjustment.**

(Paragraph 5.1.11)

- **Physical verification/surprise inspection of cash was not conducted by the officers.**

(Paragraph 5.1.12)

- **Administration of various loans was very poor. Terms and conditions of 82 loans amounting to Rs 125.87 crore sanctioned to Corporations/Statutory Bodies during 1997-2003 had not been fixed and no recovery made from the loanees so far.**

(Paragraph 5.1.20)

- **Apart from sending notices, no concrete steps had been taken to recover the dues even in period-over cases involving Rs 3.40 crore in two districts, indicating poor monitoring and follow up action.**

(Paragraph 5.1.23)

- **There was no system in District Industries Centres to watch utilisation of share participation in Co-operative societies, remittance of dividend, retirement of shares, etc.**

(Paragraphs 5.1.24 – 5.1.28)

> - **Avoidable delay was noticed in processing and disposing of investment subsidy claims. No follow up action has been taken to recover subsidy amount from 42 non-functioning units which had availed subsidy of Rs 54.08 lakh.**

(Paragraphs 5.1.29 – 5.1.32)

> - **Inspite of repeated directions from Finance Department, no independent Internal Audit Wing had been set up and the internal audit was being conducted by temporary diversion of staff. Directorate had not conducted internal audit of eight out of fourteen DICs. Eight DICs had not conducted the internal inspection of the Taluk Industries Offices under them.**

(Paragraphs 5.1.47 – 5.1.51)

> - **There were 271 paragraphs outstanding in 82 Inspection Reports issued from 1999-2000 onwards which included 90 paragraphs involving over payments, undue benefits allowed, infructuous expenditure, misappropriation, etc., amounting to Rs 5.65 crore.**

(Paragraph 5.1.53)

Introduction

5.1.1 Internal Control is an integral process by which an organisation governs its activities to effectively achieve its objectives. A built-in Internal Control mechanism and strict adherence to Statutes, Codes and Manuals provide reasonable assurance to the department about compliance of applicable rules thus achieving reliability of financial reporting, effectiveness and efficiency in departmental operations.

5.1.2 The functions of the Industries Department include promotion of industries especially small scale industries, creating infrastructure required for the development of industries in the State, payment of assistance by way of loan and grant to Public Sector Undertakings (PSUs), etc.

Organisational set up

5.1.3 The Department of Industries is headed by a Principal Secretary at the Government level. The Director of Industries and Commerce is the Head of the Department assisted by two Additional Directors (General and Technical), six Joint Directors, four Deputy Directors, 11 Assistant Directors, one Administrative Officer, one Finance Officer at Headquarters and 14 General Managers (GMs) in 14 District Industries Centres.

Audit objectives

5.1.4 The evaluation of internal control system in the Directorate covered adherence to various control measures envisaged in the Codes, Manuals, Guidelines and instructions of the Government.

Audit coverage

5.1.5 A review of the Internal Control System in the Department was conducted by test check of the records of Industries Department, Finance Department, Directorate of Industries and Commerce, four (out of 14) District

Industries Centres[#] (DIC) and selected Taluk Industries Offices (TIOs) covering the period 1999-2004.

Financial Controls

Budgetary control

5.1.6 According to Kerala Budget Manual (KBM) budget estimates of the department are to be consolidated by the Director based on proposals received from subordinate offices. These estimates after thorough checking are to be sent to Government by 15 September (Non Plan) and 30 November (Plan and Revenue).

Budget estimates were not realistic and no proper documentation of Budget estimates proposed

5.1.7 It was seen that there were delays up to 60 days in sending budget proposals to the Government for the years 2002-05. Huge savings shown in the Appropriation Accounts for all the years indicated that budget estimates were not accurate and according to actual requirements. Surrender proposals of surplus funds for the year 2003-04 were sent to Government only on the last day of the financial year which was attributed by the department to treasury ban and other restrictions imposed by Government. In violation of provisions in KBM, Budget proposals were also sent by the Director for schemes not sanctioned. Proper documentation in support of Budget Estimates proposed did not exist in the Directorate.

Expenditure control

Register of expenditure was not maintained and monthly statement of expenditure not sent to Government

5.1.8 The Director as the Chief Controlling Officer is required to allot budget provision to various subordinate officers, receive monthly progress of expenditure from field offices, maintain a register of expenditure and liabilities, forward monthly statements of expenditure under all the heads of account to Government, reconcile expenditure, monitor expenditure against budget allotment, etc.

5.1.9 It was noticed that register of expenditure (Form KBM 12) and Report of liabilities (Form KBM 13) were not maintained in the Directorate or any of the four district offices test checked. Monthly statements of expenditure (Form KBM 15) were not received from the subordinate offices and monthly consolidated statements of expenditure (Form KBM 16) were never sent to Government. Thus the Director and District Officers were not aware of the actual expenditure incurred by the subordinate offices and hence they could not exercise effective control over expenditure. Government also did not get any feed back on the expenditure of the department.

Monitoring of monthly ceiling of expenditure

Submission of monthly ceiling delayed and statement of expenditure against ceiling fixed were not submitted

5.1.10 As per orders (May 2003) of the Finance Department every office is required to forecast its expenditure for each succeeding month and the Head of the Department is to forward the consolidated proposal to the Finance Department before the 10[th] of preceding month. Similarly, the Head of the Department is to redistribute the monthly allocation for the department among the subordinate offices. Details of distribution are to be furnished to Finance (W&M) Department before the 15[th] of each month. This was intended for centralised control of expenditure. It was seen that there was a delay of 20 to 22 days in submitting the monthly ceiling during the period November 2003 to

[#] Ernakulam, Kannur, Kasaragod and Kottayam

February 2004 and details of distribution of monthly ceiling was never sent to the Finance Department. In eight Taluk Industries Offices test checked there was no system of preparation and forwarding of forecast of expenditure. The Directorate neither maintained a check register to watch and ensure prompt receipt of statements from DICs nor monitored the expenditure with reference to monthly ceiling. The statements of expenditure against the ceiling fixed were not submitted to the Government.

Temporary advances

Contingent advances amounting to Rs 3.39 crore outstanding adjustment

5.1.11 According to Financial rules all advances are to be adjusted at the earliest by presenting final bills. Contingent advances from 1992-93 amounting to Rs 3.39 crore were outstanding in the Directorate as of April 2004. The contingent advance registers maintained in the Directorate from 1990-91 onwards have not been verified/reviewed by any officer. An advance of Rs 25 lakh from Prime Minister's Rozgar Yojana (PMRY) funds paid to Kerala Institute of Entrepreneur Development during 1999-2000 for imparting training to PMRY beneficiaries was not adjusted as of June 2004.

Accounting controls

Physical verification of cash not done by the Head of Office

5.1.12 At the end of each month the Head of office is required to physically verify the cash balance and record a signed and dated certificate indicating that the physical cash balance found on verification agreed with the cash book balance. But the Head of office did not conduct any physical verification of cash during 1999-2004 in the Directorate. Finance Officer of the Directorate did not conduct surprise inspection of cash and accounts and stores during 1999-2004 in the Directorate and in the DICs as required under orders of the Finance Department.

5.1.13 Kerala Treasury Code prescribes that keys of cash chest shall be kept by Government servant responsible for the custody of moneys and duplicate keys deposited in Treasury. But the Directorate and the four DICs test checked were unaware of the very existence and whereabouts of the duplicate keys.

Delay in delivering DDs drawn

5.1.14 Demand drafts (DD) drawn for payment are to be delivered to the parties within 24 hours. But, during 1999-2004, in four DICs, 670 DDs were retained for periods ranging from 14 days to 30 days, 320 DDs for 30 days to 60 days and 87 DDs for more than 60 days. Long delays in delivering the DDs cause avoidable hardship to the recipients and are suggestive of malpractices at the interface with the public.

Receipt books

5.1.15 The requirement of receipt books was not assessed and supply not restricted. It was noticed that in DIC, Kasaragod against the average requirement of one TR 5 receipt book a year, there were 63 books available, sufficient to meet the requirement for more than 60 years. Further, the receipt books were kept by the Cashier and not by the Head of Office as required under Rules. In violation of codal provisions, simultaneous use of two receipt books during the period February 1998 to December 2002 was also noticed in DIC, Kasaragod. Excess stocking and simultaneous use of two receipt books was fraught with the risk of fraud/misappropriation.

Demand Collection and Balance (DCB) statements

5.1.16 DCB Statements are an important control device to monitor the progress of collection of various revenues and other dues to Government. They are to be periodically sent to higher authorities for assessing the performance of the office in revenue/arrears collection.

DCB statements not prepared by DICs and the Directorate did not monitor the receipt of DCB statement

5.1.17 Test check revealed that monthly DCB Statements were not prepared by DICs of Kottayam, Wayanad and Alappuzha as required under Article 264 A of Kerala Financial Code (KFC) despite orders issued by the Director in October 2002 and February 2003. The DCB Statements received from DICs were not consolidated in the Directorate and not forwarded to Government as required under rules. The reason attributed by the Director was shortage of staff.

5.1.18 Though a register was maintained for watching the receipt of DCB statements from DICs, the entries therein were incomplete. As such, the Directorate did not have the periods upto which DCB statements were received from DICs. All loans were not included in the DCB statements. In the absence of year-wise break-up of the dues in the DCB statements it was not possible to ascertain the years to which the dues pertained. It was noticed that eight DICs did not include the element of penal interest in the DCB statement, despite the orders (October 2002) of the Director. In the computerised statements sent to the Directorate from DICs Kasaragod, Kottayam and Ernakulam, the closing balance of a month and the opening balance for the next month were found to vary. This would indicate the failure of the Directorate in monitoring the collection of dues to Government in the subordinate offices.

Operational controls

5.1.19 The department's function includes disbursement of loans to PSUs and watching their recovery, extending share assistance to co-operatives, implementation of schemes for industrial promotion and entrepreneurial development *viz.*, disbursement of State Investment Subsidy (SIS), PMRY, etc. The compliance of the internal controls in these areas were deficient as discussed below:

Poor monitoring of Loans to PSUs

Laxity in monitoring the recovery of loans

5.1.20 Loan recovery register maintained in the Directorate showed disbursement of Rs 194.52 crore during the period 1999-2004. But amount of total loans disbursed as on date was not available in the computerised loan registers maintained and there did not exist a system of preparing DCB statements. Scrutiny revealed the following:

- The proposals for sanction of loans by Government were not routed through the Director.
- The terms and conditions of 82 loans amounting to Rs 125.87 crore sanctioned between May 1997 and March 2003 had not been fixed as of November 2004 and hence no recovery could be made from any loanee so far.
- There was no system of issuing warning notices to loanee institutions as required under KFC.

- ➢ The Directorate was also not keeping a watch over the receipt of utilisation certificates of loans.
- ➢ The half yearly statement of loans as on 31 March and 30 September required to be forwarded to Finance Department in the prescribed proforma so as to reach the Government not later than 30 April/31 October each year had not been forwarded.
- ➢ Principal, interest and penal interest due on the loans were worked out and entered in the loan recovery register only in 22 out of 187 cases.

Consequently, the department was not aware of the amount of the actual outstanding loans and could not collect the dues to Government from loanees.

Poor monitoring of other loans

Loans

5.1.21 Owing to improper maintenance of the loan register and lack of effective action large amounts payable by the loanees towards repayment of principal and interest could not be collected.

5.1.22 Loan recovery registers were not posted up-to-date and there was no system in the DICs for communicating balance of outstanding loans to the loanees at the end of each year for getting confirmation from them. Warning notices were not issued to loanees in advance of due dates. Reconciliation of loan remittance figures with treasury figures was not being conducted. Utilisation Certificates of loans paid during the period 1999-2003 amounting to Rs 5.06 crore in three DICs (Kannur, Ernakulam and Malappuram) were not received. The department could not also ensure that the loans disbursed had been utilised for the intended purpose.

Progress of recovery of loan was very poor and no effective action taken to recover dues

5.1.23 Test check of other loan records (mainly Margin Money Loan) in the four DICs revealed that progress of recovery of loans was very poor. The quantum of recovery was only 1.7 *per cent* to 40.47 *per cent* of the over due loans for the period April 2000 to March 2004. In DIC, Kannur there were 445 cases where period of recovery was over (February 2000 to March 2004) and the amount involved was Rs 2.50 crore and in DIC, Kasaragod such cases were 109 (April 1999 to March 2004) involving Rs 90 lakh. Apart from sending notices at random to defaulters, no further action including revenue recovery was initiated in three DICs (Kannur, Kasaragod and Kottayam).

Deficiencies in systems of monitoring of share participation release to societies

No system to watch the utilisation of Government share participation and to monitor remittances of dividend, retirement of shares, etc.

5.1.24 Government issued (March 1994) revised rules[♣] for share participation by Government in Industrial Co-operative Societies engaged in small scale industries. Test check revealed non compliance of the prescribed rules as shown below.

5.1.25 The amount of share participation was to be utilised for specified purposes and utilisation certificates were to be furnished by the societies within one year as per Rule 22. But there was no system in DICs, Kannur,

[♣] Share participation by Government in Industrial Co-operative Societies engaged in Small Scale Industries (other than Coir, Handloom and Handicrafts) Rules, 1994

Kasaragod and Kottayam to watch the receipt of utilisation certificates. The details of expenditure as well as the annual accounts were not obtained from the societies as required under Rules and it was not ensured that the societies retire the share amount in instalments after the prescribed period.

5.1.26 As per clause 11 of Agreement executed, in case of breach of agreement conditions by the societies, the amount of share participation shall be recoverable under the provisions of Revenue Recovery (RR) Act. But there was no monitoring system in the DICs at Kasaragod, Kannur and Kottayam to ensure that there was no breach of agreement by the societies.

5.1.27 DICs Kannur and Kasaragod did not maintain any records to ensure that the societies issued share certificates within 15 days of share participation and remitted dividends on the share capital to the treasury.

5.1.28 DICs did not send monthly/quarterly/annual returns regarding the dues to Government by way of retirement of shares, dividend and statements regarding receipt of share certificates and annual accounts to the Directorate. Due to non-compliance with the prescribed rules and also lack of effective monitoring of the scheme it could not be ensured that Government funds were properly utilised and dues to Government were regularly remitted by the societies.

Deficiencies in system of monitoring of State Investment Subsidy (SIS)

5.1.29 This scheme was intended to provide subsidy to new as well as existing industrial units undertaking expansion/modernisation/diversification etc. A test check of records relating to SIS revealed the following failure of control measures.

Inordinate delay in processing and disposing subsidy claims

5.1.30 As per the Subsidy Manual, subsidy claims were to be disposed of within three months from the date of receipt of claim. But delay ranging from 3 to 48 months in disposing of 215 subsidy claims during the period 1999-2004 in the DICs testchecked was noticed. The reasons attributed to the undue delay was in moving files from one point to another within the DIC, delay in conducting inspection, failure to detect defects in the application in the initial stages, etc. As the designation of the officials handling the files was not indicated in the note portion of files, the persons responsible for the delay could not be identified. In DIC, Kasaragod 14 SIS files were kept without action from 10 to 42 months between September 1999 and June 2003 as the dealing clerk was on long leave. No alternative arrangement was made to process the claim of the entrepreneurs. Due to abnormal delays in settling of subsidy claims Government's intention of providing timely assistance to the entrepreneurs was defeated. Possibility of corruption in such cases also cannot be ruled out.

Failure to recover subsidy amount of Rs 54.08 lakh from defunct units

5.1.31 Industrial units which received subsidy were to remain working for five years from the date of receipt of subsidy. In the event of default, the unit was liable to refund the subsidy with interest failing which the amount was to be recovered under RR Act. As per details furnished to Audit, 42 units in eight DICs which availed subsidy of Rs 54.08 lakh had failed to function for five years. The subsidy amounts had not been recovered in any of the cases. Apart from issuing notices to the units no action was taken except in two cases in DIC, Kannur.

Committee to evaluate the functioning of assisted units not set up or where committees were set up reports were not sent regularly

5.1.32 The Director had ordered (March 1999) the GMs to constitute a committee at District level to evaluate at least once in three months the working of the units which received subsidy and send quarterly progress reports to the Directorate every year. In DIC Kannur and Kottayam no such committee was constituted. In DIC Ernakulam though a committee was constituted, only one report (July 1999) was sent to the Directorate so far. In Kasaragod a committee constituted after 20 months (November 2000) had not met even once, though a report on failed units was sent in August 2002. As per the agreement executed by the units, they were to produce audited annual accounts statements to the DICs. But no such accounts statements were obtained in any of the DICs test checked. As a result, the department failed to ensure the compliance of the provisions in the manual and the continued functioning of the assisted units.

