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REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA

FOR THE YEAR ENDED 31 MARCH 2009

(CIVIL)

GOVERNMENT OF KERALA

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Preface

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

2. Chapter - I deals with the findings of performance audit in the Agriculture, Health and Family Welfare, Information Technology and Transport/Home/Public Works Departments. Chapter - II deals with the findings of transaction audit in the Fisheries and Ports; Forest and Wildlife; General Education; Health and Family Welfare; Higher Education; Home; Housing; Local Self Government; Personnel and Administrative Reforms; Power; Public Works and Water Resources Departments. Chapter - III deals with the integrated audit of the Scheduled Tribes Development Department.

3. Reports containing (a) observations arising out of audit of Statutory Corporations, Boards and Government Companies, (b) observations on revenue receipts of the State Government, (c) observations relating to Local Self Government Institutions and (d) observations on the finances of the State Government are being presented separately.

4. The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 2008-09 as well as those which had come to notice in earlier years but could not be included in the previous Reports. Matters relating to the period subsequent to 2008-09 have also been included, wherever necessary.

OVERVIEW

This Report comprises three Chapters. Chapter I includes four performance audit reviews, Chapter II includes 25 paragraphs on audit of financial transactions of various Government departments and Chapter III includes a report on an integrated audit of the Scheduled Tribes Development Department.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples have been drawn based on statistical sampling methods as well as on judgemental basis. The specific audit methodology adopted for programmes and schemes has been mentioned in the reviews. The audit conclusions have been drawn and the recommendations made, taking into consideration the views of the Government. The audit findings are given below:

1. State Horticulture Mission

The State Horticulture Mission was launched in 2005-06 to give new momentum to the development of horticulture, generate employment and enhance farm income. The Perspective Plan for the Mission period (2005-2012) was not prepared. The Annual Action Plans for 2005-08 were prepared without basic data from district/field level agencies, as a result of which the targets were unrealistic. A total amount of Rs 267.90 crore was received from Central and State Government during 2005-09, of which Rs 112.34 crore (42 *per cent*) remained unutilised with the State Horticulture Mission, the district Missions and other implementing agencies as of March 2009. There was excess payment of assistance of Rs 2.16 crore to farmers for ginger and turmeric crops and non-payment of assistance of Rs 51.81 lakh for pepper crops in the four test-checked districts under the area expansion programme. The total area under cultivation of major crops, namely pineapple, pepper and ginger declined in 2007-08 as compared to 2004-05, despite expenditure of Rs 10.93 crore during 2005-08 under the area expansion programme. The areas under banana and turmeric crops showed only a marginal increase. In the Idukki and Wayanad districts, the production of pepper decreased despite spending Rs 34.46 crore under the scheme, 'Rejuvenation of pepper gardens' during 2005-08. Subsidy of Rs 3.25 crore, earmarked for pack houses, mobile processing units and cold storages during 2005-09 was not utilised due to poor response arising out of low subsidy rates.

(Paragraph 1.1)

2. National Rural Health Mission

The National Rural Health Mission was launched by Government of India in April 2005 for strengthening rural health care institutions by providing adequate infrastructure facilities and funds. In Kerala, the State Health Mission was set up in September 2006. A review of the implementation of the National Rural Health Mission revealed improvements in the flow of funds to rural health institutions, upgradation of infrastructure in some health institutions and better health awareness among the rural population. Although sample household surveys were carried out in the three test-checked districts, facility surveys required to identify health care needs of rural areas were conducted only in Community Health Centres though the guidelines stipulated that these were also to be carried out in Primary Health Centres and Sub Centres. The Perspective Plan for the Mission period was not prepared. During 2007-08 and 2008-09, National Rural Health Mission funds of Rs 1.48 crore were spent on activities not approved by Government of India in the annual Programme Implementation Plans and Rs 51.86 lakh was diverted without their approval. Accredited Social Health Activists selected during 2007-08 and 2008-09 were not imparted training in three out of five prescribed modules. Availability of manpower, infrastructure and equipment in Community Health Centres and Primary Health Centres did not meet the Indian Public Health Standards. Guidelines for procurement of medicines prescribed by Government of India were not followed. Penalty of Rs 3.18 crore for delayed supplies of medicines was not levied. An effective Health Management Information System was not set up even though hardware and software valuing Rs 4.70 crore were procured for this purpose. Under the 'Integrated Disease Surveillance Project', hardware and accessories procured for Rs 54.82 lakh for video-conferencing units at the district level were lying idle as the State level video-conferencing unit had not been set up due to non-provision of space by the Director of Health Services.

(Paragraph 1.2)

3. Road Safety Management in Kerala

Road safety is an area of serious concern for the State Government. Kerala, with three *per cent* of the national population (2001 Census) accounted for nine *per cent* of the total road accidents in the country. The Kerala Road Safety Authority was constituted in April 2007 to co-ordinate road safety activities and make recommendations for formulating a road safety policy for the Government. A Road Safety Fund was also created for this purpose. Inadequacies in the strength of enforcement officers in the Motor Vehicles and Police Departments and the rapid increase in the number of vehicles led to ineffective enforcement of the provisions of the Motor Vehicles Act and Rules in the State. Out of 635 cases of suspension of driving licences, reported by the police during 2004-09, action was taken in only 329 cases. Eleven Speed Check Radars were purchased by the Police Department during 2004-05, out of which six were not utilised due to defects, resulting in idle investment of Rs 34.94 lakh. Government did not have a trauma care policy and the emergency care facilities provided in the hospitals for road accident victims were inadequate. As of March 2009, 1.37 lakh cases of motor accident claims were pending in Motor Accident Claims Tribunals in the State.

(Paragraph 1.3)

4. IT Audit of Akshaya, an e-Governance Project

IT audit of Akshaya, an e-governance project on Information and Communication Technology enabled centres/e-kendras run by private entrepreneurs was conducted. The primary objective of imparting e-literacy to citizens had not been completed even after two to three years of implementation of the first and second phases of the project. Only 28.62 lakh (41 *per cent*) out of the targeted 69.83 lakh families had been trained so far. Owing to the low turn-out of beneficiaries in the roll-out phase as a result of the fast penetration of IT in villages and the compulsory IT education introduced in schools, Rs 39.56 crore transferred from local self-government institutions to the Kerala State IT Mission for the project remained unutilised. Due to improper selection of beneficiaries, 93.14 *per cent* of sponsored candidates from socio-economically marginalised sections of the society could not complete the e-vidya course. Insufficient server capacity led to overloading of the Akshaya server on peak days of e-payments; a non-secured site was used for financial transactions and users were compelled to share passwords in the absence of the required number of user ids. The backend providers of information, ie. Government departments and agencies, were not disseminating the required information to these kendras effectively even after six years of implementation of the pilot project. As against the targeted employment generation of 50,000 jobs and investment of Rs 500 crore by the Government, local self-government institutions and Akshaya Centre Entrepreneurs in the project, the achievements were only 6,818 jobs (14 *per cent)* and Rs 124.46 crore (25 *per cent*) respectively.

(Paragraph 1.4)

5. Integrated Audit of Scheduled Tribes Development Department

The Scheduled Tribes Development Department implements various welfare schemes in the fields of education, health, housing, etc. for the benefit of Scheduled Tribes. An integrated audit of the department revealed several deficiencies like underutilisation of Plan funds, delay in implementation of schemes, ineffective implementation of various Acts enacted for the welfare of Scheduled Tribes, etc. During 2004-09, savings of Rs 52.73 crore were noticed under the 'Plan' head, mainly due to non-implementation of various schemes. Against the target of construction of 4128 houses undertaken by the Tribal Resettlement and Development Mission, only 346 (8 *per cent*) houses had been completed as of May 2009. Despite spending Rs 3.91 crore for setting up a speciality hospital in Attapadi for tribals of remote areas in the State, better health care facilities could not be provided to them, mainly due to shortage of medical and para-medical staff. Although Government of India released Rs 12.50 crore during 2002-04 as Special Central assistance and Rs 2.03 crore in March 2005 as Additional Central assistance for drinking water supply schemes for tribals in Wayanad and Idukki districts respectively, the schemes remained incomplete and the tribals were denied access to clean drinking water. Despite availability of funds, infrastructural facilities in residential schools under the department were largely inadequate due to delays in construction of buildings. Lack of proper supervision and monitoring also affected the implementation of various schemes.

(Paragraph 3.1)

6. Audit of Transactions

Besides the above, audit of financial transactions, subjected to test check in various departments of the Government and their field functionaries revealed instances of misappropriation/fraudulent claims/avoidable and unfruitful expenditure/excess payment/idle investment and other irregularities involving Rs 115.95 crore as mentioned below:

In the Health and Family Welfare Department, owing to lack of supervisory checks by concerned officers, Rs 6.33 lakh was misappropriated by manipulating the accounts of a blood bank run by the Hospital Development Committee of the Women and Children's Hospital, Thiruvananthapuram.

In the Local Self Government Department failure of the officials to check fraudulent claims submitted by a Mahila Pradhan agent resulted in overpayment of incentive allowance and bonus amounting to Rs 5.71 lakh.