Deficiencies in implementation of Prime Minister's Rozgar Yojana (PMRY)

5.1.33 PMRY is a 100 *per cent* Centrally Sponsored self employment scheme launched in 1993 to provide employment opportunities to educated unemployed youth with a minimum qualification of eighth standard (passed) by setting up micro enterprises.

Committee to monitor the implementation of scheme had met only once in 11 years

5.1.34 A committee with Chief Secretary as Chairman and Director as Secretary was constituted (November 1993) for effective monitoring of the scheme. The committee met only once in October 2002.

Expenditure incurred out of advances not routed through cash book

5.1.35 In four DICs of Kannur, Kasaragod, Kottayam and Ernakulam during the period 2000-04, Rs 28.81 lakh were drawn as advance for seminars, training, workshop and for meeting contingent expenditure under the scheme. The expenditure incurred out of the advances were not being routed through the office cash book or watched through a subsidiary cash book and hence fraud/misappropriation could not be ruled out.

5.1.36 Honorarium/fee/remuneration to staff of the department deputed as faculty for imparting training to PMRY beneficiaries were paid by the GMs of DICs without obtaining Government sanction as required under Rule 49 of Kerala Service Rules. Store Purchase Rules relating to inviting of quotations were not observed while purchasing stationery articles for PMRY training/workshops.

Non-revision of rates of Industrial Development Plots/Areas

5.1.37 The scheme envisaged acquisition of land and its development by providing necessary infrastructure such as power, water supply, approach road etc. and its allotment to private entrepreneurs on hire purchase, outright purchase, lease etc. for establishment of industries. Audit scrutiny revealed non compliance of rules as indicated below.

Timely revision of rates of development plots/areas not made

5.1.38 As per rules, Director was to compute the cost of land from time to time and to intimate the GMs of DICs for recovering it from the allottees. But the Director did not intimate the rates to GMs after April 1993 which resulted in recovering the cost of land/plot at the same rates prevalent in April 1993 for allotments made from April 1993 to October 2003. The revised rates intimated in January 2003 were also not implemented by the GMs of the four DICs test checked. This resulted in short recovery of cost of land and in the absence of proper records in the DICs the amount could not be quantified.

Recovery of the cost of development plots/areas not properly monitored

5.1.39 As per rules, in the event of allottees defaulting payments of over two instalments consecutively, the Director shall resume the land and recover the defaulted instalments. But in 64 defaulted cases in the four DICs, the GMs did not take any action.

5.1.40 The register for watching repayment of the cost by the allottees of Development Plots was not properly maintained in DICs. In DIC, Kottayam, out of 492 allottees, details of repayment in 22 cases only have been noted in the register and in the other 470 cases details from April 1999 onwards had not been posted. As a result, the department did not have the details of amounts due from the allottees and could not take effective action for collecting the outstanding amounts due to Government.

5.1.41 GM, DIC, Kottayam did not take any action for 19 years to obtain the ownership rights of 41.25 acres of land acquired (1984) for Development Plot in Poovanthuruthu and allotted to entrepreneurs from 1990 onwards resulting in non-transfer of ownership of the land to them.

Deficiencies noticed in One Time Settlement Scheme

5.1.42 Government sanctioned (September 2002) One Time Settlement Scheme for repayment of margin money loan. Under the scheme 50 *per cent* interest can be waived where the case was more than 10 years old and 25 *per cent* can be waived in cases more than 5 years old but less than 10 years. A loanee who does not own Industrial or other assets (other than a residential house) can be allowed 100 *per cent* exemption of interest. On a test check of records in DIC, Kasaragod it was seen that in six cases 100 *per cent* exemption of interest amounting to Rs 1.47 lakh was allowed in June, July and December 2003 without any supporting document to prove that the loanees did not own industrial or other assets. In five cases (one case sanctioned by Government) GM had granted full exemption of interest without any verification report and recommendation from field officers. In one case though the Assistant District Industries Officer, Kasaragod had recommended exemption of only 50 *per cent*, GM had granted (December 2003) 100 *per cent* exemption amounting to Rs 0.77 lakh without any justification whatsoever. In four cases, (above five years old but less than 10 years) 50 *per cent* interest exemption was irregularly granted in November 2002, June and November 2003 against actual eligibility of 25 *per cent* resulting in excess exemption of Rs 0.68 lakh.

Administrative controls

Government directives on recovery of interest and orders on HRA not complied with

5.1.43 Government directives of March 2002 to recover liability of Rs 14.07 lakh from the Director towards interest (from 1 April 2001 to 24 October 2002) for keeping Government money of Rs 50 lakh outside Government account in connection with establishing a mini industrial estate in Thiruvaly Panchayat in Malappuram District was not complied with so far (June 2004).

5.1.44 Disregarding the rule that officers deputed to local bodies are eligible for HRA at the rates applicable to the area where the local bodies are situated, eight Industrial Extension Officers (IEOs) deputed to local bodies (from TIO, Koyilandy, Kottayam and Kasaragod) were paid House Rent Allowance at the rates applicable to the locality of their parent office by the

Taluk Industries Officers concerned.

5.1.45 Register of pension cases was not maintained in DIC Malappuram, Wayanad, Kozhikode, Kottayam and Kasaragod. These DICs did not send quarterly statement of pension cases to the Accountant General. Delay ranging from one year to more than eight years was noticed in settling lifetime arrears payable in five die-in-harness cases in DICs, Kollam, Kannur, Kottayam and Ernakulam.

5.1.46 Annual certificate regarding advances repayable was not sent by the Directorate to the Accountant General as required under Article 266 of KFC.

Internal Audit

No independent internal inspection wing set up

5.1.47 Internal auditing is an appraisal activity established in an organisation as a service to the organisation. Its functions include examining, evaluating and maintaining the adequacy of the accounting and internal control systems. It also helps in assessing the organisation's systems and procedures in order to prevent fraud, errors etc. Internal audit must be independent within the organisation and report directly to top management.

5.1.48 Finance Department directed (September 1986, August 1993 and December 2003) all Heads of Departments to establish independent Internal Inspection Wings. It was found that there was no independent Internal Inspection Wing in the Directorate. Internal audit was done by temporary diversion of staff from Budget Wing.

5.1.49 Though the Directorate has been conducting internal audit of DICs, there was no record in the Directorate showing the actual dates and period of coverage of internal audit of DICs.

Heavy shortfall in internal inspection

5.1.50 Directorate was not maintaining a checklist or register to watch the receipt and issue of internal inspection reports or rectification reports from the auditee institutions to know the pendency of inspection reports/paragraphs.

5.1.51 There were 14 DICs and two CFSCs under the audit control of the Directorate. The internal inspection of eight* DICs and two CFSCs has not been conducted. Eight DICs (of which details were furnished to Audit) had not conducted the internal audit of TIOs under them.

Response to Audit

5.1.52 Accountant General (Audit) conducts audit of offices of the departments and major irregularities are reported through Inspection Reports (IRs). KFC provides that first replies to IRs are to be sent within four weeks from the date of their receipt. But first replies were sent with delay ranging from four months to 29 months. First replies to six IRs of five DICs issued from January 2002 had not been furnished even as of March 2004.

5.1.53 There were 271 paragraphs outstanding from 82 IRs issued upto March 2004 which included paragraphs from 1999-2000 onwards. Out of this, overpayments, undue benefits allowed, infructuous expenditure and

* Ernakulam, Kannur, Kottayam, Malappuram, Palakkad, Pathanamthitta, Thiruvananthapuram and Wayanad

misappropriation involving Rs 5.65 crore* were noticed in 90 paragraphs. Register in KFC Form 4B was required to be maintained to note the details of pending IRs and paragraphs. Head of office or an officer authorised on his behalf was to inspect the register atleast once in a month and issue instructions for speedy clearance of the outstanding paragraphs. The register kept in the Directorate was not in Form 4B and the required details were not posted and checks were not exercised.

5.1.54 As per KFC, the head of office is to take action to rectify the irregularities pointed out during audit even without waiting for receipt of the IR. But even after years of issuance of the IR irregularities were not rectified.

Conclusions

5.1.55 Internal control system was ineffective in the department. In-built controls prescribed for various activities of the department were not functioning. Rules, regulations and directives of Government regarding budget preparation, expenditure control, accounting of transactions, maintenance of records etc. were mostly ignored.

5.1.56 Administration of various loans involving fixing of terms and conditions, completeness of loan registers, effecting recoveries, etc., were poor and therefore the dues to Government could not be assessed and collected. Schemes intended for promotion of industries like SIS, Development areas/plots, etc., could not achieve their objectives due to unjustifiable delays and lack of monitoring. The financial and other data were unreliable as basic records were incomplete or not available. In the administrative functions, non-compliance with rules, regulations and executive directives was endemic. There was no system in place for ensuring accountability for lapses or losses. Due to poor monitoring and ineffective functioning of the internal audit wing most of the deficiencies remained unreported.

5.1.57 Recommendations

- ★ Comprehensive instructions prescribing controls to be exercised at different levels may be issued.
- ★ Accountability obligations at different levels may be prescribed and compliance monitored.
- ★ Loan administration should be reorganised ensuring adherence to rules, regulations and management directives so as to effect prompt recovery of dues.
- ★ Documentation of transactions and events from initiation till final classification in summary records should be prompt and complete.
- ★ An independent Internal Audit Wing directly reporting to the Head of the Department may be set up with specially trained staff and mandate to conduct internal audit of all the offices under the department with a specific periodicity.

* Over payments (58 paras) Rs 7.06 lakh, Undue benefit allowed (27 paras) Rs 190.00 lakh, Infructuous expenditure (4 paras) Rs 368.00 lakh and Misappropriation (1 para) Rs 0.01 lakh

Response of the department

5.1.58 The report was discussed (April 2004) in detail with the Principal Secretary to Government, Industries Department who fully agreed with all the recommendations of Audit. He also agreed to issue suitable instructions to the concerned officers so as to effectively streamline the internal control system in the department in line with the recommendations.

5.1.59 Government admitted the facts and stated (November 2004) that strict instructions had been given to the Director to take urgent and time bound action to implement the recommendations/suggestions of Audit.

Thiruvananthapuram,
The 17 JUN 2005

(ARVIND K. AWASTHI)
Principal Accountant General (Audit), Kerala

Countersigned

New Delhi,
The 24 JUN 2005

(VIJAYENDRA N. KAUL)
Comptroller and Auditor General of India

APPENDICES

Appendix I

Summarised Financial Position of the Government of Kerala as on 31 March 2004

(Reference: Paragraph 1.4.1; Page 4 and 1.8.1; Page 16)

(Rupees in crore)

As on 31 March 2003		Liabilities		As on 31 March 2004
11747.02		**Internal Debt**		**17420.94**
	6509.98	Market Loans bearing interest	8220.99	
	8.31	Market Loans not bearing interest	8.31	
	1581.01	Loans from Life Insurance Corporation of India	1944.09	
	219.89	Loans from General Insurance Corporation of India	247.69	
	418.84	Loans from National Bank for Agriculture and Rural Development	479.38	
	252.41	Loans from National Co-operative Development Corporation	275.46	
	1.37	Loans from other institutions	1426.33#	
	2306.39	Special securities issued to National Small Savings Fund of the Central Government	4253.35	
	283.97	Ways and Means Advances from Reserve Bank of India excluding Overdrafts	284.70	
	164.85	Overdrafts from Reserve Bank of India	280.64	
6534.88		**Loans and Advances from Central Government**		**5627.96**
	184.80	Pre – 1984-85 Loans	155.64	
	1633.01	Non-Plan Loans	370.09	
	4655.32	Loans for State Plan Schemes	5041.40	
	12.16	Loans for Central Plan Schemes	11.09	
	49.59	Loans for Centrally Sponsored Plan Schemes	49.74	
25.00		**Contingency Fund**		**8.12**
12778.37		**Small Savings, Provident Funds, etc.**		**14403.33**
2530.70		**Deposits**		**1579.81**
190.90		**Reserve Funds**		**199.23**
33806.87		**Total - Liabilities**		**39239.39**

Includes Rs 1158.25 crore being the liability of KSEB to CPSUs taken over by Government by issue of Bonds and Rs 267 crore towards securitisation of existing house loan portfolio of State Government employees with State Bank of India and Canara Bank.

Appendix I – *Concld.*

Summarised Financial Position of the Government of Kerala as on 31 March 2004
(Reference: Paragraph 1.4.1; Page 4 and 1.8.1; Page 16)

(Rupees in crore)

As on 31 March 2003		Assets		As on 31 March 2004
9193.16[*]		**Gross Capital Outlay on Fixed Assets –**		9832.87
	2086.36	Investments in share of Companies, Corporations, etc.	2150.70	
	7106.80[#]	Other Capital Outlay	7682.17[#]	
3822.70		**Loans and Advances –**		5041.75
	1336.97	Loans for Power Projects	2510.87	
	2294.35	Other Development Loans	2377.61	
	191.38	Loans to Government servants and Miscellaneous loans	153.27	
4.56		**Reserve Fund Investments**		4.56
2.94		**Advances**		1.51
232.58		**Suspense and Miscellaneous Balances**		127.38[@]
320.04		**Remittance Balances**		443.55
(-)103.22		**Cash-**		(-)226.64
	34.97	Cash in Treasuries	28.89	
	(-)135.03	Deposits with Reserve Bank	(-)254.13	
	(-)18.03	Remittances in transit - Local	(-)16.40	
	2.22	Departmental Cash Balance	2.35	
	0.20	Permanent Advances	0.20	
	12.45	Cash Balance Investments	12.45	
20334.11[*]		**Deficit on Government Account –**		24014.41
	4122.16	(i) Revenue Deficit of the current year	3680.30	
	3.50	(ii) Less: Miscellaneous Capital Receipts	--	
	16215.45	Accumulated deficit upto previous year	20334.11	
33806.87		**Total - Assets**		39239.39

[*] Differs from previous year's figure consequent on *pro forma* correction carried out in the progressive balance *vide* footnote (vvv3) of Statement No.13 of Finance Accounts 2003-04.

[#] The net value of assets and liabilities of the erstwhile Public Health Engineering Department (PHED) taken over by the Kerala Water Authority on 1 April 1984 was provisionally valued at Rs 435.53 crore and incorporated in the accounts of the Authority. As the valuation has not been approved by Government under Section 16 (2) of the Act the investment shown in the Government accounts against PHED has not been adjusted

[@] Difference of Rs 0.01 crore with Finance Accounts was due to rounding.

Appendix II
Abstract of Receipts and Disbursements for the year 2003-04
(Reference: Paragraph 1.4.1; Page 4)

(Rupees in crore)

Receipts				Disbursements					
2002-03			**2003-04**	**2002-03**					**2003-04**
	Section – A: Revenue					**Non-Plan**	**Plan**	**Total**	
10633.89	**I. Revenue Receipts**		**11815.37**	**14756.05**	**I. Revenue Expenditure**	**13101.08**	**2394.59**	**15495.67**	**15495.67**
7302.54	Tax Revenue	8088.77		**6678.03**	**General Services**	**7251.18**	**146.75**	**7397.93**	
677.76	Non-Tax Revenue	806.98		**5038.29**	**Social Services**	**4164.08**	**861.13**	**5025.21**	
1715.22	State's share of Union Taxes and Duties	2012.01		2967.56	Education, Sports, Art and Culture	2989.48	90.64	3080.12	
195.19	Non-plan Grants	210.54		759.51	Health and Family Welfare	671.02	160.68	831.70	
477.74	Grants for State Plan Schemes	369.74		481.24	Water Supply, Sanitation, Housing and Urban Development	78.79	320.35	399.14	
260.53	Grants for Central Plan and Centrally Sponsored Plan Schemes	327.33		10.03	Information and Broadcasting	6.56	4.32	10.88	
4.91	Grants for special plan schemes			321.85	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	74.57	155.44	230.01	
				68.16	Labour and Labour Welfare	86.56	4.81	91.37	
				419.78	Social Welfare and Nutrition	246.24	124.89	371.13	
				10.16	Others	10.86	--	10.86	
				2981.67	**Economic Services:**	**1612.64**	**1386.71**	**2999.35**	
				735.38	Agriculture and allied activities	440.13	206.55	646.68	
				1078.97	Rural Development	51.17	710.03	761.20	
				12.35	Special Areas Programmes	--	12.63	12.63	
				151.83	Irrigation and Flood control	143.01	36.72	179.73	
				240.80	Energy	557.00	20.86	577.86	
				129.42	Industry and Minerals	31.20	160.55	191.75	
				468.38	Transport	323.88	131.74	455.62	
				17.19	Science, Technology and Environment	11.67	26.29	37.96	
				147.35	General Economic Services	54.58	81.34	135.92	
				58.06	**Grants-in-aid and Contributions**	**73.18**		**73.18**	
4122.16	**II. Revenue Deficit carried over to Section B**		**3680.30**						
14756.05	**Total - Section A**		**15495.67**	**14756.05**	**Total - Section A**				**15495.67**

Appendix II – *Contd.*
Abstract of Receipts and Disbursements for the year 2003-04
(Reference: Paragraph 1.4.1; Page 4)

(Rupees in crore)

Receipts				Disbursements					
2002-03			2003-04	2002-03					2003-04
	Section B:					Non-Plan	Plan	Total	
161.62	**III. Opening Cash Balance including Permanent Advances and Cash Balance Investment**		(-) 103.22	275.56	**III. Opening Overdraft from Reserve Bank of India**				164.85
3.50	**IV. Miscellaneous Capital Receipts**		--	698.66	**IV. Capital Expenditure**	32.72	606.99	639.71	639.71
				40.67	**General Services:**	10.61	28.89	39.50	
				83.41	**Social Services:**	(-) 0.59*	56.67	56.08	
				18.65	Education, Sports, Art and Culture	--	14.69	14.69	
				45.75	Health and Family Welfare	--	22.68	22.68	
				2.84	Water Supply, Sanitation, Housing and Urban Development	(-)0.56*	2.49	1.93	
				13.63	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	--	10.48	10.48	
				2.38	Social Welfare and Nutrition	--	5.81	5.81	
				--	Labour and Labour Welfare	--	--	--	
				0.16	Others	(-)0.03*	0.52	0.49	
				574.58	**Economic Services:**	22.70	521.43	544.13	
				48.29	Agriculture and allied activities	0.63	37.91	38.54	
				132.32	Irrigation and Flood Control	21.80	137.40	159.20	
				3.50	Energy	--	--	--	
				33.09	Industry and Minerals	--	30.55	30.55	
				300.98	Transport	0.29	260.30	260.59	
				56.40	General Economic Services	(-)0.02*	55.27	55.25	

* Minus expenditure is due to receipt and recoveries on capital account more than the debit for the year.

Appendix II – *Concld.*
Abstract of Receipts and Disbursements for the year 2003-04
(Reference: Paragraph 1.4.1; Page 4)

(Rupees in crore)

Receipts				Disbursements			
2002-03			**2003-04**	**2002-03**			**2003-04**
77.29	**V. Recoveries of Loans and Advances**		72.89	250.01	**V. Loans and Advances Disbursed**		1291.94[#]
--	From Power Projects	--		54.95	For Power Projects	1173.90	
44.46	From Government Servants	41.97		4.83	To Government Servants	3.86	
32.83	From Others	30.92		190.23	To Others	114.18	
	VI. Revenue Surplus brought down			4122.16	**VI. Revenue Deficit brought down**		3680.30
3965.68	**VII. Public Debt Receipts**		6992.46	1261.99	**VII. Repayment of Public Debt**		2341.25
2717.39	Internal Debt other than Ways and Means Advances, Shortfall and Overdraft	6023.56		257.55	Internal Debt other than Ways and Means Advances, Shortfall and Overdraft	466.16	
55.43	Net transactions under Ways and Means Advances excluding overdraft	0.73*		--	Net transactions under Ways and Means Advances excluding overdraft	--	
1192.86	Loans and Advances from Central Government	968.17		1004.44	Repayment of Loans and Advances to Central Government	1875.09	
	VIII. Appropriation from the Consolidated Fund		--	--	**VIII. Appropriation to Contingency Fund**		--
22.15	IX. Amount transferred to Contingency Fund		--	--	**IX. Expenditure from Contingency Fund**		16.88
25528.22	**X. Public Account Receipts**		26147.18	23418.15	**X. Public Account Disbursements**		25481.66
9833.86	Small Savings, Provident Funds, etc.	8773.13		8317.14	Small Savings, Provident Funds, etc.	7148.17	
131.52	Reserve Funds	133.70		72.51	Reserve Funds	125.36	
3863.76	Deposits and Advances	3320.48		3275.42	Deposits and Advances	4269.94	
7496.08	Suspense and Miscellaneous	9476.50		7442.51	Suspense and Miscellaneous	9371.31	
4203.00	Remittances	4443.37		4310.57	Remittances	4566.88	
164.85	**XI.- Closing Overdraft from Reserve Bank of India**		280.64	(-) 103.22	**XI. Cash Balance at end**		(-)226.64
				34.97	Cash in Treasuries	28.89	
				(-) 18.03	Local Remittances	(-) 16.40[##]	
				(-) 135.03	Deposits with Reserve Bank	(-) 254.13	
				2.42	Departmental cash balance including Permanent Advance	2.55	
				12.45	Cash Balance Investment	12.45	
29923.31	**Total – Section B**		33389.95	29923.31	**Total – Section B**		33389.95

Includes Rs 1158.25 crore being the liability of Kerala State Electricity Board (KSEB) to Central Public Sector Undertakings taken over by Government by issue of Power Bonds which was treated as loan to KSEB this year temporarily to be converted as grant eventually.

* Represents receipts: Rs 3346.77 crore and disbursements: Rs 3346.04 crore

Minus balance represents remittances between treasuries and currency chests remaining unadjusted on 31 March 2004.

Appendix III
Sources and Application of Funds
(Reference: Paragraph 1.4.1; Page 4)

(Rupees in crore)

2002-03	Sources	2003-04	
10633.89	**1. Revenue receipts**		11815.37
77.29	**2. Recoveries of Loans and Advances**		72.89
2703.69	**3. Increase in Public debt other than overdraft**		4651.21
	4. Increase in overdraft		115.79
3.50	**5. Miscellaneous Capital Receipts**		--
2110.07	**6. Net receipts from Public account**		665.52
1516.72	Increase in Small Savings, Provident Funds, etc.	1624.96	
588.34	Decrease in Deposits and Advances	(-)949.46	
59.01	Increase in Reserve Funds	8.34	
53.57	Net effect of Suspense and Miscellaneous transactions	105.19	
(-) 107.57	Net effect of Remittance transactions	(-)123.51	
22.15	**7. Net effect of Contingency Fund transactions**		--
264.84	**8. Decrease in closing cash balance**		123.42
15815.43	**Total**		**17444.20**
	Application		
14756.05	**1. Revenue expenditure**		15495.67
250.01	**2. Lending for development and other purposes**		1291.94
698.66	**3. Capital expenditure**		639.71
110.71	**4. Decrease in overdraft**		--
--	**5. Net effect of Contingency Fund transactions**		16.88
15815.43	**Total**		**17444.20**

Explanatory Notes

1. The abridged accounts in Appendices I to III have to be read with comments and explanations in the Finance Accounts.
2. Government accounts being mainly on cash basis, the deficit on Government account, as shown in Appendix I, indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable, depreciation or variation in stock figures, etc., do not figure in the accounts.
3. Suspense and Miscellaneous balances include cheques issued but not paid, payment made on behalf of the State and others pending settlement, etc.
4. There was a difference of Rs 295.76 crore (net credit) between the figures reflected in the accounts and that intimated by the Reserve Bank of India under "Deposit with Reserve Bank". This is analysed as below:-

   (i) Adjustment in respect of shortfall from the agreed minimum cash balance - Rs 1.66 crore

   (ii) Adjustment in respect of overdrafts - Rs 280.64 crore

   (iii) Difference - Rs 13.46 crore

   Out of the difference, only Rs 12.76 crore had been cleared (August 2004).

Appendix IV

Time Series Data on State Government Finances

(Reference: Paragraph 1.4.1; Page 4 and 1.8.1; Page 16)

(Rupees in crore)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Part A. Receipts					
1. Revenue Receipts	7942	8731	9056	10634	11815
(i) Tax Revenue	*5194 (65)*	*5870(67)*	*5924 (65)*	*7303 (69)*	*8089 (68)*
Taxes on Sales, Trade, etc.	3854(74)	4344(74)	4441(75)	5343 (73)	5991 (74)
State Excise	591(11)	689(11)	541(09)	663 (09)	656 (08)
Taxes on Vehicles	381(07)	395(07)	452(08)	513 (07)	586 (07)
Stamps and Registration fees	280(06)	341(06)	394(07)	487(07)	550 (07)
Land Revenue	35(01)	39(01)	35(#)	38 (#)	40 (#)
Taxes on Agricultural Income	14 (#)	4 (#)	2(#)	6(#)	9 (#)
Other Taxes	39(01)	58(01)	59(01)	253 (04)	257 (04)
(ii) Non Tax Revenue	*531(07)*	*659(08)*	*543(06)*	*678 (06)*	*807 (07)*
(iii)State's share in Union taxes and duties	*1535(19)*	*1586(18)*	*1614(18)*	*1715 (16)*	*2012 (17)*
(iv) Grants in aid from GOI	*682(09)*	*616(07)*	*975(11)*	*938 (09)*	*907 (08)*
2. Miscellaneous Capital Receipts	02	--	--	04	--
3. Total revenue and Non debt capital receipts (1+2)	7944	8731	9056	10638	11815
4. Recovery of Loans and Advances	53	117	55	77	73
5. Public Debt Receipts	2014	2156	2792	3966	6992
Internal Debt (excluding Ways & Means Advances and Overdraft)	941	1491	2011	2717	6023
Net transactions under Ways and Means Advances excluding Overdraft	--	182	*	56	1
Loans and advances from Government of India[@]	1073	483	781	1193	968
6. Total receipts in the Consolidated Fund (3+4+5)	10011	11004	11903	14681	18880
7. Contingency Fund Receipts	0.16	--	--	22	--
8. Public Account receipts	20662	21126	18940	25528	26147
9. Total receipts of State (6+7+8)	30673	32130	30843	40231	45027
Part B. Expenditure/Disbursement					
10. Revenue Expenditure	11566(92)	11878(93)	11662(94)	14756 (94)	15495 (89)
Plan	*2056(18)*	*1941(16)*	*1766(15)*	*3054 (21)*	*2394(15)*
Non Plan	*9510 (82)*	*9937(84)*	*9896(85)*	*11702 (79)*	*13101 (85)*
General Services (incl. Interest payment)	4977(43)	5457(46)	5611(48)	6678 (45)	7398 (48)
Social Services	4206(36)	4188(35)	4076(35)	5038 (34)	5025 (32)
Economic Services	2304(20)	2178(18)	1908(16)	2982 (20)	2999 (19)
Grants-in-aid and Contributions	79(01)	55(01)	67(01)	58 (01)	73 (01)
11.Capital Expenditure	648 (05)	577(05)	558(05)	699 (04)	640 (04)
Plan	*644(99)*	*581(101)*	*547(98)*	*679 (97)*	*607 (95)*
Non Plan	*04(01)*	*(-) 04 (-01)*	*11(02)*	*20 (03)*	*33 (05)*
General Services	47(07)	39(07)	26(04)	41 (06)	40 (06)
Social Services	66(10)	58(10)	59(11)	83 (12)	56 (09)
Economic Services	535(83)	480(83)	473(85)	575 (82)	544 (85)
12. Disbursement of Loans and Advances	317(03)	271(02)	160(01)	250 (02)	1292 (07)
13. Total (10+11+12)	12531	12726	12380	15705	17427

Insignificant

* Less than Rs 1 crore.

@ Includes Ways and Means Advances from GOI

Appendix IV – *Concld.*

Time Series Data on State Government Finances

(Reference: Paragraph 1.4.1; Page 4 and 1.8.1; Page 16)

(Rupees in crore)

	1999-2000	2000-01	2001-02	2002-03	2003-04
14. Repayment of Public Debt	448	423	751	1262	2341
Internal Debt (excluding Ways and Means Advances and Overdrafts)	123	139	215	258	466
Net transactions under Ways and Means Advances excluding Overdrafts	78	--	--	--	--
Loans and Advances from Government of India[@]	247	284	536	1004	1875
15. Appropriation to Contingency Fund	..	--	--	--	--
16. Total disbursement out of Consolidated Fund (13+14+15)	12979	13149	13131	16967	19768
17.Contingency Fund disbursements	..	--	22	--	17
18. Public Account disbursements	17792	19218	17467	23418	25482
19. Total disbursement by the State (16+17+18)	30771	32367	30620	40385	45267
Part C. Deficits					
20. Revenue Deficit (1-10)	3624	3147	2606	4122	3680
21. Fiscal Deficit (3+4-13)	4534	3878	3269	4990	5539
22. Primary Deficit (21-23)	2582	1620	780	2043	2211
Part D. Other data					
23. Interest Payments (included in revenue expenditure)	1952	2258	2489	2947	3328
24. Arrears of Revenue[◊] (Percentage of Tax & non -Tax Revenue Receipts)	578 (10)	978(15)	1037(16)	1411 (18)	105[§] (1)
25. Financial Assistance to local bodies, etc.	3414	3262	2921	4213	5453
26. Ways & Means Advances/Overdrafts availed (days)	289	363	359	359	333
27. Interest on WMA/Overdraft	6	13	23	21	24
28. Gross State Domestic Product (GSDP) at current prices[•]	62520	69770	72349	80844	90172
29. Outstanding Fiscal Liabilities (year end)	21676	25721	29025	33782	39231
30. Outstanding guarantees including interest (year end)	7952	9553	11818	12623	14009
31. Maximum amount guaranteed (year end)	11432	12798	14122	14923	15613
32. Number of incomplete projects/works	55	104	101	89	104
33. Capital blocked in incomplete projects/works[#]	1603	1743	1808	938	1194

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

[@] Includes Ways and Means Advances from GOI.

[◊] Source: Audit Report (Revenue Receipts) of respective years.

[§] Electrical Inspectorate did not include arrears of electricity duty due from Kerala State Electricity Board as on 31 March 2002 because Government ordered (October 2002) netting off of the dues between the Board and Government as on 31 March 2002.

[•] Figures differ from those in the previous Report consequent on reporting of revised figures by the Director of Economics and Statistics in October 2004. Figures for 2002-03 are provisional and those for 2003-04 are Quick Estimates

[#] Represents progressive amount blocked in incomplete projects/works at the end of the year based on figures collected from departmental heads.

Appendix V
(Reference: Paragraph 1.4.1; Page 5)

Part A – Government Accounts

I. *Form of Annual Accounts*

The accounts of the State Government are prepared in two volumes *viz.*, the Finance Accounts and the Appropriation Accounts. The Finance Accounts present the details of all transactions pertaining to both receipts and expenditure under appropriate classification in the Government accounts. The Appropriation Accounts, present the details of expenditure by the State Government *vis-à-vis* the amounts authorised by the State Legislature in the budget grants. Any expenditure in excess of the grants requires regularisation by the Legislature.