Violation of contractual obligations/undue favour to contractors/avoidable expenditure totalling Rs 39.36 crore were noticed in the Water Resources (Rs 1.03 crore), Health and Family Welfare (Rs 32.99 crore), Public Works (Rs 4.83 crore) and Fisheries and Ports (Rs 0.51 crore) Departments.

Cases of infructuous/unfruitful expenditure and overpayment of Rs 25.48 crore were noticed in the Power (Rs 0.23 crore), Public Works (Rs 1.36 crore), Home (Rs 0.60 crore) and Housing (Rs 23.29 crore) Departments. These included a case of abandonment of an upgraded portion of the Angamaly-Thodupuzha road due to unscientific alignment resulting in infructuous expenditure of Rs 1.36 crore.

Idle investment/blockage of funds amounting to Rs 37.56 crore were noticed in Fisheries and Ports (Rs 3.43 crore), Health and Family Welfare (Rs 0.95 crore), Local Self Government (Rs 25.86 crore), Personnel and Administrative Reforms (Rs 1.90 crore) and Public Works (Rs 5.42 crore) Departments.

Apart from these, there were other irregularities involving Rs 13.43 crore in Forest and Wildlife (Rs 0.33 crore), General Education (Rs 1.96 crore), Higher Education (Rs 0.56 crore), Public Works/Home (Rs 0.83 crore) and Water Resources (Rs 9.75 crore) Departments.

(Paragraphs 2.1 to 2.5)

CHAPTER I

PERFORMANCE AUDIT

CHAPTER I
PERFORMANCE AUDIT

AGRICULTURE DEPARTMENT

1.1 State Horticulture Mission

Highlights

The State Horticulture Mission was launched in 2005-06 to give new momentum to the development of horticulture, generate employment and enhance farm income. Out of the various interventions under the State Horticulture Mission, organic cultivation practised in Wayanad District showed significant improvement. Rural marketing facilities and infrastructure for seed production established by the Vegetable and Fruit Promotion Council, Keralam enabled farmers to sell their products directly to the customers and achieve substantial progress in production of vegetable seed. However, there were several deficiencies in implementation of various schemes under the Mission as indicated below:

The Perspective Plan for the entire Mission period (2005-12) was not prepared.

(Paragraph 1.1.6)

Annual Action Plans for 2005-06 to 2007-08 were prepared without basic data from district/field level agencies and resulting in unrealistic targets.

(Paragraph 1.1.7)

Out of Rs 267.90 crore received from the Central and State Governments during 2005-09, Rs 112.34 crore (42 *per cent*) remained unutilized with the State Horticulture Mission, the district missions and other implementing agencies.

(Paragraph 1.1.8.1)

Assistance of Rs 12.02 lakh was released to four out of eight test-checked private sector nurseries despite the minimum stipulated area for the nurseries not being available with them. In the test-checked districts, the district Missions and the Agriculture Department did not ensure the quality of plants produced in the nurseries.

(Paragraph 1.1.9.2)

Audit scrutiny in four districts revealed that there was excess payment of assistance of Rs 2.16 crore for ginger and turmeric crops and non-payment of assistance of Rs 51.81 lakh for pepper crops under the area expansion programme.

(Paragraph 1.1.9.4)

The total area under cultivation of major crops, namely pineapple, pepper and ginger declined in 2007-08 as compared to 2004-05, despite expenditure of Rs 10.93 crore during 2005-08 under the area expansion programme. The areas under banana and turmeric crops showed only a marginal increase.

(Paragraph 1.1.9.4)

The actual production of pepper decreased despite spending Rs 34.46 crore under the scheme, 'Rejuvenation of pepper gardens' during 2005-08 as part of the State Horticulture Mission programme in Idukki and Wayanad districts.

(Paragraph 1.1.9.5)

Subsidy of Rs 3.25 crore, earmarked for pack houses, mobile processing units and cold storages during 2005-09 was not utilised due to poor response arising out of low subsidy rates.

(Paragraph 1.1.9.10)

1.1.1 Introduction

The State Horticulture Mission (SHM) was launched in October 2005 for implementation of the National Horticulture Mission programme introduced by Government of India (GOI) during 2005-06. The schemes of the SHM envisaged overall development of the horticulture sector including areas of production, post-harvest management, processing and marketing of horticultural produce. Initially, the programme was implemented in 10 districts but it was subsequently extended to four[1] more districts.

1.1.2 Organisational Set up

The SHM, registered under the Travancore-Cochin Literary, Scientific and Charitable Societies Registration Act 1955, started functioning from October 2005. The control, administration and management of the affairs of the SHM are vested in a Governing Body with the Minister for Agriculture as the Chairman and the Agriculture Production Commissioner as the Vice Chairman. A State Level Executive Committee (SLEC), constituted under the Chairmanship of the Agriculture Production Commissioner is responsible for project formulation and monitoring. The SHM is headed by a Director while the District Missions are headed by Deputy Directors of Agriculture (Horticulture). The programmes are mainly implemented by the State Agriculture Department through Krishi Bhavans. The Kerala Agriculture University (KAU), the Kerala State Horticultural Product Development Corporation Limited (Horticorp), the Vegetable and Fruit Promotion Council, Keralam (VFPCK), etc., are also involved in the implementation of the SHM schemes.

1.1.3 Audit Objectives

The audit objectives were to examine whether:

- Annual Action Plans were prepared on the basis of accurate and reliable data and were approved in time;
- GOI and the State Government released funds as per the approved Annual Action Plans and the utilisation of funds was effective;
- the schemes were implemented in consonance with the guidelines of the Mission so that the targets were individually and collectively achieved;

[1] Kollam and Kottayam from February 2009, Pathanamthitta from February 2008, Thiruvananthapuram from February 2007.

- the scheme interventions resulted in improvement of the horticulture sectors covering production, post-harvest management, processing and marketing and
- adequate monitoring existed at various levels to ensure effective implementation of the schemes.

1.1.4 Audit Criteria

The following criteria were adopted for assessing the performance:

- Guidelines issued by the National and State Horticulture Missions,
- Annual Action Plans approved by the National Horticulture Mission,
- Act, Rules, orders and instructions issued by the Central and State Governments and
- Financial and physical targets set by the SHM.

1.1.5 Scope of Audit and Audit Methodology

The performance audit, covering the activities of the SHM from 2005-06 to 2008-09, was conducted during March-June 2009. Audit scrutinised records of the Directorate of Agriculture, the head office of the SHM and four[2] out of 14 district offices selected by the random sampling method. In each of the selected districts, offices of two Assistant Directors of Agriculture and four Krishi Bhavans[3] were also inspected. Besides, the head office and selected field units of KAU, the offices of Horticorp, VFPCK and model/small nurseries in the four districts were also inspected. Private nurseries were inspected in the presence of departmental officials. An entry meeting with the Secretary, Department of Agriculture was held on 12 May 2009 and an exit meeting with the Agriculture Production Commissioner was held on 26 August 2009.

Audit Findings

The deficiencies noticed in implementation of the schemes under the Mission are detailed below:

1.1.6 Non-preparation of the State Horticulture Mission Document

State Horticulture Mission Document for the entire Mission period (2005-12) was not prepared

The main objective of the SHM was overall development of the horticulture sector in the State, keeping in view the regional disparities and climatic conditions. In order to formulate the said strategies and to give assistance to the programmes, a base line survey on the status of horticulture production and development potential was essential. Based on this survey, a Perspective Plan or the State Horticulture Mission Document indicating the strategies for achieving the SHM's objectives and schedules for executing various project activities for the entire SHM period (2005-2012), was to be prepared. This, in turn, would form the basis for preparation of Annual Action Plans (AAPs). However, this critical document was not prepared by SHM. In response, the Director, SHM stated (September 2009) that the Department of Agriculture had prepared the AAP for 2005-06 prior to formation of the SHM and got it approved by GOI. He also added that the details of any study or document

[2] Ernakulam, Idukki, Thiruvananthapuram and Wayanad.

[3] The lowest field unit in the Agriculture Department.

relied on for formulation of Action Plans would be available with the Directorate of Agriculture. However, audit scrutiny revealed that details of baseline surveys were not available with the Directorate of Agriculture. Therefore, the AAPs for 2005-06 to 2008-09 were prepared on an *ad hoc* basis without any Perspective Plan, which adversely affected the implementation of the programmes.

1.1.7 Deficiencies in preparation of Annual Action Plans

AAPs for 2005-06 to 2007-08 were prepared without involvement of district/field level offices

According to NHM guidelines, the District Missions were to prepare the AAPs based on their priorities and potential to execute programmes and the SHM was to prepare a consolidated AAP covering the whole State. Audit scrutiny revealed that AAPs for the first three years of implementation (2005-08) were prepared without involvement of district Missions and field level implementing units. Consequently, targets were fixed for the implementing units without assessing field level requirements and feasibility. This resulted in poor progress in the execution of projects.

Audit also found that only 50 *per cent* of the total funds allotted were released to the district Missions/implementing agencies, despite involving district Missions in the preparation of AAPs for 2008-09, which indicated that fixing of district level targets were unrealistic.