Part B - List of terms used in the Chapter-I and basis for their calculation

Terms	Basis for calculation
Buoyancy of a parameter	Rate of Growth of the parameter / GSDP Growth
Buoyancy of a parameter (X) with respect to another parameter (Y)	Rate of Growth of the parameter (X) / Rate of Growth of the parameter (Y)
Rate of Growth (ROG)	[(Current year Amount/previous year Amount) –1] * 100
Development Expenditure	Social Services + Economic Services
Weighted Interest Rate	Interest Payment / [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100
Interest spread	GSDP growth – Weighted Interest Rate
Interest received as *per cent* to outstanding loans and advances	(Interest Received / Closing balance of Loans and Advances)*100
Revenue Deficit	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest Payments
Balance from Current Revenue (BCR)	Revenue Receipt <u>minus</u> Plan grants and Non-Plan Revenue Expenditure excluding debits under 2048-Appropriation for Reduction or Avoidance of Debt

102/113/2005—15

Appendix VI

List of Autonomous Institutions which had not rendered accounts for the year 2003-04

(Reference: Paragraph 1.7.7; Page 15)

Sl. No	Name of the Institution
1.	Cochin University of Science and Technology
2.	Calicut University
3.	Sanskrit Univeristy
4.	Kannur University
5.	Centre for Development Studies, Thiruvananthapuram
6.	Kerala Sports Council, Thiruvananthapuram
7.	State Institute of Languages, Nalanda, Thiruvananthapuram
8.	State Institute of Encyclopaedic Publications, Thiruvananthapuram
9.	Agency for Non-conventional Energy and Rural Technology, Thiruvananthapuram
10.	Centre for Development of Imaging Technology (C-DIT), Thiruvananthapuram
11.	Kerala State Pollution Control Board, Plamoodu, Thiruvananthapuram
12.	Kerala Institute of Local Administration, Thrissur (KILA)
13.	Electronics Technology Park (Technopark), Thiruvananthapuram
14.	Kerala Kalamandalam, Cheruthuruthy
15.	Kerala Chalachitra Academy, Thiruvananthapuram
16.	Food Craft Institute (K) Society, Kalamassery
17.	Energy Management Centre, Karamana, Thiruvananthapuram
18.	State Council of Education Research and Training, Thiruvananthapuram
19.	Kerala Sangeetha Nataka Academy, Thrissur
20.	State Institute of Rural Development, Kottarakkara
21.	Multi Purpose Cultural Complex Society, Thiruvananthapuram
22.	SERIFED (Kerala State Sericulture Co-operative Federation Limited), Thiruvananthapuram
23.	Kerala Cashew Workers' Relief and Welfare Fund Board, Kollam
24.	Kerala Lalitha Kala Academy, Thrissur
25.	Kerala Information Technology Service Society, Thiruvananthapuram
26.	Centre for Taxation Studies, Thiruvananthapuram
27.	Kerala State Nirmithi Kendra, Thiruvananthapuram
28.	Kerala Rural Water Supply and Sanitation Agency, Thiruvananthapuram
29.	Kudumashree State Poverty Eradication Mission, Thiruvananthapuram
30.	Primary Education Development Society of Kerala (PEDSK) (DPEP/SSA), Thiruvananthapuram

Appendix VII
Status of submission of accounts as of October 2004 by bodies/authorities
(Reference: Paragraph 1.7.8; Page 16)

Sl. No.	Name of body	Section under which entrusted	Date of entrustment	Year up to which entrusted	Year up to which accounts were due	Year up to which accounts were submitted	Year up to which Audit Reports were issued
1	Command Area Development Authority	19(3)	3 August 2000	2004-05	2003-04	2002-03	2000-01
2	Kerala Institute of Labour and Employment	20(1)	29 June 2002	2006-07	2003-04	2001-02	2001-02
3	Kerala Khadi and Village Industries Board	19(3)	20 January 1999	2002-03	2003-04	2000-01	1999-2000
4	Kerala State Commission for Backward classes	19(3)	25 March 2002	2006-07	2003-04	2001-02	2000-01
5	Kerala Water Authority	19(3)	10 February 1999	2003-04	2003-04	2001-02	2000-01
6	Kerala State Human Rights Commission	19(2)	4 August 1997	1998-99 onwards	2003-04	2002-03	2002-03
7	Kerala Building and Other Construction Workers' Welfare Board	19(2)	20 November 2001	1998-99 onwards	2003-04	2002-03	2000-01
8	Kerala State Legal Services Authority (including 14 District Legal Services Authority)	19(2)	3 December 1997	1998-99 onwards	2003-04	Not submitted from 1998-99 onwards	--

102/113/2005—15A

Appendix VIII
Statement showing cases of misappropriations, defalcations, etc., reported up to March 2004 and pending finalisation as at the end of June 2004
(Reference: Paragraph 1.7.9; Page 16)

(Rupees in lakh)

Sl. No.	Name of Department	Cases reported upto March 2000		Cases reported during								Total	
				2000-01		2001-02		2002-03		2003-04			
		No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1	Agriculture	8	2.25	-	-	-	-	1	1.84	2	88.06	11	92.15
2	Animal Husbandry	5	0.41	-	-	-	-	-	-	3	4.86	8	5.27
3	Cultural affairs (Archives)	1	0.20	-	-	-	-	-	-	-	-	1	0.20
4	Finance												
	(i) National savings	1	0.45	-	-	-	-	-	-	-	-	1	0.45
	(ii) Treasuries	11	93.50	1	19.12	1	0.21	1	0.29	1	23.25	15	136..37
5	Fisheries and Ports	1	1.32	-	-	-	-	-	-	2	4.39	3	5.71
6	Forest and Wildlife	-	-	-	-	1	8.06	-	-	7	26.28	8	34.34
7	General Education	21	29.15	3	7.90	1	0.13	1	0.15	-	-	26	37.33
8	Health and Family Welfare												
	(i) Health Services	9	8.42	-	-	-	-	2	2.16	2	2.76	13	13.34
	(ii) Medical Education	2	0.71	1	2.96	-	-	-	-	-	-	3	3.67
	(iii) Indian Systems of Medicine	-	-	-	-	-	-	-	-	1	1.84	1	1.84
9	Higher Education (Collegiate Education)	5	1.09	-	-	-	-	4	4.88	1	0.20	10	6.17
10	Home												
	(i) Police	4	15.07	-	-	-	-	-	-	-	-	4	15.07
11	Industries	2	0.40	-	-	-	-	-	-	2	0.47	4	0.87
12	Local Self Government (Rural)	8	5.45	-	-	-	-	-	-	1	0.82	9	6.27
13	Public Works												
	(i) Buildings	7	3.14	1	0.13	-	-	1	2.50	1	4.37	10	10.14
	(ii) Roads and Bridges	7	2.66	1	0.56	-	-	1	3.31	-	-	9	6.53
14	Revenue												
	(i) Land Revenue	11	11.09	1	11.87	-	-	-	-	-	-	12	22.96
	(ii) Survey and Land Records	1	5.60	-	-	-	-	-	-	-	-	1	5.60
15	Taxes (Lotteries)	1	3.43	-	-	-	-	1	3.58	-	-	2	7.01
16	Scheduled Caste/ Scheduled Tribes Development	1	0.17	-	-	-	-	-	-	1	1.56	2	1.73
17	Water Resources	20	25.50	1	0.12	-	-	2	10.20	2	0.36	25	36.18
18	Transport – Motor Vehicles	-	-	-	-	-	-	-	-	3	10.89	3	10.89
19	Food, Civil Supplies and Consumer Affairs Department	-	-	-	-	-	-	-	-	1	0.08	1	0.08
	Total	**126**	**210.01**	**9**	**42.66**	**3**	**8.40**	**14**	**28.91**	**30**	**170.19**	**182**	**460.17**

Appendix IX
Department-wise details of Writes off of losses, etc.
(Reference: Paragraph 1.7.10; Page 16)

Sl. No.	Name of Department	Writes off		Waivers	
		Number of cases	Amount *(Rupees in lakh)*	Number of cases	Amount *(Rupees in lakh)*
1.	Agriculture Department	40	0.45	1	0.33
2.	Agriculture (Dairy Development) Department	20	0.94	0	0.00
3.	Co-operation Department	2	1.19	1	0.11
4.	Cultural Affairs Department	1	0.57	2	0.00
5.	Finance Department	14	5.29	2	0.10
6.	Fisheries and Ports Department	0	0.00	1	43.21
7.	Food, Civil Supplies and Consumer Affairs Department	4	0.51	0	0.00
8.	Forest and Wildlife Department	2	0.41	0	0.00
9.	General Administration Department	11	3.24	8	1.23
10.	General Education Department	10	0.31	1	0.05
11.	Health and Family Welfare Department	12	0.58	4	0.28
12.	Higher Education Department	3926*	2.66	4	0.48
13.	Home Department				
	(i) Police	23	14.62	6	4.06
	(ii) Judiciary	2208@	213.61	0	0.00
14.	Housing Department	7	4.44	0	0.00
15.	Industries Department	9	1.64	5	0.61
16.	Information Technology Department	1	5.23	0	0.00
17.	Labour and Rehabilitation Department	3	0.18	3	0.85
18.	Law Department	1	0.27	1	0.19
19.	Planning and Economic Affairs Department	4	0.36	4	0.75
20.	Public Works Department	3	0.88	2	0.25
21.	Revenue Department	1	0.05	0	0.00
22.	Scheduled Castes and Scheduled Tribes Development Department	1	0.05	4	1.75
23.	Stationery Department	1	0.03	0	0.00
24.	Taxes Department	1	0.10	0	0.00
25.	Water Resources Department	1	0.01	0	0.00
Total		**6306**	**257.62**	**49**	**54.25**

* 3231 cases (Rs 0.50 lakh) related to write off of the cost of library books lost and 690 cases (Rs 0.57 lakh) related to write off of unserviceable items in various laboratories under Technical Education department.

@ Most of the cases related to fines imposed on convicts written off.

Appendix X
List of Statutory Corporations and Government Companies having accumulated loss and investment in them by Government
(Reference: Paragraph 1.8.6; Page 17)

Sl. No.	Name of concern	Government investment as of 31 March 2004[$]	Accumulated loss[#]	Period up to which accounts were finalised
		(Rupees in crore)		
1.	The Kerala Financial Corporation	139.99	68.34	2003-04
2.	Kerala State Road Transport Corporation	114.73	1027.00	2001-02
3.	Kerala Industrial Infrastructure Development Corporation	88.24	3.00	2003-04
4.	The Kerala Fisheries Corporation Limited[*]	4.85	11.05	1984-85
5.	Kerala Tourism Development Corporation Limited	43.54	3.14	1999-2000
6.	The Travancore – Cochin Chemicals Limited	16.91	5.55	2003-04
7.	Kerala Construction Components Limited	0.28	1.12	1998-99
8.	Kerala State Industrial Development Corporation	286.74	14.10	2002-03
9.	The Kerala Premo Pipe Factory Limited[*]	1.31	0.19	1985-86
10.	Plantation Corporation of Kerala Limited	5.57	17.11	2001-02
11.	The Kerala Ceramics Limited	5.24	29.87	2002-03
12.	The Kerala Agro-Industries Corporation Limited	3.05	6.34	1998-99
13.	Trivandrum Spinning Mills Limited	7.73	17.28	2002-03
14.	Kerala Electrical and Allied Engineering Company Limited	21.34	59.94	2001-02
15.	Kerala Soaps and Oils Limited	2.59	37.40	1994-95
16.	Travancore Plywood Industries Limited	0.49	23.04	2001-02
17.	Trivandrum Rubber Works Limited	2.75	21.69	1997-98
18.	Kerala State Handloom Development Corporation Limited	10.73	14.00	2002-03
19.	Handicrafts Development Corporation of Kerala Limited	1.94	2.42	1998-99
20.	The Kerala State Cashew Development Corporation Limited	48.87	353.46	2000-01
21.	Chalakudy Refractories Limited[*]	3.47	3.36	1989-90
22.	Kerala State Coir Corporation Limited	8.04	8.33	2001-02
23.	Kerala State Drugs and Pharmaceuticals Limited	1.80	10.60	1994-95
24.	Sitaram Textiles Limited	5.94	29.99	2001-02
25.	Kerala State Textiles Corporation Limited	17.88	42.40	2003-04
26.	The Kerala Land Development Corporation Limited	6.71	32.80	1999-2000
27.	Kerala State Electronics Development Corporation Limited	88.16	346.90	2002-03
28.	The Travancore Sugars and Chemicals Limited	0.32	5.77	2002-03
29.	The Kerala State Civil Supplies Corporation Limited	8.56	335.88	2001-02
30.	Scooters Kerala Limited	2.20	12.40	2002-03
31.	Kerala Automobiles Limited	3.47	1.40	2002-03
32.	Steel Industrials Kerala Limited	27.92	33.60	2002-03

[$] Source – Statement No. 14 of Finance Accounts 2003-04

[#] Audited figures mentioned in the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 2004

[*] Under liquidation

Appendix X – *Concld.*

Sl. No.	Name of concern	Government investment as of 31 March 2004[$]	Accumulated loss[#]	Period up to which accounts were finalised
		(Rupees in crore)		
33	Kerala State Construction Corporation Limited	0.88	12.07	2001-02
34	Kerala State Film Development Corporation Limited	17.66	17.67	2001-02
35	Kerala Livestock Development Board Limited	6.03	2.47	2000-01
36	Kerala State Coconut Development Corporation Limited	2.85	10.90	1992-93
37	Kerala Small Industries Development Corporation Limited	18.16	36.48	2001-02
38	Kerala Fishermen's Welfare Corporation Limited[*]	0.42	1.00	1982-83
39	Kerala State Engineering Works Limited[*]	0.46	1.51	1991-92
40	Metropolitan Engineering Company Limited	2.52	6.87	1998-99
41	The Kerala State Handicapped Persons' Welfare Corporation Limited	2.01	0.59	1994-95
42	Kerala Artisans' Development Corporation Limited	1.93	2.17	2000-01
43	Kerala State Development Corporation for Christian Converts from Scheduled Castes and the Recommended Communities Limited	13.50	0.49	1992-93
44	Transformers and Electricals Kerala Limited	11.20	63.79	2002-03
45	The Metal Industries Limited	0.47	1.99	2003-04
46	Meat Products of India Limited	0.98	5.89	2001-02
47	Kerala Special Refractories Limited*	2.91	2.08[&]	1996-97
48	Kerala State Poultry Development Corporation Limited	1.00	3.66	2002-03
49	Kerala State Women's Development Corporation Limited	6.57	0.31	1994-95
50	Kerala State Horticultural Products Development Corporation Limited	5.18	1.82	1997-98
51	Kerala Hitech Industries Limited	13.00	16.34	2002-03
52	Kerala School Teachers and Non-teaching Staff Welfare Corporation Limited	0.50	1.16	2003-04
53	Steel Complex Limited	3.00	49.59	2003-04
54	Kerala State Wood Industries Limited[#]	1.25	6.54	1989-90
55	Kerala State Maritime Development Corporation	8.86	5.33	2002-03
56	Kerala State Mineral Development Corporation Limited	1.26	0.49[&]	2002-03
57	Kerala Feeds Ltd.	20.74	0.40	2003-04
58	Autokast Limited	1.00	118.63	2002-03
59	Kerala State Ex-servicemen Development and Rehabilitation Corporation	0.50	0.04	2002-03
	Total	**1126.20**	**2949.75**	

[$] Source – Statement No. 14 of Finance Accounts 2003-04

[#] Audited figures mentioned in the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 2004

[*] Under liquidation

[#] Under lockout from 1st June 1993

[&] Based on figures in Statement No. 14 of Finance Accounts 2003-04

Appendix XI
Arrears in preparation of Proforma Accounts by Departmental Commercial Undertakings
(Reference: Paragraph 1.8.8; Page: 18)

Department	Number of undertakings	Name of undertaking/trading scheme	Year for which accounts are due
Finance Department	1	Kerala State Insurance Department	1967 to 1982 and 1991 to 2003
General Education Department	1	Text Book Office, Thiruvananthapuram.	1987-88 to 2003-04
Public Works and Transport Department	1	State Water Transport Department, Alappuzha.	1997-98 to 2003-04
Home Department	1	Rubber Plantation at Open Prison, Nettukaltheri	2003-04
Agriculture (Animal Husbandry) Department	3	Intensive Poultry Development Block, Muvattupuzha.	1993-94 to 1996-97 and 2003-04
		Intensive Poultry Development Block, Pettah	1994-95, 1995-96, 2001-02 and 2002-03, 2003-04 ** (upto 31.10.2003)
		Feed Compounding Unit, Chengannur*	2003-04

** The institution was transferred to Kerala State Poultry Development Corporation with effect from 01 November 2003.

* Formerly Poultry Feed Manufacturing and Distribution Scheme, Chengannur.