Technical Support Group was not constituted despite allocation of funds

The guidelines stipulated formation of a Technical Support Group (TSG) consisting of experts and technical personnel to advise and evaluate project proposals, monitor the planning and implement the programmes. However, the TSG was not constituted as of June 2009 and allocation of Rupees two crore in 2005-06 and Rs 0.50 crore in 2008-09 for this purpose remained unutilised. The Director, SHM stated (September 2009) that action would be taken to constitute a TSG at the earliest.

1.1.8 Financial Management

1.1.8.1 Low utilization of GOI funds

The National Horticulture Mission (NHM) programme was launched as a *cent per cent* Centrally Sponsored Scheme during the Tenth Plan period (2002-07). However, during the Eleventh Plan period (2007-12), the pattern of financial assistance between the Central and State Governments was revised to 85:15. The Central assistance as per the approved AAP was allotted based on the expenditure during the previous year and the capacity of the SHM in implementing the programme and the same was released directly to the SHM through demand drafts/ cheques. The SHM, in turn, released assistance to all the implementing units as grants or subsidies depending on the programmes entrusted to them. The details of receipt and utilization of funds by the SHM for the period 2005-09 were as follows:

Table 1.1: Details of receipt and utilization of funds

(Rupees in crore)

Year	Amount as per Approved Action Plan	Share due from		Amount received from		Total receipt	Amount released by SHM	Unutilised balance with SHM	
		GOI	State Govt (15%)	GOI	State Govt			Amount	Percentage
2005-06	75.83	75.83	Nil(*)	35.34	Nil	35.34	3.85	31.49	89
2006-07	193.73	193.73	Nil(*)	79.64	Nil	79.64	69.03	10.61	13
2007-08	192.13	163.31	28.82	61.48	3.00	64.48	63.84	0.64	1
2008-09	174.20	148.07	26.13	75.17	13.27[4]	88.44	44.00	44.44	50
Total	**635.89**	**580.94**	**54.95**	**251.63**	**16.27**	**267.90**	**180.72**	**87.18**	**33**

(*)The scheme was eligible for *cent per cent* assistance from GOI during 2005-06 and 2006-07

Source: Records of State Horticulture Mission

It was observed that:

Failure of SHM to utilise the original allotment resulted in non-release of Rs 367.99 crore for SHM activities

- Against the total approved outlay of Rs 635.89 crore for SHM during 2005-09, the amount received was only Rs 267.90 crore. This resulted in shortfall (58 *per cent*) in release of Rs 367.99 crore (Central Share Rs 329.31 crore and State share Rs 38.68 crore). Failure of the SHM to utilise the original allotment resulted in non-release of balances of approved outlays by GOI in the subsequent years, which would reduce the spending in the horticulture sector.

Out of Rs 267.90 crore released to the SHM during 2005-09, Rs 112.34 crore remained unutilised

- Out of Rs 267.90 crore received by the SHM during 2005-09, only Rs 180.72 crore was released to the district Missions and other implementing units and the balance of Rs 87.18 crore remained unutilised with the SHM as of March 2009. However, district Missions and the implementing units could spend only Rs 154.56 crore and the balance of Rs 25.16 crore remained unutilised in bank accounts. Thus the total unspent amount was Rs 112.34 crore (42 *per cent*) as of March 2009. GOI directed (April 2009) the SHM to send proposals for revalidation of unutilized funds, but no proposals had been forwarded so far (October 2009).

Non-release of Rs 7.85 crore towards State share during 2007-09

- During 2007-09, the State Government released Rs 16.27 crore as a matching grant to the Central release of Rs 136.65 crore, against the requirement of Rs 24.12 crore. The Director, SHM stated (September 2009) that the release of the balance amount of Rs 7.85 crore was under correspondence with the State Government.

Interest of Rs 11.15 crore earned up to March 2009 on SHM funds

- The interest accrued up to March 2009 on SHM funds deposited in banks in the 12 district Missions and in the SHM headquarters amounted to Rs 11.15 crore. GOI clarified in August 2009 that the interest portion would be adjusted in the subsequent release of grants.

1.1.8.2 Finalisation of annual accounts

The SHM was required to furnish audited accounts and utilization certificates to GOI immediately after the close of each financial year. As of August 2009, the annual accounts for the year 2005-06 had been finalised. The Director, SHM stated (September 2009) that the annual accounts up to 2007-08 had been finalized and approved by the Executive Committee of the SHM and the accounts for 2008-09 would be completed by December 2009. However, Audit found that the annual accounts for 2006-07 and 2007-08 had not been

[4] Rs 11.27 crore released by State Government on 31 March 2009.

approved as of September 2009 by the Governing Body as stipulated in clause 9.7(a) of the Memorandum of Association of the SHM.

1.1.9 Implementation of Schemes

The main objective of the SHM was to provide holistic growth through the implementation of schemes like vegetable seed production, establishment of new nurseries, establishment of new garden, rejuvenation/replacement of senile pepper plantation, organic farming, post-harvest management activities, etc. The crops assisted by the SHM included perennial crops[5] and non-perennial crops[6]. The crops cultivated in the State differed from region to region and hence were grouped in three clusters[7] for the implementation of the programmes. Audit scrutiny was confined to major crops cultivated in the State viz. banana, ginger, pepper, pineapple, turmeric and vegetable seeds.

1.1.9.1 Seed infrastructure

To enhance the quality of vegetable seed production and to facilitate proper handling, storage and packaging of seeds, the NHM guidelines envisaged project-based assistance[8] for creating infrastructure like drying platforms, storage bins, packaging units and related equipment. The SHM sanctioned Rs 1.25 crore each to KAU and VFPCK for establishing vegetable seed infrastructure and released Rs 90 lakh and Rs 75 lakh respectively to them till March 2009.

It was found that:

- The vegetable seed production of the VFPCK unit increased from 13 MT in 2005-06 to 48 MT in 2008-09 and the seeds produced were sold through Krishi Bhavans whereas in KAU (College of Agriculture, Vellayani, Thiruvananthapuram) seed production had not yet started (April 2009) due to non-creation of infrastructural facilities.
- Rule 3 of the Seeds (Control) Order, 1983 stipulated mandatory licences for trading in seeds. However, KAU had not yet (June 2009) applied for a licence, whereas the licence issued to VFPCK had expired in July 2008. However, KAU and VFPCK did not make efforts to get the exemption from the State Government as per sub rule (2) of Rule 3 of the Seeds (Control) Order, 1983.

1.1.9.2 Establishment of nurseries

Production and distribution of good quality seeds and planting materials are the primary requirements for area expansion and rehabilitation programmes. In order to achieve the above objectives, the SHM provided assistance in the form of subsidies for establishment of two types of nurseries viz. model nurseries with minimum area of four hectares and small nurseries with minimum area of one hectare. These nurseries were eligible for subsidy at 100 *per cent* and 50 *per cent* of the estimated cost (model nursery-Rs 18 lakh,

[5] Cashew, Mango, Pepper.

[6] Banana, Ginger, Pineapple, Turmeric, etc.

[7] Cluster I- Banana, Cashew, Mango, Pappaya and Pineapple; Cluster II- Spices (Ginger, Nutmeg, Pepper, Turmeric); Cluster III- Flowers.

[8] *Cent per cent* of the estimated cost for Public Sector Units and 25 *per cent* for private sector units in the form of credit linked back ended subsidy.

small nursery-Rupees three lakh) for the public sector and the private sector respectively. A Memorandum of Understanding (MoU) was to be executed between the selected beneficiary and the district Mission for completing the work within the stipulated time and to supply the required quantity and quality of planting materials as per the demand. During 2005-06 to 2008-09, the SHM approved the establishment of 55 model nurseries and 410 small nurseries with a total estimated cost of Rs 14.81 crore. Out of this, 25 model nurseries and 153 small nurseries were established (March 2009) and Rs 4.58 crore was released as subsidy to these nurseries.

Test check by Audit in four (out of 10) model nurseries and 13 (out of 67) small nurseries in the selected four districts revealed the following:

- MoUs between the nurseries and the district Missions were not executed as required in the guidelines. Thus the obligations of the nurseries were not enforced effectively by the respective district Missions. The Director, SHM stated (September 2009) that strict directions had been issued to execute MoUs in future.
- Assistance of Rs 12.02 lakh was released to four out of eight private nurseries which did not have the stipulated minimum area.
- Nurseries are required to produce and distribute quality planting materials continuously over a period of time. However, nurseries established for the crops like banana, ginger and turmeric were established for only one year either due to non-practising of continuous cultivation in the same land or leased land[9] cultivation. Hence, the subsidy of Rs 1.09 crore paid to such nurseries could not provide quality planting materials continuously over a period of time and the intended results were not achieved.
- During 2005-06, one model nursery for pepper in the private sector was sanctioned in Wayanad district with a maximum assistance of Rupees nine lakh. However, assistance of Rs 7.24 lakh was paid to three nurseries established in three pieces of land with an area of 1.3 Ha each, considering these as a single model nursery, even though the nurseries did not have a contiguous area of four hectares as required. Each of these three nurseries should have been considered as a small nursery and assistance of Rs 4.50 lakh (at Rs 1.50 lakh per nursery) only should have been paid. The excess assistance thus paid amounted to Rs 2.74 lakh.
- In February 2006, the SHM sanctioned the establishment of a model floriculture nursery in the Cardamom Research Station of KAU at Pampadumpara, Idukki district and released Rs 18 lakh (March and November 2006). As per the NHM guidelines, model nurseries were required to produce at least four lakh plants per annum. However, the nursery produced only 5240 plants during 2007-08 though it was set up in March 2007. It was seen in audit that a nursery set up earlier in the said station sold 4258 plants annually on an average during 2004-05 to 2006-07. Thus there was no visible increase in production by establishing this model nursery and the Rs 18 lakh released was largely

[9] Cultivation in land taken on lease generally for one year.

unproductive. KAU stated (August 2009) that there was a shortage of skilled labourers for budding and necessary steps were under way to increase production.