Appendix XII
Areas in which major savings occurred
(Reference: Paragraph 2.3.1; Page 29)

(Rupees in crore)

Grant No./ Major Head	Areas in which major savings occurred	Savings
	REVENUE (VOTED)	
II	**Heads of States, Ministers and Headquarters Staff**	
2052	Modernising Government Programme (MGP)	30
3451	Implementation of Modernising Government Programme	98
3451	Kerala Information Technology Services Society	13
VI	**Land Revenue**	
2029	Cadastral Survey	19
XV	**Public Works**	
3054	Kerala State Transport Project	37
XX	**Water Supply and Sanitation**	
2215	Grant-in-aid to Kerala Water Authority	59
XXI	**Housing**	
2216	Assistance to State Housing Board	20
XXII	**Urban Development**	
2217	Capital City Development Programme	31
2217	Valmiki Ambedker Awaz Yojana	30
2217	Plan Assistance to Corporations for Local Area Plan Programme	28
2217	Plan Assistance to Municipalities for Local Area Plan Programme	16
XXIV	**Labour and Labour Welfare**	
2230	Pilot Scheme for social safety net under MGP	48
2230	Assistance to Panchayats – Block grant for Revenue Expenditure	41
XXV	**Social Welfare including Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes**	
2225	Pooled fund for SCP	20
2225	Economic Development Scheme for SCs utilising special Central Assistance	13
2225	Insurance scheme for Tribals	10
2225	Resettlement of Landless Tribals	9
XXX	**Food**	
2408	Reimbursment of price difference of Ration rice and wheat to Food Corporation of India	111
2408	Grant to Kerala State Civil Supplies Corporation for Market Intervention operation	20
XL	**Ports**	
3051	Termination of unproductive infrastructure Projects in Harbour Engineering Department under MGP	10
	CAPITAL (VOTED)	
XV	**Public Works**	
5054	Works having NABARD assistance – District and other roads	9
5054	Bridges and Culverts- State Highways	5
XVII	**Education, Sports, Art and Culture**	
4202	Buildings for Engineering Colleges/Technical Colleges and Institutes	8
4202	Construction of workshed in schools for conducting Vocational courses	8
XVIII	**Medical and Public Health**	
4210	Acquisition of land and construction of building for Medical college Hospital and College Hostel at Kottayam	3
4210	Upgradation facilities in the Regional Institute of Ophthalmology	3
XXV	**Social Welfare including Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes**	
4225	Construction of Headquarters building for KIRTADS	6
4225	Establishing shopping complex of SCs	5
4225	Renovation of post metric hostels	5
4225	Land and building for training centers	5
XXXIII	**Fisheries**	
6405	Loans to Matsyafed for Integrated Pilot Project for Fisheries Development	9
6405	Integrated Project for Fisheries Development	5
XXXVIII	**Irrigation**	
4711	Anti-sea Erosion works under Eleventh Finance Commission	19
4701	Velliamkallu causeway - works	7
XLI	**Transport**	
5053	Share capital contribution to Thiruvananthapuram Airport Development Society	10
5075	Inland Navigation	9

Appendix XIII
Significant cases of savings in grants/appropriation
(Reference: Paragraph 2.3.1; Page 30)

(Rupees in crore)

Sl. No.	Number and Name of Grant/Appropriation		Total Grant/ Appropriation	Amount of savings (percentage)
	Revenue Voted			
1	II	Heads of States, Ministers and Headquarters Staff	271.23	160.58 (59)
2	VI	Land Revenue	123.87	28.55 (23)
3	VII	Stamps and Registration	46.21	5.37 (12)
4	X	Treasury and Accounts	67.57	7.74 (11)
5	XIII	Jails	38.51	9.17 (24)
6	XV	Public Works	636.76	86.02 (14)
7	XX	Water Supply and Sanitation	305.50	75.14 (25)
8	XXI	Housing	79.30	27.74 (35)
9	XXII	Urban Development	331.05	116.82 (35)
10	XXIV	Labour and Labour Welfare	174.60	83.04 (48)
11	XXV	Social Welfare including Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	631.72	94.20 (15)
12	XXIX	Agriculture	429.26	63.06 (15)
13	XXX	Food	170.06	130.73 (77)
14	XXXI	Animal Husbandry	118.91	21.83 (18)
15	XXXIII	Fisheries	45.22	7.25 (16)
16	XXXIV	Forest	177.36	25.87 (15)
17	XXXVI	Community Development	166.20	35.96 (22)
18	XL	Ports	17.83	11.07 (62)
19	XLII	Tourism	75.92	15.70 (21)
	Capital Voted			
20	XV	Public Works	320.11	47:61 (15)
21	XVII	Education, Sports, Art and Culture	32.58	17.89 (55)
22	XVIII	Medical and Public Health	39.01	17.48 (45)
23	XXI	Housing	23.44	5.37 (23)
24	XXV	Social Welfare including Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	53.20	36.81 (69)
25	XXVII	Co-operation	37.10	7.45 (20)
26	XXX	Food	22.32	8.11 (36)
27	XXXIII	Fisheries	32.96	19.81 (60)
28	XXXVII	Industries	114.49	23.58 (21)
29	XXXVIII	Irrigation	173.77	31.98 (18)
30	XLI	Transport	41.40	28.62 (69)
	Total		**4797.46**	**1250.55**

Appendix XIV
Persistent savings
(Reference: Paragraph 2.3.2; Page 30)

(Rupees in crore)

Sl. No.	Number and Name of Grant/Appropriation		Amount of savings (Percentage)		
			2001-02	2002-03	2003-04
	Revenue (Voted)				
1	VI	Land Revenue	44.99 (37)	35.32 (30)	28.55 (23)
2	XX	Water Supply and Sanitation	54.57 (29)	59.54 (23)	75.14 (24)
3	XXII	Urban Development	60.53 (33)	99.92 (31)	116.82 (35)
4	XXIV	Labour and Labour Welfare	60.58 (49)	55.87 (45)	83.04 (48)
5	XXX	Food	126.51 (74)	112.55 (65)	130.73 (77)
6	XL	Ports	2.73 (31)	1.63 (21)	11.07 (62)
	Revenue (Charged)				
7	XV	Public Works	1.17 (81)	0.97 (67)	1.48 (91)
8	XVII	Education, Sports, Art and Culture	0.14 (100)	0.14 (99)	0.14 (100)
	Capital (Voted)				
9	XVII	Education, Sports, Art and Culture	14.27 (43)	20.22 (52)	17.89 (55)
10	XIX	Family Welfare	1.96 (93)	1.62 (54)	1.85 (62)
11	XXV	Social Welfare including Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	11.73 (52)	25.57 (61)	36.81 (69)
12	XXX	Food	9.53 (38)	6.28 (25)	8.11 (36)
13	XXXI	Animal Husbandry	0.11 (24)	4.85 (93)	4.03 (99)
14	XXXIV	Forest	2.78 (59)	1.42 (29)	1.09 (26)
15	XL	Ports	5.73 (77)	4.24 (54)	3.59 (43)
	Total		**397.33**	**430.14**	**520.34**

Appendix XV
Excess over provision relating to previous years requiring regularisation
(Reference: Paragraph 2.3.3; Page 30)

(Rupees in crore)

Year	No. of Grants/ Appro-priations	Grant/Appropriation Numbers	Amount of excess	Amount for which explanation not furnished to PAC
1983-84	2	XVII RV and CV	3.69	3.58
1984-85	1	XVII – RV	29.36	29.36
1985-86	2	XVII RV and CCh	34.30	34.30
1988-89	1	XVIII – RV	0.04	0.04
1989-90	1	XVII – RV	38.45	--
1990-91	4	VI – RV, XVII – RV, XIX – RV, XXVIII – RV	81.90	8.01
1991-92	4	II – RCh, XVII – RV and CV, XVIII – CV	36.07	0.28
1992-93	2	XXV – CV, XXX – RV	0.31	0.31
1993-94	3	XVII – CCh, XX – CV, XXII – CV	0.74	0.74
1994-95	2	XVIII – CV&CCh	1.47	1.47
1995-96	8	VI – RCh, XIV – RV, XX – RV, XXVI – RV, XXXIX – CV, XLI – RV & CV, XLII – RV	40.77	40.77
1996-97	5	VI – RCh, XIV – CV, XVIII – CV, XXV – CCh, XXXIX – CV	0.67	0.39
1997-98	5	XIV – CV, XV – RCh, XVIII – CV, XXV – CV, XLII – CV	23.31	23.31
1998-99	4	XIV – CV, XV – RCh, XXV – RV, XXVIII – CV	8.00	7.90
1999-2000	2	I – RV, XIX – RV	22.17	21.95
2000-01	4	I – RCh, XVI – RV, XIX – RV, XXV – RV	347.29	51.77
2001-02	6	XI – RV, XII – CV, XVII – CCh, XVIII – CV, XIX – RV, XXXVII – RV	92.64	92.60
2002-03	10	I – RV, III – RV, VII – RV, X – RV, XVI – RV, XIV – RV, XVIII – RV, III – RCh, Debt charges – RCh & PDR - CCh	1403.12	1402.97
Total	66		**2164.30**	**1719.75**

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

Appendix XVI
Cases of unnecessary supplementary grants/appropriations
(Reference: Paragraph 2.3.5; Page 31)

(Rupees in crore)

Sl. No.	Number and Name of Grant		Original grant	Supplementary grant	Total	Expenditure	Savings
	Revenue Voted						
1	II	Heads of States, Ministers and Headquarters Staff	261.55	9.68	271.23	110.65	160.58
2	VI	Land Revenue	123.08	0.79	123.87	95.32	28.55
3	VII	Stamps & Registration	44.24	1.97	46.21	40.84	5.37
4	XII	Police	534.37	29.35	563.72	530.58	33.14
5	XV	Public Works	571.99	64.77	636.76	550.74	86.02
6	XVIII	Medical and Public Health	736.09	23.13	759.22	724.20	35.02
7	XX	Water Supply and Sanitation	304.17	1.33	305.50	230.36	75.14
8	XXI	Housing	79.28	0.01	79.29	51.55	27.74
9	XXII	Urban Development	316.05	15.00	331.05	214.23	116.82
10	XXIII	Information and Publicity	11.54	0.59	12.13	10.88	1.25
11	XXIV	Labour and Labour Welfare	173.35	1.25	174.60	91.56	83.04
12	XXVIII	Miscellaneous Economic Services	32.26	1.62	33.88	31.35	2.53
13	XXIX	Agriculture	412.48	16.78	429.26	366.20	63.06
14	XXXI	Animal Husbandry	118.50	0.41	118.91	97.08	21.83
15	XXXIII	Fisheries	42.21	3.01	45.22	37.97	7.25
16	XXXIV	Forest	176.75	0.60	177.35	151.48	25.87
17	XXXV	Panchayat	1253.84	24.80	1278.64	1174.06	104.58
18	XXXVI	Community Development	153.83	12.37	166.20	130.24	35.96
19	XXXVII	Industries	196.62	2.50	199.12	191.92	7.20
20	XXXVIII	Irrigation	114.25	5.70	119.95	108.63	11.32
21	XLI	Transport	15.88	0.36	16.24	14.37	1.87
22	XLII	Tourism	72.53	3.39	75.92	60.21	15.71
	Revenue Charged						
23	XV	Public Works	1.52	0.10	1.62	0.14	1.48
	Capital Voted						
24	XVII	Education, Sports, Art and Culture	29.78	2.80	32.58	14.69	17.89
25	XVIII	Medical and Public Health	29.51	9.50	39.01	21.53	17.48
26	XXV	Social Welfare including Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	47.51	5.69	53.20	16.39	36.81
27	XXXIII	Fisheries	27.02	5.94	32.96	13.15	19.81
28	XLV	Miscellaneous Loans and Advances	5.25	0.06	5.31	3.87	1.44
	Capital Charged						
29	XV	Public Works	0.30	0.14	0.44	0.23	0.21
Total			**5885.75**	**243.64**	**6129.39**	**5084.42**	**1044.97**

Appendix XVII
Cases of excessive supplementary grants/appropriations
(Reference: Paragraph 2.3.5; Page 31)

(Rupees in crore)

Sl. No.	Number and Name of Grant/Appropriation	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Expenditure	Savings
	Revenue Voted					
1	IV Elections	7.38	14.99	22.37	21.05	1.32
2	IX Taxes on vehicles	15.44	0.35	15.79	15.47	0.32
3	X Treasury and Accounts	46.10	21.46	67.56	59.82	7.74
4	XIII Jails	23.18	15.33	38.51	29.34	9.17
5	XIV Stationery and Printing and other Administrative Services	88.26	13.21	101.47	95.70	5.77
6	XVI Pensions and Miscellaneous	2285.88	544.00	2829.88	2688.82	141.06
7	XXV Social Welfare including welfare of Scheduled Castes. Scheduled Tribes and Other Backward Classes	481.79	149.93	631.72	537.52	94.20
8	XXVI Relief on Account of Natural Calamities	155.68	47.85	203.53	202.25	1.28
9	XXXIX Power	202.20	406.84	609.04	572.47	36.57
	Revenue Charged					
10	XVI Pensions and Miscellaneous	2.84	3.47	6.31	5.47	0.84
	Capital Voted					
11	XIV Stationery and Printing and other Administrative Services	0.11	0.36	0.47	0.36	0.11
12	XV Public Works	155.91	164.20	320.11	272.50	47.61
13	XXI Housing	12.58	10.86	23.44	18.07	5.37
14	XXIX Agriculture	4.15	22.12	26.27	24.51	1.76
15	XXXVII Industries	63.47	51.02	114.49	90.91	23.58
16	XXXVIII Irrigation	126.01	47.75	173.76	141.78	31.98
17	XXXIX Power	26.98	1189.18	1216.16	1173.90	42.26
18	XLII Tourism	12.70	2.30	15.00	14.08	0.92
	Total	**3710.66**	**2705.22**	**6415.88**	**5964.02**	**451.86**

Appendix XVIII
Cases where supplementary provision proved insufficient
(Reference: Paragraph 2.3.5; Page 31)

(Rupees in crore)

Sl. No.	Number and Name of Grant/Appropriation	Original provision	Supplementary provision	Total	Expenditure	Excess uncovered
	Revenue Voted					
1	I State Legislature	14.20	2.69	16.89	18.11	1.22
2	III Administration of Justice	78.79	7.60	86.39	91.09	4.70
3	V Agricultural income Tax and Sales Tax	54.51	5.36	59.87	62.81	2.94
4	XI District Administration and Miscellaneous	112.89	12.58	125.47	129.58	4.11
5	XVII Education. Sports. Art and Culture	2985.53	20.26	3005.79	3127.65	121.86
	Revenue Charged					
6	II Heads of States. Ministers and Headquarters Staff	22.66	1.39	24.05	24.61	0.56
7	Debt Charges	2738.13	360.73	3098.86	3328.57	229.71
	Capital Charged					
8	Public Debt repayment	5509.57	3887.46	9397.03	10322.03	925.00
	Total	**11516.28**	**4298.07**	**15814.35**	**17104.45**	**1290.10**

Appendix XIX
Excessive/unnecessary reappropriation of funds
(Reference: Paragraph 2.3.7; Page 31)

(Rupees in crore)

Sl. No	Number, Name of Grant/ Appropriation and Head of account	Original plus supplementary provision	Reappropriation	Final grant/ appropriation	Actual expenditure	Excess (+)/ Savings (-)
	II Heads of States, Ministers and Headquarters staff					
1.	3451-00-797-99	-	50.00	50.00	-	-50.00
	Debt Charges					
2.	2049-01-123-00	265.13	4.87	270.00	263.32	-6.68
3.	2049-03-104-99	356.73	1.09	357.82	352.51	-5.31
4.	2049-04-106-99	2.00	-2.00	-	4.03	+4.03
	XIII Jails					
5.	2056-00-101-99	17.23	-1.26	15.97	17.39	+1.42
	XV Public Works					
6.	3054-80-800-99	76.23	29.98	106.21	101.79	-4.42
7.	4059-01-051-86	1.39	7.19	8.58	7.69	-0.89
8.	5054-01-337-98	1.65	3.10	4.75	1.24	-3.51
	XVI Pensions and Miscellaneous					
9.	2071-01-102-99	341.93	-93.08	248.85	254.23	+5.38
10.	2071-01-105-99	210.72	4.70	215.42	211.51	-3.91
11.	2071-01-111-99	2.93	0.66	3.59	2.91	-0.68
	XVII Education, Sports, Art and Culture					
12.	2202-01-198-50	70.02	-4.88	65.14	66.53	+1.39
13.	2202-03-102-93	11.25	-1.55	9.70	10.21	+0.51
14.	2203-00-103-99	11.74	-0.80	10.94	11.82	+0.88
15.	2204-00-103-82	--	+1.00	1.00	0.27	-0.73
	XVIII Medical and Public Health					
16.	2210-01-110-99	152.35	-3.93	148.42	152.67	+4.25
17.	2210-01-110-98	24.42	-4.30	20.12	23.60	+3.48
18.	2210-01-110-94	7.99	-0.55	7.44	8.14	+0.70
19.	2210-03-103-99	50.03	-0.95	49.08	60.54	+11.46
20.	4210-03-105-89	5.26	-0.60	4.66	5.22	+0.56
	XIX Family Welfare					
21.	2211-00-101-96	-	2.00	2.00	0.02	-1.98
	XXII Urban Development					
22.	2217-80-191-45	93.25	10.36	103.61	65.09	-38.52
23.	2217-80-192-45	117.44	12.40	129.84	101.32	-28.52
	XXV Social Welfare including Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes					
24.	2225-03-277-99	24.28	4.21	28.49	27.05	-1.44
25.	2235-60-198-50	76.51	1.11	77.62	76.76	-0.86
	XXVI Relief on account of Natural Calamities					
26.	2245-01-102-99	6.00	34.93	40.93	40.26	-0.67
27.	2245-02-101-94	0.40	2.81	3.21	2.43	-0.78
28.	2245-02-106-99	63.48	-16.74	46.74	47.46	+0.72
	XXXV Panchayat					
29.	2515-00-196-45	185.00	2.95	187.95	164.91	-23.04
30.	2515-00-198-45	741.70	77.95	819.65	751.69	-67.96
	XLII Tourism					
31.	3452-80-800-90	15.00	1.00	16.00	13.05	-2.95
	Public Debt Repayment					
32.	6003-00-108-99	55.00	-1.14	53.86	100.41	+46.55