- During 2006-07, small nurseries in pepper and ginger were sanctioned to the State Vegetable Farm, Vandiperiyar and the District Agriculture Farm, Areekuzha respectively. These nurseries existed for only one year and could not achieve the production targets. Despite this, model nurseries of the same crops were sanctioned to these departmental farms in the following year (2007-08). Sanctioning of model nurseries where even small nurseries could not achieve these targets showed poor commitment of the SHM towards achieving its objectives.
- In the test-checked districts, the district Missions and the Agriculture Department had no system to check the quality of plants produced in the nurseries before distributing the same to the SHM farmers of the district. The Director, SHM responded (September 2009) that a district level committee to check the quality of plants produced in the nurseries was there in each district but some of them were not functioning properly. He also added that proper functioning of the committees would be ensured.
- To ensure the quality of the products of the nurseries, the Ministry of Agriculture, GOI directed (August 2006) the State to enact legislation for nursery registration and certification. The Director of Agriculture replied (July 2009) that no legislation for nursery registration and certification of quality planting materials (excluding seeds) had been enacted by the Government of Kerala so far.

1.1.9.3 Tissue culture in pineapple

Projects for the rehabilitation of a Tissue Culture (TC) Laboratory and establishment of a small nursery for production of pineapple suckers (using TC plantlets) by the Pineapple Research Station, Vazhakulam, Ernakulam district under KAU were approved by the SHM and MoUs for the laboratory and nursery were executed in February 2006 and March 2007 respectively. Subsidy of Rs 11 lakh (Rupees eight lakh for the TC laboratory and Rupees three lakh for the nursery) was released to KAU in February 2006 and March 2007. The rehabilitation work of the laboratory was completed in March 2006 and the nursery was established in March 2008. The capacity of the laboratory was 60,000 plantlets[10] per annum and these were to be hardened in the nursery. The capacity of the nursery was one lakh plantlets per annum. This created an idle capacity of 40,000 plantlets per annum in the nursery.

Rupees six lakh released to two nurseries did not serve the intended purpose

It was also seen that the SHM had approved another small nursery project by the Nadukkara Agro Processing Centre Limited (NAPCL), Muvattupuzha, Ernakulam, to produce 50,000 suckers[11] using plantlets from the TC laboratory of KAU and signed a MoU with them in February 2006. Subsidy of Rupees three lakh was also released in February 2006. As the existing capacity of the TC laboratory was insufficient to meet the requirement of its own nursery, the laboratory was not able to supply the required plantlets to

[10] Plantlets are tiny plants developed through tissue culture for hardening and planting.
[11] Pineapple planting material.

NAPCL. NAPCL received only 2500 plantlets and had not produced any fully grown suckers till May 2009.

Thus sanctioning of two nurseries for production and hardening of TC pineapple suckers without linking to the actual capacity of the TC laboratory resulted in creation of unproductive facilities. Subsidy of Rupees six lakh released to the nurseries did not serve the intended purpose.

1.1.9.4 Establishment of new gardens

One of the major objectives of the SHM was to expand areas under cultivation through establishment of new gardens to enhance production and productivity of horticulture crops. The programme 'Establishment of New Gardens' envisaged assistance for bringing new areas under perennial fruit crops (gooseberry, mango), non-perennial fruit crops (banana, pineapple), spices (ginger, pepper, turmeric), and plantation crops (arecanut, cashew, cocoa). The quantum of assistance was on the basis of the estimated cost of cultivation per Ha and fixed as 75 *per cent* of the cost for perennial fruits, spices and plantation crops and 50 *per cent* for non-perennial fruits. The assistance was Rs 15,000 and Rs 11,250 per Ha for non-perennial and spices respectively. Assistance under the scheme was to be paid in three years in the ratio of 50:20:30. During 2005-09, Rs 36.10 crore was released as assistance for bringing an additional area of 53,108 Ha under cultivation of major crops, namely banana, ginger, pepper, pineapple and turmeric.

Audit scrutiny revealed that:

- Though the area expansion programme intended to ensure sustainable increase in cultivation of horticulture crops, the same was not achieved in the case of crops like banana, ginger and turmeric due to leased land cultivation and the practice of not continuing cultivation in the same land for more than one year. Hence, continued cultivation of these crops in the same land for three years as envisaged in the guidelines was not achieved.
- Pineapple is a commercial crop cultivated as a single crop as well as an intercrop during the initial periods (first four years) of rubber plantation. Most of the cultivation is on leased land. Though the cultivation continued for three years, assistance was not fully paid as stipulated in the guidelines. According to the scheme, assistance for the second year was subject to 75 *per cent* survival of new plants and for the third year, it was subject to 90 *per cent* survival of the plants assisted in the second year. Test check in selected districts revealed that only 44 *per cent* of plants were assisted in the second year and 30 *per cent* of plants were assisted in the third year. Though the assistance was to be paid in three years, SHM did not fix any financial target for the districts for continuing the cultivation in the second and third years. The Director, SHM stated (September 2009) that this was due to non-receipt of proposals from the district Mission. This reply is not acceptable since the SHM was responsible for including the second and third year targets based on the first year target.

Excess payment of assistance of Rs 2.16 crore for ginger and turmeric crops

- Ginger and turmeric were not cultivated in the same land continuously due to low fertility of land after the first year of cultivation. However, the entire assistance of Rs 11,250 per Ha was released in the first year itself though only Rs 5,625 (50 *per cent* assistance) was payable in the first year for these crops. This resulted in excess payment of assistance of Rs 2.16 crore on 3964 Ha of land brought under cultivation in the four districts test-checked. In the case of pepper, however, where continuous cultivation was practiced, the first year assistance of Rs 5625 per Ha alone was paid to farmers in the four districts test-checked. This resulted in non-payment of second and third year assistance of Rs 51.81 lakh on 940 Ha of land brought additionally under cultivation.

Non-payment of assistance of Rs 51.81 lakh towards pepper cultivation

Impact of the scheme

The areas under cultivation of major crops assisted by SHM in the selected districts prior to the commencement of the scheme (2004-05) and in 2007-08 were as follows:

Table 1.2: Areas under cultivation in the four test-checked districts

Name of the crop	Area under cultivation (in hectares)									
	Ernakulam		Idukki		Thiruvananthapuram		Wayanad		Total	
	2004-05	2007-08	2004-05	2007-08	2004-05	2007-08	2004-05	2007-08	2004-05	2007-08
Banana	6,107	6,115	1,748	2,559	2,492	2,078	12,278	12,123	22,625	22,875
Pineapple	7,439	6,978	1,600	1,083	305	319	54	55	9,398	8,438
Ginger	295	337	876	934	103	94	5,731	4,604	7,005	5,969
Pepper	6,825	6,106	82,316	65,333	7,320	5,557	41,573	25,542	1,38,034	1,02,538
Turmeric	484	368	281	287	59	53	139	270	963	978

Source: Records of the Directorate of Agriculture

Despite spending Rs 33.61 crore to expand the area under cultivation of five major crops, the production and productivity declined in 2007-08 except for turmeric

The area under cultivation of banana increased by 46 *per cent* in Idukki. The area remained static in Ernakulam and Wayanad but declined in Thiruvananthapuram by 17 *per cent.* Also the cultivated area of turmeric in Wayanad district increased (51 *per cent*) from 139 Ha in 2004-05 to 270 Ha in 2007-08. A declining trend was noticed in respect of all other selected crops and the major decline noticed was for pepper where the shortfall ranged between 11 *per cent* (Ernakulam) to 39 *per cent* (Wayanad). The overall declining trend in cultivation indicated the ineffectiveness of the schemes in achieving sustainable development in cultivation of horticulture crops.

The total cropped area of the State in 2001-02 was 29.92 lakh Ha which increased to 29.96 lakh Ha in 2004-05. Nearly, 57 *per cent* of the cropped area was under paddy, coconut and rubber. The area under the major crops[12] assisted by the SHM in 2001-02 was 2.82 lakh Ha which increased to 3.28 lakh Ha in 2005-06 but declined thereafter to 2.58 lakh Ha in 2007-08. Cultivation details of major crops prior to implementation of the programme and after three years of intervention by the SHM in respect of selected crops for which substantial expenditure (Rs 33.61 crore) was incurred, were detailed in the following table:

[12] Banana, Ginger, Pepper, Pineapple and Turmeric.

Table 1.3: Area, production and productivity of selected crops in the State

Name of the crop	Status in 2004-05			Targets and achievements of SHM scheme			Status in 2007-08		
	Area (Ha)	Produ-ction (MT)	Productivity (Kg/Ha)	Physical Target	Achievement		Area (Ha)	Produ-ction (MT)	Producti-vity (Kg/Ha)
					Physical	Financial (lakh)			
Banana	58,866	4,75,371	8,075	40,281	33,262	2,255.60	59,341	4,39,803	7,411
Pineapple	12,680	1,01,912	8,037	8,979	6,915.6	422.17	11,262	82,782	7,350
Ginger	9,991	45,305	4,534	4,945	4,469.4	482.17	8,865	31,726	3,578
Pepper	2,37,669	74,980	315	9,740	1,462	79.58	1,75,679	41,952	239
Turmeric	2,881	6,244	2,167	1,547	1,162.7	121.24	3,155	7,434	2,356

Source: Records of Directorate of Agriculture and SHM

The areas under cultivation declined considerably in respect of pineapple, ginger and pepper, even though substantial assistance of Rs 4.53 crore, Rs 1.02 crore and Rs 5.38 crore respectively (total: Rs 10.93 crore) was provided for these crops under the area expansion programme till 2007-08. There was only a marginal increase of the area under banana (0.8 *per cent*) and turmeric (9.5 *per cent*) crops. The decline in the productivity of the test-checked crops (except turmeric) indicated that the programme could not achieve its major objective of enhancing production and productivity of important horticulture crops in the State.

1.1.9.5 Rejuvenation/Replacement of senile plantations

Pepper is one of the most important export crops in Kerala. In 2004-05, the average yield of pepper was 315 kg per Ha against the potential of 1000 kg per Ha. The low productivity was due to preponderance of old and senile trees and poor management of inputs such as water, nutrients and pesticides including disease-affected pepper vines. The NHM envisaged 'Rejuvenation/Replacement of Senile Plantation' programme with the objective of rejuvenating pepper gardens by removing senile or diseased plants, by filling gaps, by putting new standards[13] and by adopting scientific management practices to enhance productivity to 1000 kg per Ha. Financial assistance of Rs 15,000 was available under the scheme, being 50 *per cent* of the cost of rejuvenation which was assessed as Rs 30,000. During 2005-06 to 2008-09, Rs 37.31 crore was disbursed as assistance in the two selected pepper cultivated districts of Idukki and Wayanad. The targets and achievements under the programme in the selected pepper cultivated districts and for the whole State are detailed in the following table:

Table 1.4: Targets and achievements for rejuvenation of pepper

Year	Physical target			Physical achievement			Financial target			Financial achievement		
	State	Selected districts		State	Selected districts		State	Selected districts		State	Selected districts	
		Wayanad	Idukki		Wayanad	Idukki		Wayanad	Idukki		Wayanad	Idukki
	(in hectare)						(Rupees in crore)					
2005-06	5000	2000	2000	5000	2000	2000	7.50	3.00	3.00	4.86	1.08	3.00
2006-07	10000	3000	3700	8395	3000	3930	15.00	4.50	5.55	11.66	4.49	5.90
2007-08	20000	5000	8375	16496	4985	8375	30.00	7.50	12.56	22.79	7.43	12.56
2008-09	30655	12000	13000	3098	Nil	1899	45.98	18.00	19.50	3.35	Nil	2.85
Total	**65655**	**22000**	**27075**	**32989**	**9985**	**16204**	**98.48**	**33.00**	**40.61**	**42.66**	**13.00**	**24.31**

Source: District-wise progress report of SHM

[13] Support trees for pepper vines.

Production of pepper in Idukki and Wayanad declined despite spending Rs 34.46 crore

It was seen in audit that the production and productivity of pepper decreased during 2007-08 compared to 2004-05 despite spending Rs 34.46 crore during the period 2005-08 for implementing rejuvenation programme by the SHM. The details of production and productivity were as under:

Table 1.5: Production and productivity of pepper

Name of the district	2004-05 before SHM		2007-08	
	Production (MT)	Productivity (Kg/Ha)	Production (MT)	Productivity (Kg/Ha)
Idukki	38787	471	23311	356
Wayanad	13897	334	4060	158

Source : Records of Agriculture Department

The deficiencies in implementation of the scheme noticed by Audit were:

- Field level studies regarding senile plantations, suitability of land, number of disease-affected plants, etc., were not conducted to assess the extent of rejuvenation/replacement and the inputs required.
- In Idukki and Wayanad districts, the target fixed were about 32 *per cent* and 61 *per cent* of the total cropped area respectively. However, assistance was distributed amongst all the farmers without assessing the extent of rejuvenation/replacement required, which resulted in unproductive use of the funds.
- The pattern of assistance to the farmers was in the form of cash and kind (permits for drawing inputs from authorised depots) till December 2007. However, from January 2008 full subsidy was to be paid in cash. The Director, SHM stated (September 2009) that the farmers were given the liberty to purchase inputs from agencies of their choice as the assistance under the scheme was not attractive, the formalities involved in procuring these inputs through permit system were cumbersome and on the assumption that a genuine farmer would apply good quality inputs for the benefit of his crop.
- In Idukki, the majority of the farmers had no land records of their holdings and the Krishi Bhavan could not verify the authenticity of the land records furnished by the farmers. The allotted assistance for disease control was divided amongst the farmers for rejuvenation in areas ranging from 0.1 Ha to 0.4 Ha. Providing assistance to small land holdings for disease control did not result in rejuvenation and increased productivity of the land.
- During 2005-09, targets fixed for two Krishi Bhavans at Vazhathopu and Kamakshy in Idukki district for pepper rejuvenation were 1,400 Ha and 1,500 Ha respectively against the actual area under pepper cultivation of 1,350 Ha and 1,200 Ha respectively. The targeted area for rejuvenation was higher than the actual area of pepper cultivation. This indicated that the targets fixed were not realistic and without verification of facts.

1.1.9.6 Organic farming

Organic farming aims at production of agricultural produce with no chemical residues. This cultivation requires two to three years to achieve organic status. Organic farming should exclusively be promoted on an area-based- approach instead of a crop-specific approach. Groups of 20-25 farmers possessing contiguous areas of 25-50 Ha were to be selected for execution of organic farming. The programme envisaged financial assistance of Rs 10,000 per Ha for the first two to three years. GOI subsequently revised (May 2008) the minimum land requirement and the period of assistance to 50 Ha and three years respectively. During 2005-09, financial assistance of Rs 2.44 crore was disbursed to farmers for cultivation of crops using the organic farming method in an area of 2419 Ha in three test-checked districts[14] (except Wayanad district).

Assistance of Rs 2.44 crore was sanctioned for cultivation of organic products in violation of NHM guidelines

It was observed in audit that the targets allotted to the Krishi Bhavans in the three test-checked districts (except in Wayanad) were divided among the beneficiaries having land ranging from 0.06 Ha to 1 Ha. This implied that the minimum area specified in the guidelines was not adhered to during selection of beneficiaries. The Director, SHM replied (June 2009) that the land pattern was typically fragmented in nature and the average size of land holdings was 20 cents (0.08 Ha). Consequently, the guidelines on organic farming could not be effectively adhered to. This was mainly due to the failure of the SHM to identify clusters of contiguous areas suitable for organic farming at the time of preparation of the Action Plan.

However, it was found in audit that area-based organic farming as per NHM norms was successfully practised with the help of two societies working in the field of promoting organic farming in two Block Panchayats[15] test-checked in Wayanad district.

Out of Rs 17.50 lakh released to NAPCL for organic farming, Rs 7.76 lakh was retained without utilisation

Organic farming for pineapple was entrusted to the Nadukkara Agro Processing Centre Limited (NAPCL), Ernakulam in 100 Ha of land covering 21 panchayats and 40 farmers. The SHM released Rs 17.50 lakh as the first instalment for the purpose. The project was discontinued after cultivation in 43.44 Ha after incurring an expenditure of Rs 9.74 lakh. The balance of Rs 7.76 lakh remained unutilized with NAPCL (May 2009) as contiguous areas (25-50 Ha) had not been selected for implementing the farming. Thus the project remained unproductive. The Director, SHM stated (September 2009) that action had been taken to get back the unutilised amount of Rs 7.76 lakh from NAPCL.

1.1.9.7 Establishment of bio-control laboratories

Bio-control laboratories produce micro-organisms recognized as bio-control agents[16], which control pests and diseases of plants. SHM sanctioned Rs 4.11 crore during 2006-09 for establishment of eight bio-control laboratories (six in the public sector and two in the private sector) and released Rs 1.72 crore as of April 2009 as indicated in the following table:

[14] Ernakulam, Idukki and Thiruvananthapuram.
[15] Mananthavady and Sulthan Bathery.
[16] Pseudomonas and Trichoderma.