Appendix XX
Non-surrender of savings of Rs 5 crore and above
(Reference: Paragraph 2.3.8; Page 31)

(Rupees in crore)

Sl. No.	Number and Name of Grant/Appropriation		Savings	Amount surrendered	Amount not surrendered
	Revenue Voted				
1	II	Heads of States, Ministers and Headquarters Staff	160.58	111.75	48.83
2	X	Treasury and Accounts	7.74	0.01	7.73
3	XII	Police	33.14	19.06	14.08
4	XV	Public Works	86.02	32.04	53.98
5	XXI	Housing	27.74	11.58	16.16
6	XXII	Urban Development	116.82	34.38	82.44
7	XXV	Social Welfare including Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	94.20	87.19	7.01
8	XXXIII	Fisheries	7.25	0.06	7.19
9	XXXV	Panchayat	104.58	7.81	96.77
10	XXXIX	Power	36.57	--	36.57
11	XLII	Tourism	15.71	0.87	14.84
	Capital Voted				
12	XV	Public Works	47.61	18.43	29.18
13	XXXIII	Fisheries	19.81	2.29	17.52
14	XXXVII	Industries	23.58	12.63	10.95
15	XXXIX	Power	42.27	--	42.27
16	XLI	Transport	28.62	16.35	12.27
	Total		**852.24**	**354.45**	**497.79**

Appendix XXI
Excess surrender of savings
(Reference: Paragraph 2.3.9; Page 32)

(Rupees in crore)

Sl. No.	Number and Name of Grant/Appropriation		Savings	Amount surrendered	Amount surrendered in excess
	Revenue Voted				
1	VII	Stamps and Registration	5.37	8.81	3.44
2	VIII	Excise	1.80	3.81	2.01
3	XIII	Jails	9.17	10.69	1.52
4	XVIII	Medical and Public Health	35.03	44.08	9.05
5	XXIV	Labour and Labour Welfare	83.04	83.84	0.80
6	XXX	Food	130.73	130.92	0.19
7	XXXVI	Community Development	35.96	42.43	6.47
8	XXXVII	Industries	7.20	8.59	1.39
9	XLI	Transport	1.87	2.21	0.34
	Capital Voted				
10	XXIX	Agriculture	1.76	1.78	0.02
11	XXX	Food	8.11	8.81	0.70
12	XXXVIII	Irrigation	31.98	39.28	7.30
	Total		**352.02**	**385.25**	**33.23**

Appendix XXII
Arrears in reconciliation
(Reference: Paragraph 2.4; Page 32)

Year	Number of controlling officers	Number of monthly reconciliation certificates due
1997-98	1	12
1998-99	3	25
1999-2000	3	25
2000-01	6	58
2001-02	13	177
2002-03	42	494
2003-04	118	1646

Appendix XXIII
Flow of expenditure
(Reference: Paragraph 2.5; Page 32)

Sl. No.	Major Head		Total expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2004	
				Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
			(Rupees in crore)			*(Rupees in crore)*	
1	2506	Land Reforms	5.76	5.72	99	4.37	76
2	2551	Hill Areas	12.63	10.49	83	7.05	56
3	2801	Power	572.47	572.27	100	572.22	100
4	2810	Non-conventional sources of Energy	5.39	4.87	90	4.53	84
5	2885	Other Outlays on Industries and Minerals	1.50	1.50	100	1.50	100
6	2215	Water Supply and Sanitation	230.30	135.80	59	115.06	50
7	2225	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	230.01	117.97	51	79.01	34
8	4202	Capital Outlay on Education, Sports, Art and Culture	14.69	12.77	87	10.62	72
9	4210	Capital Outlay on Medical and Public Health	21.53	17.12	80	12.82	60
10	4216	Capital Outlay on Housing	1.93	1.26	65	1.26	65
11	4225	Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	10.48	7.29	70	4.46	43
12	4235	Capital Outlay on Social Security and Welfare	5.80	4.58	79	4.48	77
13	4402	Capital Outlay on Soil and Water Conservation	7.41	6.66	90	5.43	73
14	4406	Capital Outlay on Forestry and Wild life	3.11	2.23	72	1.59	51
15	4702	Capital Outlay on Minor Irrigation	16.41	11.81	72	9.49	58
16	5051	Capital Outlay on Ports and Lighthouse	4.72	3.34	71	2.13	45
Total			**1144.14**	**915.68**		**836.02**	

102/113/2005—16

Appendix XXIV
Excess payment of pension cases noticed during 2003-04
(Reference: Paragraph 2.6.2; Page 33)

Sl. No.	Treasury*	Inspn. Report No.	Total No. of cases	Excess payment of pension/family pension						Total (Rupees)
				Due to irregular fixation of pension/ FP		Payment of FP beyond the date of higher rate		Other reasons		
				No. of cases	Rupees	No. of cases	Rupees	No. of cases	Rupees	
1.	S.T. Chirayinkeezhu	2287	7	2	2746	1	669	4	2209	5624
2.	S.T. Koothuparambu	2292	16	--	--	1	13464	15	12112	25576
3.	S.T. Erattupettah	2291	4	--	--	--	--	4	5920	5920
4.	S.T. Vellarikundu	2290	5	--	--	1	2413	4	3972	6385
5.	S.T. Thriprayar	2296	1	--	--	--	--	1	1363	1363
6.	S.T. Parassala	2309	2	--	--	2	16434	--	--	16434
7.	S.T. Kodungallur	2312	2	--	--	--	--	2	2240	2240
8.	S.T. Rajakumari	2313	2	1	1404	--	--	1	175	1579
9.	D.T. Thiruvananthapuram	2299	6	1	4350	1	35225	4	1075	40650
10.	S.T. Chathannur	2311	1	--	--	1	4164	--	--	4164
11.	S.T. Thalasserry	2303	5	--	--	2	3629	3	825	4454
12.	Additional. S.T. Thiruvananthapuram	2304	19	1	589	--	--	18	4183	4772
13.	S.T. Kunnamkulam	2301	2	--	--	--	--	2	1121	1121
14.	S.T. Pudukkad	2314	3	--	--	1	1078	2	700	1778
15.	S.T. Sulthan Bathery	2294	9	--	--	--	--	9	15427	15427
16.	S.T. Thirur	2331	2	--	--	--	--	2	2056	2056
17.	S.T. Chavakkad	2308	4	--	--	--	--	4	2777	2777
18.	S.T. Mukundapuram	2307	1	--	--	--	--	1	175	175
19.	D.T. Wayanad	2306	10	--	--	--	--	10	4336	4336
20.	S.T. Vythiri	2302	2	--	--	--	--	2	1316	1316
21.	S.T. Thrissur	2324	3	--	--	--	--	3	18694	18694
22.	P.P.S.T. Kollam	2321	12	1	8178	--	--	11	36502	44680
23.	S.T. Kattappana	2317	5	4	7419	--	--	1	9333	16752
24.	S.T. Peerumedu	2319	2	2	1756	--	--	--	--	1756
25.	S.T. Nedumkandam	2320	1	--	--	--	--	1	350	350
26.	D.T. Idukki	2325	3	2	1893	--	--	1	100	1993
27.	S.T. Uzhavoor	2326	4	--	--	--	--	4	2504	2504
28.	S.T. Karuvarakundu	2332	1	--	--	--	--	1	275	275
29.	S.T. Ponnani	2333	2	--	--	--	--	2	550	550
30.	S.T. Areacode	2330	1	--	--	--	--	1	448	448
31.	S.T. Changanasserry	2339	2	--	--	2	23134	--	--	23134
32.	R.D.T. Kattakkada	2337	1	--	--	1	7978	--	--	7978
33.	S.T. Perinthalmanna	2340	9	--	--	--	--	9	8077	8077
34.	S.T. Thirurangadi	2342	1	--	--	1	1299	--	--	1299
35.	S.T. Taliparambu	2345	4	--	--	--	--	4	3704	3704
36.	S.T. Payyannur	2344	3	--	--	--	--	3	1811	1811
37.	S.T. Makkaraparambu	2343	2	--	--	--	--	2	955	955
38.	S.T. Kannur	2346	1	--	--	--	--	1	100	100

* S.T. - Sub Treasury; D.T. - District Treasury; R.D.T.- Rural District Treasury; P.P.S.T - Pension Payment Sub Treasury

Appendix XXIV – Concld.

Sl. No.	Treasury	Inspn. Report No.	Total no. of cases	Excess payment of pension/family pension						Total (Rupees)
				Due to irregular fixation of pension/ FP		Payment of FP beyond the date of higher rate		Other reasons		
				No. of cases	Rupees	No. of cases	Rupees	No. of cases	Rupees	
39.	S.T. Koyilandi	2348	4	--	--	--	--	4	913	913
40.	P.P.S.T. Kozhikode	2350	7	--	--	--	--	7	3728	3728
41.	S.T. Chakkarakallu	2351	4	1	418	--	--	3	250	668
42.	S.T. Perambra	2354	7	--	--	3	4778	4	5733	10511
43.	S.T. Aluva	2353	2	1	18768	--	--	1	7401	26169
44.	S.T. Mulanthuruthy	2355	1	--	--	--	--	1	64	64
45.	S.T. Feroke	2356	7	--	--	1	616	6	9930	10546
46.	S.T. Pattambi	2357	6	--	--	--	--	6	2603	2603
47.	S.T. Agali	2359	3	--	--	1	7323	2	1485	8808
48.	P.P.S.T. Ernakulam	2370	20	3	27361	3	27980	14	8821	64162
49.	S.T. Kollengode	2402	4	--	--	--	--	4	4223	4223
50.	S.T. Kootanad	2378	7	--	--	--	--	7	10494	10494
51.	S.T. Wadakkencherry	2380	2	--	--	--	--	2	4115	4115
52.	S.T. Kuzhalmannam	2377	4	--	--	--	--	4	3862	3862
53.	S.T. Mattancherry	2398	1	--	--	--	--	1	27360	27360
54.	S.T. Neeleswaram	2414	1	--	--	1	775	--	--	775
55.	P.PS.T. Alappuzha	2369	15	--	--	2	25790	13	8583	34373
56.	S.T. Kayamkulam	2368	2	--	--	2	6624	--	--	6624
57.	S.T. Kuthiathodu	2362	3	--	--	--	--	3	8363	8363
58.	D.T. Kottarakkara	2391	9	--	--	3	1936	6	5351	7287
59.	S.T. Pandalam	2392	6	--	--	4	33284	2	1083	34367
60.	S.T. Kunnathunadu	2395	1	--	--	1	1063	--	--	1063
61.	S.T. Kothamangalam	2386	1	1	348	--	--	--	--	348
62.	S.T. Punalur	2387	6	1	1470	--	--	5	1075	2545
63.	S.T. Kadakkal	2389	6	1	330	1	1760	4	400	2490
64.	S.T. Kilimanoor	2283	2	--	--	1	2772	1	1215	3987
65.	S.T. Kalloorkad	2407	1	--	--	--	--	1	384	384
66.	D.T. Ernakulam	2403	2	--	--	--	--	2	605	605
67.	S.T. Mallapally	2406	3	--	--	--	--	3	3276	3276
68.	S.T. Manjeswar	2401	6	--	--	--	--	6	4457	4457
69.	S.T. Chattanchal	2400	1	--	--	--	--	1	175	175
70.	S.T. Koothattukulam	2385	1	--	--	--	--	1	50785	50785
71.	S.T. Cherthala	2366	3	--	--	--	--	3	1756	1756
72.	S.T. Thiruvambady	2285	4	1	1268	1	105	2	200	1573
73.	S.T. Kothamangalam	2386	1	--	--	1	1981	--	--	1981
74.	S.T. Kaduthuruthy	2284	1	--	--	--	--	1	1206	1206
75.	D.T. Thrissur	2300	3	--	--	--	--	3	925	925
76.	S.T. Piravam	2418	3	--	--	--	--	3	1558	1558
77.	S.T. Devikulam	2323	2	--	--	--	--	2	1220	1220
78.	S.T. Gandhi Nagar	2322	5	3	14469	2	22034	--	--	36503
79.	S.T. Ponkunnam	2328	4	1	12161	2	1551	1	500	14212
80.	D.T. Kottayam	2388	6	--	--	--	--	6	5341	5341
	TOTAL		**337**	**27**	**104928**	**43**	**249859**	**267**	**334825**	**689612**

Appendix XXV

Statement showing Excess retention of cash balance in the Treasury
(Reference: Paragraph 2.6.2; Page 34)

Sl. No.	Name of Treasury	Prescribed limit (Rs in lakh)	Maximum amount retained (Rs)	No. of days the limit exceeded
1.	Sub Treasury, Kallorkad	12	34,21,899	6
2.	Sub Treasury, Kunnathunadu	3	5,77,532	5
3.	Sub Treasury, Chathannur	18 12	86,05,659	8
4.	Pen. Payment Sub Treasury, Kollam	6	30,15,489	7
5.	District Treasury, Kollam	6	19,12,467	8
6.	Sub Treasury, Mallappally	3	10,30,146	13
7.	Sub Treasury, Pandalam	4	13,31,874	9
8.	Sub Treasury, Kottarakara	18	52,02,702	20
9.	Sub Treasury, Pathanapuram	12	53,07,584	6
10.	Sub Treasury, Kadakkal	12	75,69,136	6
11.	District Treasury, Ernakulam	24	1,44,15,326	14
12.	Sub Treasury, Mattancherry	2	12,62,905	15
13.	Sub Treasury, Angamaly	2	15,76,378	14
14.	Sub Treasury, North Parur	2	10,00,639	17
15.	Sub Treasury, Aluva	2	9,02,742	16
16.	Sub Treasury, Mulanthuruthy	1	3,68,671	21
17.	District Treasury, Alappuzha	2	10,57,900	8
18.	Sub Treasury, Cherthala	4	21,42,245	5
19.	Sub Treasury, Kuthiathodu	10 8	24,98,424	7
20.	Sub Treasury, Mancompu	30 10	43,54,844	7
21.	Pen. Payment Sub Treasury, Alappuzha	8	15,63,218	8
22.	Sub Treasury, Alappuzha	12 10	15,63,218	6
23.	Sub Treasury, Karimannoor	10	52,77,789	14
24.	Sub Treasury, Peerumedu	14	97,77,477	5
25.	Sub Treasury, Rajakumari	10	41,89,658	Almost all days
26.	District Treasury, Idukki	9	39,84,645	7
27.	Sub Treasury, Kattappana	14	99,41,465	8
28.	District Treasury, Kottayam	4	1,17,38,626	10
29.	Sub Treasury, Gandhinagar	7	80,57,134	9
30.	Sub Treasury, Ponkunnam	3	4,69,089	5
31.	Sub Treasury, Pampady	9	26,80,788	6

Appendix XXV – Concld.