Table 1.6: Financial assistance to bio-control laboratories

Sl. No.	Name of implementing agency	Year of sanction	SHM assistance[17]	Amount released	Month of release	Status
			(Rupees in lakh)			
1.	Indian Cardamom Research Institute, Pampadumpara, Idukki	2007-08	64.75	44.75	April 2008	Ongoing
2.	Agro Bio-tech Research Centre Limited, Kottayam	2008-09	24.62	Nil	-	Ongoing
3.	POABS Biotech, Nelliyampathy, Palakkad	2008-09	40.00	25.00	April 2009	Ongoing
4.	CARD Krishi Vigyan Kendra, Pathanamthitta	2008-09	40.00	Nil	-	Not started
5.	Banana Research Station, Kannara, Thrissur	2008-09	31.39	28.99	January 2009	Ongoing
6.	KAU, Thrissur	2008-09	50.00	30.00	-do-	Ongoing
7.	College of Agriculture, Vellayani, Thiruvananthapuram	2006-07	80.00	43.60	January 2008	Ongoing
8.	Regional Agriculture Research Station, Ambalavayal, Wayanad	2008-09	80.00	Nil	-	Not started
	Total		410.76	172.34		

Source: Records of SHM

Audit found that:

- The SHM had not conducted any study to assess the annual requirement of bio-control agents for use in the horticulture sector before releasing funds to set up the above-stated laboratories in the State.

Bio-control laboratories at Idukki and Thiruvananthapuram were not set up despite release of Rs 88.35 lakh

- Construction of a laboratory at the College of Agriculture, Vellayani, Thiruvananthapuram did not start as of May 2009, mainly due to delay in getting permission from the Grama Panchayat for construction of the building. Construction of a building in the Indian Cardamom Research Institute, Pampadumpara, Idukki, started in January 2008, was still to be completed (June 2009). Thus, Rs 88.35 lakh released for establishment of these two laboratories remained unproductive so far.
- A bio-control laboratory in Thrissur district under the Department of Agriculture and another one in the Krishi Vigyan Kendra of KAU in Wayanad district were established before the commencement of the SHM project. The laboratory at Thrissur had an annual production capacity of 200 MT Trichoderma[18] and 150 MT of Pseudomonas[19] and the laboratory at Wayanad had 10 MT each of Trichoderma and Pseudomonas. These laboratories could not use their full production capacity due to less demand from the Department of Agriculture for the schemes implemented by it. Hence, the decision to sanction one more laboratory at the Regional Agriculture Research Station, Ambalavayal, Wayanad was unjustified. The Director, SHM stated (September 2009) that instructions had been issued to all Principal Agricultural Officers to direct farmers to buy the bio-control agents from the SHM-assisted laboratories.

[17] Project based-Maximum Rs 80 lakh for public sector/Government and Rs 40 lakh for private sector.
[18] Used to control foot rot disease in pepper.
[19] Pesticide and growth stimulant.

1.1.9.8 Distribution of subsidy

Delays of three to 12 months in disbursement of subsidy in 12 Krishi Bhavans in four test-checked districts

Krishi Bhavans are the field level implementing units of SHM schemes which collect subsidy claims from the beneficiaries and forward them to the district Missions. The district Missions place the claims before the District Level Committees (DLC) headed by the District Collectors and the DLCs pass the claims for payment according to the merit of each case. Cheques for more than Rupees one lakh are signed by the District Collectors for payment and the release of funds depends on the convening of the DLCs. It was seen that only one to eight meetings in 2007-08 and two to seven meetings in 2008-09 of the DLCs were held in the test-checked districts, which delayed the distribution of the subsidy despite having sufficient funds. Delays ranging from three to 12 months in disbursement of subsidy were noticed in 78 out of the 334 claims test-checked in 12 Krishi Bhavans in the selected districts. This was mainly due to non-convening of DLC meetings regularly, despite the decision (January 2008) to have meetings once in a month. The Director, SHM stated (September 2009) that the financial powers to pass claims upto Rs 10 lakh had since been delegated to the Principal Agricultural Officers and Deputy Directors of Agriculture (Horticulture) and hence, there were no delays in disbursement of funds to the beneficiaries.

The method of disbursement of claims was not common in all the districts test-checked. In Wayanad district, a zero balance account in bank was opened against all beneficiaries and the claims were transferred to their account from the district Mission itself. In other districts, the officers of the Block/Krishi Bhavans distributed the subsidy in cash. The system followed in Wayanad District enabled speedy settlement of claims when compared to the method of cash disbursement followed in other districts.

1.1.9.9 Marketing infrastructure

The marketing programmes under the SHM include strengthening of existing markets and investment from the private and co-operative sector in the development of market infrastructure. The targets in the AAPs for establishment of marketing facilities and achievements during 2005-06 to 2008-09 were as follows:

Table 1.7: Targets and achievements of marketing facilities established

Name of the scheme	Physical target	Financial target (Rs in lakh)	Physical achievement	Financial achievement (Rs in lakh)
Rural Market	156	612.50	22	22.00
Rural Market (Hill area)	18	82.50	1	4.08
Sorting and Grading Unit	8	29.58	6	2.28
Wholesale market	10	500.00	Nil	Nil

Source: Records of SHM

Construction of buildings in only seven rural markets (out of 22) was completed by VFPCK

The Vegetable and Fruit Promotion Council, Keralam (VFPCK) is an organization helping the farmers to increase income from commercial cultivation of crops. The SHM sanctioned an assistance of Rs 84.90 lakh (25 *per cent* of the cost) for the establishment of 22 rural markets by VFPCK and the first instalment of Rs 22 lakh was released in August 2007. VFPCK completed construction of permanent buildings for seven markets and essential facilities were provided. Construction of buildings in the remaining places was not completed due to non-release of the second and third instalments of funds by the SHM.

Audit scrutiny revealed the following:

- Marketing facilities to support farmers were available wherever VFPCK was found to be active, whereas in other locations, similar marketing facilities were not established under the SHM scheme to support the local farmers involved in SHM programmes.
- Out of the 12 Krishi Bhavans test-checked, eight had no marketing facilities to support farmers within their jurisdiction.
- Manjallur and Kottapady panchayats in Ernakulam district resolved and communicated their decision through the Principal Agricultural Officer, Ernakulam to undertake the project for development of agricultural rural markets under the SHM in July 2007 and September 2007 respectively. But no assistance was sanctioned as of March 2009. The Director, SHM stated (September 2009) that no project proposals had been submitted by the panchayats. The reply does not explain why the SHM did not take action to obtain the project proposals from the panchayats.
- The SHM had not utilised the services of Horticorp which functions with the objective of assisting farmers through an integrated system of production, procurement, storage, marketing and exporting of horticultural products, in the marketing of produce of SHM farmers.

1.1.9.10 Post-harvest management

Subsidy of Rs 3.25 crore for post-harvest management was not utilised

Post-harvest management includes packing, grading, transportation, curing, ripening and cold storage. These facilities are essential for increasing the marketability of agriculture products adding value to the produce, increasing profitability and reducing losses. The SHM provides subsidy of 25 *per cent* of the estimated cost for post-harvest management activities. It was seen in audit that subsidy of Rs 3.25 crore earmarked during 2005-06 to 2008-09 for pack houses, mobile processing units and cold storages was not utilised. The Director, SHM replied that the funds could not be utilized due to poor response arising from low subsidy rates, reluctance of panchayat authorities to take up projects, etc. However, Rs 10 crore was given to the Perishable Cargo Unit established (March 2009) under the Cochin International Airport Authority Limited (CIAL) for facilitating export of vegetables and fruits. In the absence of pack houses and sorting and grading units in the nearby areas of CIAL to support farmers to keep their produce fresh, the facility established in CIAL was unable to support the SHM farmers in the State. This indicated that allocation was made in the AAP without assessing the field level situation, resulting in lack of support mechanism to add value to the farmers' produce.

1.1.10 Monitoring and Evaluation

The State Level Executive Committee (SLEC) and the District Level Committees were to review and monitor the implementation of the programmes at the State and district level. The Technical Support Group (TSG) of the Mission was to carry out concurrent monitoring of programmes. The SLEC, in their meetings held in April and July 2008, decided to constitute an evaluation team to monitor and evaluate the activities of the Mission.

It was seen in audit that:

- The TSG had not been formed (June 2009), concurrent monitoring of the programmes was not effectively carried out and a State level mechanism to monitor/evaluation did not exist in the SHM.
- District Missions in the test-checked districts were not receiving monthly progress reports from the block level/field level implementing units.
- MoUs for projects implemented by various agencies viz., KAU, VFPCK, etc. included provision for sending monthly progress reports to the SHM. However, in the projects test-checked, the agencies executing the project were not furnishing progress reports regularly to the SHM.

Monitoring and evaluation system was inadequate

Lack of a proper monitoring and evaluation mechanism in the SHM resulted in non-implementation or delays in the completion of projects and inclusion of non-viable schemes in successive annual Plans. The Director, SHM stated (September 2009) that only skeletal staff was available in the headquarters, as a result of which, monitoring and evaluation could not be done effectively.

1.1.11 Conclusion

The State Horticulture Mission (SHM) has been functioning from 2005-06. Out of its various interventions, organic cultivation practised in Wayanad District showed significant improvement with Mission funding. Rural marketing facilities established by the Vegetable and Fruit Promotion Council, Keralam with assistance from the SHM were providing a much needed avenue to farmers to sell their products directly to the customers. Infrastructure facilities created by the Seed Production Centre of the Vegetable and Fruit Promotion Council, Keralam achieved substantial progress in the production of vegetable seed.

However, it was also seen that Annual Action Plans were prepared without basic data and proper evaluation. During 2005-06 to 2007-08, the district Missions and field level units were not involved in the preparation of Annual Action Plans. Consequently, the targets were unrealistic and were not achieved. During 2005-09, 42 *per cent* of the grants received from Central and State Governments remained unutilised.

Model/small nurseries were sanctioned without proper examination or evaluation of projects. Though funds were utilized for rejuvenation/ replacement of senile pepper plantations in Idukki and Wayanad Districts, the production and productivity showed a sharp decline, indicating failure of the scheme in these districts. Post-harvest management functions, which were essential for improving marketability of agriculture products could not be established even though funds were available. The fact that the area of cultivation of most of the crops assisted by SHM declined over the years indicated that intervention of the SHM was not effective in increasing the production and productivity of horticulture crops. The existing monitoring and evaluation system was inadequate, resulting in poor execution of projects and inclusion of non-viable schemes in successive Annual Plans.

1.1.12 Recommendations

- The SHM should assess the extent of horticulture crops in the State and ascertain field level requirements before preparation of Annual Action Plans.
- Schemes/programmes should be proposed based on actual requirements and the capacity of the SHM to execute them.
- The SHM should take proactive action to ensure timely utilisation of funds released to Agricultural offices and implementing agencies.
- Rural marketing facilities established by the Vegetable and Fruit Promotion Council, Keralam should be extended to all the Blocks/Panchayats to enthuse farmers.
- The SHM may evaluate the causes for the sharp decline in pepper production before further release of funds for the rejuvenation programme.
- District level and State level inspection and monitoring mechanism should be strengthened.

The above points were referred to the Government in August 2009. Reply had not been received (October 2009).

HEALTH AND FAMILY WELFARE DEPARTMENT

1.2 National Rural Health Mission

Highlights

The National Rural Health Mission was launched by the Government of India in April 2005. It aimed at strengthening rural health care institutions by provision of infrastructure facilities and funds. A review of the implementation of the National Rural Health Mission in the State revealed improvement in the flow of funds to rural health institutions, upgraded infrastructure in some of the institutions and better health awareness among the rural population. However, deficiencies like absence of a Perspective Plan, accumulation of huge unspent funds in banks, slow pace of upgradation work in some institutions, lack of medical and para-medical staff, etc., were noticed.

Although only sample household surveys were carried out in the three test-checked districts, facility surveys required for identifying the health care needs of rural areas were conducted only in Community Health Centres though the guidelines stipulated that these were also to be carried out in Primary Health Centres and Sub Centres.

(Paragraph 1.2.6)

No Perspective Plan for the Mission period was prepared by the State Health and Family Welfare Society to ensure execution of projects along a critical path.

(Paragraph 1.2.6.2)

National Rural Health Mission funds of Rs 1.48 crore were spent during 2007-08 and 2008-09 for activities not approved by Government of India in the annual Programme Implementation Plans and Rs 51.86 lakh was diverted without their approval.

(Paragraph 1.2.7.4)

Management expenditure during 2007-08 and 2008-09 exceeded the prescribed limit of six *per cent*.

(Paragraph 1.2.7.5)

Construction of buildings for only 70 out of 115 Community Health Centres had been completed. Construction of buildings for 50 Sub Centres had not been started as of September 2009.

(Paragraphs 1.2.8.1 and 1.2.8.2)

Accredited Social Health Activists selected during 2007-08 and 2008-09, were not imparted training in three out of five prescribed modules.

(Paragraph 1.2.8.4)

Manpower, infrastructure and equipment in Community Health Centres and Primary Health Centres did not meet the Indian Public Health Standards despite upgradation through National Rural Health Mission funds.

(Paragraph 1.2.8.6)

Guidelines and the Purchase Preference Policy prescribed by Government of India for procurement of medicines were not followed. No pre-despatch or post-despatch inspections of drug kits, surgical kits and Accredited Social Health Activists' drug kits were conducted. Non-levy of penalty for delayed supplies of medicines amounted to Rs 3.18 crore.

(Paragraph 1.2.9.1)

Supply of surgical kits and Accredited Social Health Activists' drug kits was made by M/s.Karnataka Antibiotics and Pharmaceuticals Limited after purchasing them from private firms at lesser prices. As a result, the supplier earned undue benefit of Rs 3.78 crore and the State Health and Family Welfare Society incurred extra expenditure of an equivalent amount.

(Paragraphs 1.2.9.2 and 1.2.9.3)

An effective Health Management Information System was not set up though hardware and software for Rs 4.70 crore were procured for the purpose.

(Paragraph 1.2.10.3)

Under the 'Integrated Disease Surveillance Project', hardware and accessories procured for video-conferencing units at the district level at a cost of Rs 54.82 lakh were lying idle as of March 2009 as the State level video-conferencing unit had not been set up due to non-provision of space by the Director of Health Services.

(Paragraph 1.2.10.4)

1.2.1 Introduction

The National Rural Health Mission (NRHM) was launched by Government of India (GOI) in April 2005 throughout the country with special focus on 18 States. The Mission aimed at providing accessible, affordable, accountable, effective and reliable health care facilities in the rural areas by reducing the infant and maternal mortality rates, stabilising the total fertility rate of the population as well as preventing and controlling communicable and non-communicable diseases, including locally endemic diseases by involving the community in planning and monitoring. The key strategy of the Mission was to bridge gaps in health care facilities, facilitate decentralized planning in the health sector, provide an overarching umbrella to the existing programmes of Health and Family Welfare including Reproductive and Child Health-II and various disease control programmes. It sought to provide health to all in an equitable manner through increased outlays, horizontal integration of existing schemes, capacity building and human resource management. In Kerala, the State Health Mission (SHM) for implementation of various interventions under NRHM was set up in September 2006 and the State Programme Management Support Unit[20] was institutionalised in December 2006. The State Health and Family Welfare Society (SHS) and the District Health and Family Welfare Societies (DHS) were formed in April 2007. Prior to this, the activities under NRHM were being implemented by the Director of Health Services.

[20] Secretariat to the SHM as well as the SHS. It provides technical support on logistics, financial management, tracking of funds, etc.

1.2.2 Organisational Set up

At the State level, NRHM functions under the overall guidance of the SHM under the Chairmanship of the Chief Minister. The activities of the SHM are carried out through the SHS headed by the Health Minister. The Executive Committee of the SHS is headed by the Secretary, Health and Family Welfare Department.

At the district level, there are District Health Missions and DHSs headed by the Chairpersons of the District Panchayats. Their Executive Committees are headed by the District Collectors. The implementation of various disease control programmes is supervised by the respective heads of the Disease Control Programmes.

1.2.3 Audit Objectives

The objectives of the performance audit were to assess whether:

- the planning process at the village, block, district and State levels were adequate;
- the assessment, release and utilisation of funds were efficient and effective;
- capacity building and strengthening of physical and human infrastructure were as per the Indian Public Health Standards (IPHS)[21] norms;
- the systems and procedures of procurement and distribution of drugs and services were cost-effective and efficient and ensured improved availability of drugs and services;
- the performance indicators and targets fixed, especially in respect of reproductive and child health care, immunisation and disease control programmes were achieved and
- the level of community participation was as per the guidelines.

1.2.4 Audit Criteria

The audit criteria adopted for arriving at the audit conclusions were the following:

- The GOI framework on implementation of NRHM,
- Guidelines issued by GOI for various components, disease control programmes, financial aspects, etc.,
- Circulars issued by GOI, containing directions for NRHM activities,
- Orders and instructions issued by the State Government and
- IPHS for upgradation of health centres.

1.2.5 Scope and Methodology of Audit

The performance audit was conducted from April 2008 to June 2009, covering the period from 2005-06 to 2008-09 by test check of records in the Department of Health and Family Welfare, the Directorate of Health Services,

[21] A set of standards envisaged to improve the quality of health care delivery in the country under the National Rural Health Mission.

the SHS and Disease Control Societies. In addition, three[22] out of 14 DHSs were selected for detailed review. In the above three districts, three Taluk Headquarters Hospitals, three District Hospitals, six Community Health Centres (CHCs), 12 Primary Health Centres (PHCs) and 24 Sub Centres (SCs) were also selected using the Simple Random Sampling Method. Besides, data relating to 71 CHCs and 83 PHCs from all the districts were collected and analysed.

An entry conference was held with the Secretary to Government, Health and Family Welfare Department in April 2008, during which the audit objectives and criteria were discussed. Another meeting was held with the Secretary in February 2009, wherein certain State-specific issues were discussed.

An exit conference with the Secretary was conducted on 10 August 2009 during which the audit findings were discussed.