Sl. No.	Name of Treasury	Prescribed limit (Rs in lakh)	Maximum amount retained (Rs)	No. of days the limit exceeded
32.	Sub Treasury, Pallickathodu	9	50,80,945	4
33.	Sub Treasury, Punalur	4 2	8,99,999	8
34.	Sub Treasury, Anchal	12	73,61,552	6
35.	Sub Treasury, Chirayinkal	3	12,94,704	15
36.	Rural District Treasury, Kattakada	6 4	10,37,019	8
37.	Sub Treasury, Malayinkeezhu	12 9	46,36,131	10
38.	Sub Treasury, Parasala	3 2	50,57,788	10
39.	Addl. Sub Treasury, Thiruvananthapuram	60	8,40,40,589	17
40.	Sub Treasury, Kilimanoor	36	52,41,337	11
41.	Sub Treasury, Vellayambalam	2	10,44,009	17
42.	District Treasury, Wayanad	42	85,36,372	13
43.	District Treasury, Kannur	6	1,08,41,054	14
44.	Sub Treasury, Uzhavoor	1	5,71,665	17
45.	Sub Treasury, Kaduthuruthy	12 10	1,05,39,105	12
46.	Sub Treasury, Thottilpalam	18	39,11,253	6
47.	Sub Treasury, Thiruvampady	18	37,10,247	10
48.	Sub Treasury, Kunnamkulam	18 12	1,40,47,590	19
49.	Sub Treasury, Tripunithura	0.15	5,54,172	17
50.	Addl. Sub Treasury, Thrissur	2	19,59,484	9
51.	Pen. Payment Sub Treasury, Ernakulam	4	23,60,280	9
52.	Sub Treasury, Ernakulam	4	10,33,781	9
53.	Sub Treasury, Vellarikundu	3	43,24,962	11
54.	Sub Treasury, Chattanchal	10 5	72,45,583	9
55.	Sub Treasury, Manjeshwar	12	94,91,536	18
56.	Sub Treasury Mavelikara	4	11,34,664	12
57.	Sub Treasury, Chengannur	3	38,63,891	13
58.	Sub Treasury, Koothattukulam	1	2,54,339	9
59.	Sub Treasury, Kothamangalam	18	1,23,99,041	11

Appendix XXVI
Statement showing Improper Maintenance of Appropriation Control Registers
(Reference: Paragraph 2.6.2; Page 34)

Sl. No.	Name of Treasury	No. of cases	Excess payment (Rupees)
1.	District Treasury, Thrissur	3	22,654
2.	Sub Treasury, Kalloorkad	1	3,250
3.	Sub Treasury, Kunnathunadu	3	15,992
4.	Addl. Sub Treasury, Thrissur	4	1,76,647
5.	Sub Treasury, Chathannur	1	1,40,000
6.	District Treasury, Kollam	1	1,299
7.	Sub Treasury, Mallappally	5	26,079
8.	Sub Treasury, Pandalam	2	4,49,847
9.	Sub Treasury, Kadakkal	2	26,250
10.	District Treasury, Ernakulam	3	1,54,000
11.	Sub Treasury, Angamaly	1	1,341
12.	Sub Treasury, North Parur	2	1,36,240
13.	Sub Treasury, Aluva	4	10,766
14.	Sub Treasury, Annamanada	2	7,026
15.	District Treasury, Alappuzha	2	827
16.	Sub Treasury, Nedumkandam	2	1,366
17.	Sub Treasury, Pampady	1	290
18.	Sub Treasury, Pallickathodu	1	1,240
19.	Sub Treasury, Mundakayam	1	1,440
20.	Sub Treasury, Punalur	1	986
21.	Sub Treasury, Chirayinkil	1	1,000
22.	Sub Treasury, Malayinkeezhu	3	87,219
23.	Addl. Sub Treasury, Thiruvananthapuram	5	1,209
24.	District Treasury, Wayanad	4	19,37,221
25.	Sub Treasury, Vythiri	1	3,517
26.	Sub Treasury, Chakkarakallu	1	17,669
27.	Sub Treasury Kaduthuruthi	3	2,782
28.	Sub Treasury, Karuvarakundu	1	17,664
29.	Sub Treasury, Thottilpalam	3	3,384
30.	Addl. Sub Treasury, Ernakulam	3 1	17,321 29,141
31.	Sub Treasury, Ernakulam	3	12,137
32.	Sub Treasury, Thalassery	1	3,123
33.	District Treasury, Kasargod	1	20,858
34.	Sub Treasury, Kayamkulam	2	51,191
	Total	**75**	**33,82,976**

Appendix XXVII
Percentage of savings on major items
(Reference: Paragraph 3.1.7; Page 37)

(Rupees in crore)

Head of Account	Year	Budget provision	Expenditure	Savings	Percentage of savings
2225-01-800-57 Pooled funds for SCP Plan	2000-01	80.53	63.53	17.00	21
	2001-02	62.53	12.98	49.55	79
	2003-04	56.50	36.46	20.04	35
2225-01-277-99 Model Residential Schools (Plan)	2001-02	11.00	6.80	4.20	38
	2002-03	10.80	3.54	7.26	67
	2003-04	8.00	5.77	2.23	28
2225-01-800-99 Industrial Training Centres (NP)	1999-2000	1.96	1.42	0.54	28
	2000-01	1.91	1.46	0.45	24
	2001-02	2.16	1.48	0.68	31
	2003-04	2.09	1.61	0.48	23
2225-01-793-99 Economic Development Schemes for SC utilising Special Central Assistance	2001-02	7.50	0.71	6.79	90
	2002-03	15.00	11.96	3.04	20
	2003-04	15.00	2.31	12.69	85
2225-01-277-94 Pre-matric Hostels	2000-01	2.75	1.96	0.79	29
	2001-02	2.90	1.73	1.17	40
	2002-03	2.63	1.92	0.71	27

Appendix XXVIII
Inspection reports pending disposal
(Reference: Paragraph 3.1.47; Page 47)

Year	No. of paragraphs
1990-01	4
1991-92	2
1992-93	7
1993-94	3
1994-95	-
1995-96	-
1996-97	16
1997-98	-
1998-99	-
1999-2000	16
2000-01	17
2001-02	-
2002-03	14
2003-04	13
Total	**92**

Appendix XXIX
Profile of Kollam District
(Reference: Paragraph 3.2.1 Page 49)

	District Hand book	**2001 census**
Geographical area	2491 sq.km	
Forest cover	81438 ha	
Sown area	141838 ha	
Non-agricultural land	23421 ha	
Waste land	8072 ha	
Total population		25.85 lakh
Male population		12.50 lakh
Female population		13.35 lakh
Density of population		1038 per sq.km
Scheduled castes population		3.23 lakh
Scheduled tribe population		5190
Literacy rate		
Male		94.43
Female		88.18
Birth rate	18	
Death rate	6.3	
Infant mortality	14	
Life expectancy		
Male	72.2	
Female	78.1	
Occupational profile		
Main workers		6,54,823
Marginal workers		1,73,743
Others		17,56,642
Poverty enumeration		
Total number of families	4,81,223	
No. of BPL families	1,75,617 (39.32 *per cent*)	
Scheduled caste families	41,166	
Scheduled tribe families	1,532	
Others	1,32,919	
Other details		
Railway track	143.23 km	
National Highway	136.65 km	
State Highway	132.80 km	
PWD Road	1774.50 km	
Water Transport System	63.80 km	
Schools		
High schools	213	
Upper Primary school	208	
Lower Primary school	475	
Arts and Science Colleges	13	
Medical institutions		
Allopathic system	83	
Bed strength	2156	
Ayurveda System	9	
Bed strength	190	
Homoeo system	4	
Bed strength	91	

Appendix XXX
Details of Water Supply Schemes under execution
(Reference: Paragraph 3.2.11; Page 50)

(Rupees in lakh)

Sl. No.	Name of scheme	Population to be covered (1991 census)	Month & year of sanction	Estimated cost	Expenditure as on March 2004	Remarks
1.	LIC aided Rural Water Supply scheme to Ochira	24325	March 1995	529.48	99.01	Certain pipes procured. Work not commenced due to non-availability of land.
2.	LIC aided Rural Water Supply scheme to Karunagappally	43691	March 1997	440.00	122.00	-do-
3.	LIC aided Rural Water Supply scheme to Chavara	38309	March 1997	920.00	28.27	-do-
4.	LIC aided Rural Water Supply scheme to Panmana	45722	March 1997	894.00	0.59	Work not commenced due to non-availability of land.
5.	LIC aided Rural Water Supply scheme to Thevalakkara	37717	November 1999	995.00	0.00	-do-
6.	LIC aided Rural Water Supply scheme to Thekkumbhagam	15813	November 1999	640.00	0.00	-do-
7.	CWSS to Alappad and Clappana villages	45845	1997-98	723.00	70.61	Non-availability of land.[#]
8.	CARWSS to Kulathupuzha and adjoining villages	118043	October 1993	418.00	113.61	Certain pipes procured. Work not commenced due to non-availability of land.
9.	CARWSS to Pathanapuram and adjoining villages	139833	October 1993	378.00	114.58	-do-
10.	CARWSS to Kottarakkara and adjoining villages	113518	April 6 1991	140.00	423.07	Trial run conducted in December 2000 but not commenced yet.
11.	RWSS to Perinad and Panayam	50398	March 1997	564.00	41.63	Partially commissioned (A portion of the scheme area changed with direct pumping)
12.	LIC aided RWSS to Kalakkadu	12500	1996	96.00	53.19	Commissioned in January 2002
13.	ARWSS to Mundro island	15000	2000	43.72	42.03	Commissioned in September 2003
14.	World Bank aided WSS to Chithra and adjoining Panchayats	125000	1986	758.00	813.00	Commissioned in 1999
	Total	**825714**			**1921.59**	

[#] Mention was made in para 7.14.10 of the Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 2001 about the delay in implementation.

Appendix XXXI
Non-utilisation of Assets/Facilities
(Reference: Paragraph 3.2.36; Page 55)

Sl. No.	Name of Hospital	Purpose of construction	Date of completion	Reasons for non-utilisaiton
1.	Primary Health Centre, Paripally	I.P. Ward (20 beds)	16.7.1999	For want of medical/ paramedical staff
2.	Primary Health Centre, Chadayamangalam	I.P. Ward (12 beds)	4/95	-do-
3.	Primary Health Centre, Madathara	I.P. Ward (18 beds)	2001	-do-
4.	Primary Health Centre, Pattazhi	I.P. Ward (16 beds)	NA*	-do-
5.	Primary Health Centre, Kalakode	I.P. Ward (12 beds)	20.10.70	-do-
6.	Primary Health Centre, Thazhava	I.P. Ward (12 beds)	19.6.1992	For want of medical/ para medical staff
7.	Primary Health Centre, Mynagapally	I.P. ward (10 beds)	2001	-do-
8.	Primary Health Centre, Kulathupuzha	I.P. Ward (4 beds)	2001	-do-
9.	Primary Health Centre, Sreenarayanapuram	PHC Building (MPLAD)	2000	Building is not sufficient
10.	Primary Health Centre, Thrikkovilvattom	New building	12/2002	For want of power and water supply
11.	Primary Health Centre, Nedumancavu	(i) 6 quarters to the Hospital	1974	Away from the Hospital
		(ii) IP Ward (10 beds)	7.8.2002	For want of power and water supply
		(iii) Post-mortem Room	NA	
12.	Primary Health Centre, Vilakudy	(i) I.P. Ward (10 beds)	17.10.91	For want of medical/paramedical staff
		(ii) Office building	20.3.1980	
		(iii) Immunisation Block	2.10.1998	
13.	Primary Health Centre, Kunnathur	PHC Building	NA	Construction not in accordance with the norms of Health Services
14.	Taluk HQrs Hospital, Punalur	(i) Pediatric ward (24 beds)	31.1.1998	For want of medical/ para medical staff.
		(ii) Canteen Building	NA	Unauthorised encroachment
15.	Govt. Hospital, Neendakara	(i) X-Ray Unit (Rs 2.55 lakh)	10.7.2000	For want of operating staff.
		(ii) Labour Room and Operation Theatre	16.8.2000	For want of medical/para medical staff
16.	Taluk HQrs Hospital, Karunagapally	(i) Blood Bank Building	NA	-do-
		(ii) ICC Unit		For want of equipments
17.	Taluk Hospital, Kottarakkara	(i) Comfort Station	2002-03	For want of power and water supply
		(ii) Blood Bank Building (Rs 3.77 lakh)	27.11.1997	For want of operating staff and licence

* Not Available

Appendix XXXI – Concld.

Sl. No.	Name of Hospital	Purpose of construction	Date of completion	Reasons for non-utilisaiton
18.	Primary Health Centre, Peruman	(i) I.P. Ward (17 beds) (ii) I.P. Ward (7 beds) (iii) Flood Relief Camp Shed (iv) Labour Room & Equipments (v) 2 mortuaries with equipments	N.A	-do-
19.	Govt. Hospital, Mayyanad	(i) Labour Room (ii) Operation theatre (iii) Laboratory	1993 1993 11/02	Want of medical/para medical staff
20	Govt. Hospital, Neendakara	Out of 60 beds available only 1/3 is utilised and the balance is unutilised	NA	-do-
21.	Community Health Centre, Pathanapuram	(i) Operation Theatre (ii) Labour Room	NA	-do-
22.	Community Health Centre, Thrikkadavur	(i) Maternity Ward (ii) Operation Theatre	NA	-do-
23.	Primary Health Centre, Chadayamangalam	Ambulance vehicle	2000	Ambulance allotted to the M.O. is in the custody of the Panchayat without any orders from Government

Appendix XXXII
Department-wise and age-wise details of outstanding Inspection Reports (IRs)
(Reference: Paragraph 3.3.42; Page 68)

Year	Indian Systems of Medicine		Homoeopathy		Ayurveda Medical Education		Homoeopathy Medical Education	
	Number of IRs	Number of Paragraphs	Number of IRs	Number of Paragraphs	Number of IRs	Number of Paragraphs	Number of IRs	Number of Paragraphs
1990-91	1	1	-	-	-	-	-	-
1992-93	-	-	-	-	1	2	-	
1993-94	-	-	-	-	1	1	-	-
1994-95	1	2	-	-	3	7	-	-
1995-96	3	3	2	3	1	1	-	-
1996-97	1	2	-	-	1	2	-	-
1997-98	2	4	-	-	2	2	-	-
1998-99	3	8	1	1	1	3	1	5
1999-2000	9	18	3	5	5	11	-	-
2000-01	16	26	3	3	2	8	1	2
2001-02	23	37	15	21	5	15	2	3
2002-03	50	87	13	16	6	13	2	3
Total	**109**	**188**	**37**	**49**	**28**	**65**	**6**	**13**

Appendix XXXIII

Occupations/processes in which employment of children are prohibited
The Schedule (Section 3) of Child Labour (P&R) Act 1986
(Reference: Paragraph 3.4.1; Page 70)

PART A - OCCUPATIONS	
Any occupation connected with	
1.	Transport of passengers, goods or mails by railway
2.	Cinder picking, clearing of an ash pit or building operation in the railway premises
3.	Work in a catering establishment at a railway station, involving the movement of a vendor or any other employee of the establishment from one platform to another or into or out of a moving train
4.	Work relating to the construction of a railway station or with any other work where such work is done in close proximity to or between the railway lines
5.	A port authority within the limits of any port
6.	Work relating to selling of crackers and fireworks in shops with temporary licences
7.	Abattoirs/slaughter houses
8.	Automobile workshops and garages
9.	Foundries
10.	Handling of toxic or inflammable substances or explosives
11.	Handloom and powerloom industry
12.	Mines (Underground and Underwater) and collieries
13.	Plastic units and fibreglass workshops
PART B - PROCESSES	
1.	Bidi-making
2.	Carpet weaving including preparatory and incidental process thereof
3.	Cement manufacture, including bagging of cement
4.	Cloth printing, dyeing and weaving including processes preparatory and incidental thereto
5.	Manufacture of matches, explosives and fire works
6.	Mica-cutting and splitting
7.	Shellac manufacture
8.	Soap manufacture
9.	Tanning
10.	Wool cleaning
11.	Building and construction industry including processing and polishing of granite stones
12.	Manufacture of slate pencils (including packing)
13.	Manufacture of product from agate.
14.	Manufacturing processes using toxic metals and substances, such as, lead, mercury, manganese, chromium, cadmium, benzene, pesticides and asbestos
15.	"Hazardous processes" as defined in Sec. 2(cb) and dangerous operations as defined in rules made under Sec.87 of the Factories Act, 1948 (63 of 1948)
16.	Printing as defined in Sec 2(k)(iv) of the Factories Act, 1948 (63 of 1948)
17.	Cashew and Cashewnut descaling and processing
18.	Soldering processes in electronic industries
19.	'Aggarbatti' manufacturing
20.	Automobile repairs and maintenance including processes incidental thereto, namely, welding, lathe work, dent beating and painting
21.	Brick Kilns and Roof tiles units
22.	Cotton ginning and processing and production of hosiery goods
23.	Detergent manufacturing
24.	Fabrication workshops (ferrous and non-ferrous)
25.	Gem cutting and polishing

Appendix XXXIII – Concld.

26.	Handling of chromite and manganese ores
27.	Jute textile manufacture and coir making
28.	Lime Kilns and manufacture of lime
29.	Lock making
30.	Manufacturing processes having exposure to lead such as primary and secondary smelting, welding and cutting of lead-painted metal constructions, welding of galvanised or zinc silicate, polyvinyl chloride, mixing (by hand) of crystal glass mass, sanding or scrapping of lead paint, burning of lead in enamelling workshops, lead mining, plumbing, cable making, wire patenting, lead casting, type founding in printing shops, store type setting, assembling of cars, shot making and lead glass blowing.
31.	Manufacturing of cement pipes, cement products and other related work
32.	Manufacturing of glass, glassware including bangles, fluorescent tubes, bulbs and other similar glass products
33.	Manufacture of dyes and dye stuff
34.	Manufacturing or handling of pesticides and insecticides
35.	Manufacturing or processing and handling of corrosive and toxic substances, metal cleaning and photo engraving and soldering processes in electronic industry
36.	Manufacturing of burning coal and coal briquettes
37.	Manufacturing of sports goods involving exposure to synthetic materials, chemicals and leather
38.	Moulding and processing of fibreglass and plastic
39.	Oil expelling and refinery
40.	Paper making
41.	Potteries and ceramic industry
42.	Polishing, moulding, cutting, welding and manufacture of brass goods in all forms
43.	Processes in agriculture where tractors, threshing and harvesting machines are used and chaff cutting
44.	Saw mill-all processes
45.	Sericulture processing
46.	Skinning, dyeing and processes of manufacturing of leather and leather products
47.	Stone breaking and stone crushing
48.	Tobacco processing including manufacturing of tobacco, tobacco paste and handling of tobacco in any form
49.	Tyre making, repairing, re-treading and graphite benefication
50.	Utensils making, polishing and metal buffing
51.	Zari making (all processes)
52.	Electroplating
53.	Graphite powdering and incidental processing
54.	Grinding and glazing of metals
55.	Diamond cutting and polishing
56.	Extraction of slate from mines
57.	Rag picking and scavenging

Appendix XXXIV
Execution of works not covered under the scheme
(Reference: Paragraph 3.7.12; Page 95)

Sl. No.	Name of District/ Constituency	Details of work	Amount sanctioned	Expenditure incurred	Year in which sanctioned	Remarks/ reasons
			(Rs in lakh)			
ALAPPUZHA						
1.	Pandalam	Construction of compound wall to Karumalakkal Orphanage in Chamakara	3.00	2.92	2001-03	Works belonging to Trusts, Registered societies and private institutions are not permissible as per guidelines
2.	-do-	Construction of compound wall to Harijan Colony temple in Thazhakara	1.5	Not completed	2002-03	Works in places of religious worship are not permissible
3.	Kuttanad	Concreting of Bus Station Yard, Edathua (KSRTC)	16.00	15.94	2002-03	Works belonging to commercial organisation not permissible
4.	-do-	Construction of Library building for Cochin University College of Engineering, Pulinkunnu.	9.00	9.23	2002-03	Self financing institution
5.	-do-	Construction of MCA Block in Cochin University College of Engg., Pulinkunnu.	15.00	Not completed	2003-04	-do-
6.	Haripad	Purchase of Lab items/Specimen in Govt. HSS, Ayaparambu	1.50	1.50	2002-03	Purchase of inventory not permissible
7.	Kayamkulam	Comfort Station of KSRTC Bus Station, Kayamkulam	10.00	Work in progress	2003-04	Work of commercial organisation
PATHANAMTHITTA						
8.	Pathanamthitta	Construction of building for BEd Centre, Elanthoor.	6.10	-	2002-03	Self financing institution
9.	-do-	Assistance to cancer care centre society for completion of payward in Kozhenchery Govt. Hospital	15.00	5.00	2003-04	Work belong to Registered societies not permissible

Appendix XXXIV – Concld.

Sl. No.	Name of District/ Constituency	Details of work	Amount sanctioned	Expenditure incurred	Year in which sanctioned	Remarks/ reasons
			(Rs in lakh)			
ERNAKULAM						
10.	Angamaly	Construction of shopping complex building at Karukutty	10.00	9.50	2002-03	Commercial purpose
11.	Kothamangalam	Reconstruction of office building for Varapetty Panchayat	15.00	Not started	2002-03	Office building
12.	Perumbavoor	Development of baffallo market	3.50	3.45	2001-02	Commercial purpose
13.	Angamaly	Doctors' quarters for PHC Chully	5.00	4.74	2002-03	Residential quarters not permissible
KOZHIKODE						
14.	Vadakara	Purchase of 15 wooden cots	0.50	0.42	2003-04	Purchase of stock
15.	Meppayar	Construction of office building for Kunnummal grama Panchayat	7.00	Not started	2001-02	Office building
16.	-do-	Office building for Kuttiadi GP	10.00	9.84	2002-03	Office building
Total			**128.10**	**62.54**		

Appendix XXXV

Delay in execution of works

Works not arranged

(Reference: Paragraph 3.7.15; Page 96)

Sl. No.	District	LAC	Description of Work	Date of A.S	Estimate (Rs in lakh)	Implementing Officer	Remarks
1.	Thiruvananthapuram	Attingal	Building, Government H.S., Attingal	3.1.2003	4.00	BDO, Chirayinkil	No volunteers to take up work
2.	-do-	-do-	Building for Veterinary Hospital, Kadakavoor	13.2.2002	5.00	-do-	-do-
3.	-do-	Thiruvananthapuram North	Cloak room in Vattiyurkavu Market	27.6.2003	0.50	Exe. Engineer, PWD, Building Dn., Thiruvananthapuram	Tendered. No response.
4.	-do-	Thiruvananthapuram West	Library Hall for ITI, Chacka	22.3.2003	2.00.	-do-	-do-
5.	-do-	-do-	Re-construction of Foot bridge across Parvathy Puttanar	6.5.2003	5.00	Executive. Engineer, PWD Roads Dn., Thiruvananthapuram	-do-
6.	Thiruvananthapuram	Neyyattinkara	Construction of wood bridge at Chirakonam	20.2.2003	1.00	Executive Engineer, PWD Roads Dn., Thiruvananthapuram	-do-
7.	-do-	-do-	Construction of Poovanvila bridge	22.3.2003	1.00	-do-	-do-
	Total				**18.50**		

Appendix XXXVI
Delay in arranging works
(Reference: Paragraph 3.7.16; Page 96)

Sl. No.	District	LAC	Description of Work	Date of A.S	Estimate (Rs in lakh)	Implementing Officer	Remarks
1.	Pathanamthitta	Aranmula	Metaling and tarring of Sasthakaripady – Kannan Road	3.5.2002	1.00	BDO, Koipuram	Agreement executed on 20.8.2003 (after 15 months) work completed.
2.	-do-	-do-	Metaling and tarring of Thevanthundilpady – CSI Church road	16.5.2002	1.00	-do-	Agreement executed on 2.12.2003 (after 6 months) work completed.
3.	-do-	Kalloopara	Building for Govt. U.P.S., Vallamkulam	18.5.2003	2.00	BDO, Koipuran	Agreement executed on 9.2.2004 (after 8 months) work completed
4.	-do-	-do-	Concreting of Vennikulam – Ruthapally road	18.6.2003	1.50	-do-	Agreement executed on 7.2.2004 only (after 7 months) work completed
5.	-do-	Konny	Metaling and tarring of Thundiyilpady – Nedumuripady road	23.7.2002	2.00	BDO, Konni	Agreement executed on 18.2.2003 only (after 6 months) work completed
6.	-do-	-do-	Metaling and tarring of Kizhakupuram – Pulimoodu road	23.7.2002	2.00	-do-	-do-
7.	-do-	-do-	Providing chipping carpet to Vakayar estate – Ruthapally road	23.7.2002	2.00	-do-	-do-
8.	-do-	-do-	Construction of Thekkunath – Kurathiyad road	23.7.2002	0.50	-do-	-do-
9.	Pathanamthitta	Pandalam	Metaling and tarring of Kuravakalpady – Kaliyilpady road	14.12.2002	2.00	BDO, Kulanada	Agreement executed on 21.1.2004 only (after 13 months)
10.	-do-	-do-	Metaling and tarring of Ambadiyil – High School Jn. Road	16.5.2002	1.00	-do-	Agreement executed on 12.11.2002 (after 6 months) work completed

Appendix XXXVI – Concld.

Sl. No.	District	LAC	Description of Work	Date of A.S	Estimate (Rs in lakh)	Implementing Officer	Remarks
11.	-do-	Aranmula	Metalling and tarring of Mangattumala – Lekshmiveedu colony road	16.5.2002	1.00	-do-	Agreement executed on 27.11.2002 (after 6 months) work completed
12.	Ernakulam	Kothamangalam	Building for P.H.C., Cheravathur	6.3.2003	5.00	Exe. Engineer, Buildings Dn., Moovattupuzha	Agreement executed on 14.11.2003 (after 8 months) work not started
13.	-do -	-do-	Reconstruction of Varapetty Panchayat Office	25.3.2003	15.00	Exe. Engineer, PWD Buildings Division, Ernakulam	Agreement executed on 31.12.2003 only (after 8 months)
14.	Kozhikode	Koduvally	Auditorium cum class room for Govt. H.S. Poonoor	28.10.2002	5.25	BDO, Balussery	Agreement executed on 9.6.2003 only (after 8 months)
	Total				**41.25**		

Appendix XXXVII

Department-wise details of outstanding Inspection Reports and Paragraphs as on 30 June 2004

(Reference Paragraph 4.7.9; Page 138)

Sl. No.	Name of Department	Number of IRs/Paras outstanding	
		IRs	Paras
1.	Agriculture	995	3470
2.	Co-operation	70	155
3.	Cultural Affairs	65	455
4.	Election	4	11
5.	Finance	974	3665
6.	Fisheries and Ports	148	562
7.	Food and Civil Supplies	65	99
8.	General Administration	44	162
9.	General Education	1918	4885
10.	Harbour Engineering	34	54
11.	Health and Family Welfare	1507	4532
12.	Higher Education	986	3252
13.	Home	177	499
14.	Housing	12	144
15.	Industries	147	498
16.	Information Technology	2	21
17.	Kerala Public Service Commission	7	17
18	Labour and Rehabilitation	297	578
19.	Law	2	2
20.	Legislature Secretariat	14	69
21.	Local Self Government	615	8786
22.	Non-Resident Keralites Affairs	1	2
23.	Personnel and Administrative Reforms	8	64
24.	Planning and Economic Affairs	31	107
25.	Public Relations	3	14
26.	Public Works	694	2479
27.	Revenue	401	1089
28.	Rural Development	254	874
29.	Sainik Welfare	29	46
30.	Scheduled Castes and Scheduled Tribes Development	179	629
31.	Science, Technology and Environment	47	355
32.	Social Welfare	124	293
33.	Taxes	147	280
34.	Tourism	1	3
35.	Transport	40	67
36.	Water Resources	920	2670
	Total	**10962**	**40888**

Appendix XXXVIII
Statement showing the year-wise position and nature of irregularity of outstanding Inspection Reports
(Reference : Paragraph : 4.7.9; Page 138)

a) Year-wise analysis

Period	Industries Department			Insurance Medical Services Department		
	Number of IRs	Number of paragraphs	Money value (Rs in lakh)	Number of IRs	Number of paragraphs	Money value (Rs in lakh)
Upto 1999-2000	9	24	1923.38	47	118	166.58
2000-01	14	29	1198.70	24	50	5.92
2001-02	18	63	4682.91	18	44	5372.15
2002-03	27	76	6966.34	18	44	535.93
2003-04	8	37	2148.32	12	19	6.30
Total	76	229	**16919.65**	**119**	**275**	**6086.88**

b) Nature of Irregularity

Sl.No	Nature of Irregularity	Number of paragraphs	Amount (Rs in lakh)
	Industries Department		
1	Advance pending adjustment	5	1659.55
2	Drawal of funds in advance of requirement	8	2125.49
3	Excess payment of personal claims	67	4.61
4	Idle investment	10	373.72
5	Outstanding loans, interest and other dues	29	7675.04
6	Non/irregular implementation of schemes	66	3572.98
7	Others	44	1508.26
	Total	**229**	**16919.65**
	Insurance Medical Service Department		
1	Time expired/slow moving medicines	30	25.28
2	Irregularities in local purchase of medicines	7	3.85
3	Advances pending adjustment	12	620.66
4	Delay in settlement of workers insurance claims	3	3.93
5	Idle equipment/Buildings	30	6.39
6	Idle man power	12	1.51
7	Loss/Theft/Misappropriation etc.	14	24.38
8	Excess payment of personal claims	90	3.35
9	Irregularities in Diet management	5	1.76
10	Irregularities in cash management	27	2.59
11	Others	45	5393.18
	Total	**275**	**6086.88**

Appendix XXXIX

Statement showing number of paragraphs for which Action Taken Notes had not been furnished by the Administrative Department
(Reference : Paragraph : 4.7.10; Page 139)

Sl. No.	Name of Department	Audit Report for the year	Para No.	Number of Audit Paragraphs
1	Agriculture	2002-03	3.1, 4.1.1	2
2	Cultural Affairs	2002-03	4.2.1	1
3	Election	2002-03	4.2.2	1
4	Finance	1993-94 1997-98 1998-99 1999-2000 2000-01 2002-03	2.12 2.8 1.9,1.11 3.6,3.7 1.7 4.6.1.5.1	9
5	Fisheries & Ports	1995-96 1999-2000 2000-01 2002-03	3.7, 3.8, 4.15 3.10, 5.2 7.5, 4.2.3	7
6	Forest & Wild Life	1993-94	4.16	1
7	General Education	1993-94 1998-99 2000-01 2001-02 2002-03	3.10 3.8 3.8 7.5, 7.6 4.1.1, 4.4.1, 4.6.2, 4.6.3	9
8	Health & Family Welfare	1997-98 1998-99 1999-2000 2000-01 2001-02 2002-03	3.8 3.9 3.2, 3.13, 3.14, 3.15 3.1, 3.2, 3.9, 3.10, 7.6 3.5 3.2, 3.4, 4.1.1, 4.4.2, 4.5.1, 4.6.3, 5.1	19
9	Higher Education	1996-97 2000-01 2002-03	7.12, 7.13 7.8, 7.9, 7.10 4.2.4	6
10	Home	2002-03	3.6, 4.5.2	2
11	Industries	1996-97 1999-2000 2000-01 2002-03	7.21 3.19, 7.7 3.12, 3.13, 3.16, 7.7 4.5.3	8
12	Information Technology	2002-03	4.6.4	1
13	Labour and Rehabilitation	2002-03	3.3, 3.4	2

Appendix XXXIX – Concld.

Sl. No.	Name of Department	Audit Report for the year	Para No.	Number of Audit Paragraphs
14	Local Self Government	1998-99 1999-2000 2001-02 2002-03	6.15 3.3, 7.16, 7.19 3.1, 3.2, 7.7 4.3.1, 4.5.4, 4.6.5, 4.6.6	11
15	Public Works and Transport	1997-98 1998-99 1999-2000 2000-01 2001-02 2002-03	4.14 2.4, 4.12, 4.17, 4.18, 4.20 3.21, 4.5, 4.6, 4.8, 4.9, 4.11, 4.12, 4.13, 4.14, 4.15 4.9, 4.10, 4.14, 4.15 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8 4.3.2, 4.4.3, 4.5.5	31
16	Planning and Economic Affairs	2001-02	3.6	1
17	Revenue	1996-97 2000-01 2001-02 2002-03	3.10 3.19, 3.20 3.7, 3.8 4.2.5, 4.2.6, 4.6.7	8
18	Scheduled Castes and Scheduled Tribes Development	1996-97 2001-02	2.8 3.9, 3.10	3
19	Social Welfare	2000-01 2002-03	3.21 3.4	2
20	Taxes	1997-98	3.18	1
21	Water Resources	1993-94 1995-96 1996-97 1997-98 1998-99 1999-2000 2000-01 2001-02 2002-03	4.5, 4.6 4.6, 4.7, 4.8, 4.9 4.3, 4.5, 4.8 4.10 3.16, 4.8, 4.9, 4.10 4.2, 4.3, 4.4, 5.1 4.1, 4.3, 4.4, 4.5, 4.6 4.10 3.5, 4.2.7, 4.4.4, 4.4.5, 4.5.6, 4.6.8	30