Audit Findings

1.2.6 Planning

Only sample household surveys were carried out in the three test-checked districts

NRHM envisaged a decentralised and participatory planning process with a bottom up approach from village level to the State level. The State and districts were, thus, required to prepare Perspective Plans for the Mission period (2005-12). Action Plans for each year were to be prepared by the SHS by consolidating all the district level plans to enable interventions in the health sector. Household surveys at the levels of CHC, PHC and SC were to be conducted for preparing comprehensive District Action Plans. Audit scrutiny revealed that only a sample household survey was conducted by the Department of Community Medicine of the Medical College, Kozhikode in selected panchayats and municipalities of three[23] out of 14 districts during February - March 2007. Consequently, the Annual Action Plans were prepared without adequate field data, rendering the planning process defective.

Facility surveys were conducted only in CHCs and not conducted in any of the PHCs and SCs

As per NRHM guidelines, facility surveys to ascertain the facilities available at the CHC/PHC/SC level were to be carried out in all the districts by 2008. It was seen in audit that facility surveys were conducted in all the 115 CHCs during September-December 2006. However, no facility survey had been carried out in any of the PHCs and SCs as of May 2009.

Government stated (September 2009) that as the State Programme Management Support Unit was institutionalised only in December 2006 and SHS started functioning from April 2007, there were delays in conducting necessary field surveys to collect essential data for preparing the Annual Plans. As regards the facility survey, the Government stated (September 2009) that such surveys had been conducted in all the CHCs in the first stage. Facility surveys in PHCs would be taken up in phases in due course and the entire exercise would be completed in stages.

However, the fact remains that the State Government took two years, since the launch of NRHM to establish the set up for NRHM and even after these two years, all the required household surveys and facility surveys, had not been

[22] Palakkad, Thiruvananthapuram and Wayanad.
[23] Kannur, Malappuram and Wayanad.

conducted (September 2009). Thus, the formulation of the Annual Action Plans was deficient to this extent.

1.2.6.1 Action Plans at Village, Block and District levels

Village, block, and district level Action Plans were not prepared for 2008-09 as envisaged in NRHM guidelines

Due to delays in setting up of the SHS and DHSs, no Action Plans were prepared for NRHM during 2005-06 and 2006-07. Only proposals for Reproductive and Child Health II (RCH II) were sent to GOI for these years and funds were released by GOI on the basis of these proposals. In 2007-08, Plans at the Sub Centre, block, district and State level were prepared as per the NRHM guidelines. However, in 2008-09, Action Plans below the State level were not prepared. Instead, fund requirements under various heads were collected from all the institutions and furnished to the SHS for preparation of a detailed State level Action Plan. Consequently, prioritization of issues at the district level and below the district level could not be done in the State Action Plan for 2008-09. Government stated (September 2009) that institution-based Action Plans were the basis for 2008-09. During 2010-11, ward would be the basis for preparation of Action Plans.

1.2.6.2 Perspective Plan

SHS had not submitted a Perspective Plan for the Mission period to GOI

The SHS did not submit a Perspective Plan, as envisaged in the NRHM guidelines, to GOI for the Mission period. No Perspective Plans had been prepared by the DHSs in the three test-checked districts of Palakkad, Thiruvananthapuram and Wayanad. Government stated (September 2009) that the SHS had a clear Perspective Plan in terms of clearly laid down technical targets for the Mission period and for each year. Action Plans were prepared by the State with reference to these targets and goals. It was, however, found that the SHS had only fixed targets to be achieved in the Annual Action Plans, but had not prepared a comprehensive Perspective Plan for the entire Mission period. In the absence of such a Plan, the convergence of vertical health programmes, monitoring with reference to performance indicators, rationalization of manpower and resources available, etc., was not possible. Thus, the SHS had not evolved a systematic Perspective Plan based on reliable inputs for scheduling each and every activity in a critical path to execute the same within the time frame to ensure economy, efficiency and effectiveness in the implementation of NRHM.

1.2.7 Financial Management

1.2.7.1 Fund management

GOI provided 100 *per cent* grant-in-aid to the State Government for the years 2005-06 and 2006-07. During the Eleventh Plan (2007-12), the contribution was to be in the ratio of 85: 15 between the Centre and the State. Funds released by GOI for the components[24] were credited to one single bank account while funds for the National Disease Control Programmes were credited to the bank accounts of the respective societies responsible for these programmes. The funds released by GOI to the SHS during 2005-09 *vis-à-vis* the expenditure incurred were as follows:

[24] RCH-II: Maternal health, child health, family planning, tribal health, etc., Additionalities: Hospital Management Committee, untied grant, maintenance grant, etc., and Immunisation: Pulse Polio immunisation and routine immunisation.

Table 1.8: Availability of funds and expenditure

(Rupees in crore)

Year	Opening balance	Funds received from GOI	State share received	Total funds available	Expenditure	Closing balance	Percentage of savings
2005-06	7.70[25]	44.90	Nil	52.60	11.14	41.46	79
2006-07	41.46	88.29	Nil	129.75	33.36	96.39	74
2007-08	96.39	229.95	Nil	326.34	154.52	171.82	53
2008-09[26]	171.82	151.29	53.25	376.36	290.54	85.82	23
Total		**514.43**	**53.25**		**489.56**		

Source: Annual accounts certified by Chartered Accountants

During the first three years, i.e., 2005-08, utilisation of funds was less than 50 *per cent*

In the first three years, ie., 2005-08, utilisation of funds was less than 50 *per cent,* mainly due to delays in setting up the SHS and the DHSs. During 2008-09, expenditure was 77 *per cent* of the available funds. The major items of expenditure were on *Janani Suraksha Yojana*[27] (Rs 12.84 crore), appointment of contractual staff (Rs 34.50 crore), procurement of drug kits (Rs 27.38 crore), grant-in-aid to SC, PHC, CHC and other hospitals (Rs 38 crore) and strengthening/upgradation of health centres (Rs 62.03 crore).

It was seen in audit that during 2007-09, the State Government contributed Rs 53.25 crore against its committed share of Rs 55.02 crore, resulting in short contribution of Rs 1.77 crore. There were unspent balances ranging from Rs 41.46 crore to Rs 171.82 crore at the close of each financial year during 2005-09.

Government stated (September 2009) that the State Programme Management Support Unit was institutionalised only in December 2006 and that the District Programme Managers were put in place only at the beginning of 2007. Also, the gestation period would be high since NRHM activities involved upgradation of facilities, etc. However, the fact remains that Government could utilise only 21 to 26 *per cent* of the funds during the first two years (2005-07) due to delay in establishing the set up for implementing NRHM in the State.

1.2.7.2 Low utilisation of funds

Government of India, Ministry of Health and Family Welfare, released funds to the State based on the progress of expenditure. Due to low utilisation of funds during the initial years of implementation of NRHM, Rs 5.51 crore and Rs 1.95 crore sanctioned for the National Immunisation Day, RCH II Flexible Pool[28], Mission Flexible Pool[29] and strengthening of immunisation were not released by the Ministry during 2006-07 and 2007-08 respectively. Government stated (September 2009) that the low utilisation of funds was due to delays in formation of the State Programme Management Support Unit and SHS.

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25 Opening balance of National Disease Control Programme and Information, Education and Communication activities.

26 Financial Management Report (not certified by Chartered Accountants).

27 A scheme to promote safe delivery at health centres by providing cash incentives to pregnant women and Auxiliary Nurse Midwives or Accredited Social Health Activists.

28 RCH II Flexible Pool: Discretionary resources made available to the States with the flexibility to make plans and for utilisation for maternal health, child health, family planning, tribal health, etc., according to their needs.

29 Mission Flexible Pool: Discretionary resources made available to the States with the flexibility to make plans and for utilisation for hospital management committee, untied grant, annual maintenance grant, etc.

Out of Rs 154.21 crore released to the 14 DHSs during 2005-06 to 2007-08, the actual expenditure was only Rs 86.13 crore while the balance of Rs 68.08 crore remained unutilised with them. The expenditure for 2005-06 and 2006-07 was below 20 *per cent* of the funds released. Government stated (September 2009) that there were delays in generating consensus on the action to be taken for utilising the funds released to the hospitals as well as in accounting of the expenditure as the hospital management committees were headed by elected members. Government also added that necessary orders had been issued to organise regional level workshops to collect statements of expenditure and utilisation certificates from the institutions concerned.

1.2.7.3 Release of corpus grant, untied grant and annual maintenance grant

Each CHC was entitled to receive Rupees one lakh, as a corpus and a maintenance grant and an untied grant totalling Rs 50,000. Each PHC was entitled to receive Rs 50,000, as a corpus and a maintenance grant and an untied grant Rs 25,000. During 2006-07 to 2008-09, Rs 81.12 crore[30] was sanctioned by GOI towards corpus grant (Rs 25.98 crore), maintenance grant (Rs 24.27 crore) and untied grant (Rs 30.87 crore).

Information collected from 71 out of 115 CHCs and 83 out of 929 PHCs through questionnaires revealed that one to 46 CHCs and four to 66 PHCs received the entitled grants during 2006-09 as detailed below:

Table 1.9: Number of CHCs/PHCs who received entitled grants

	Corpus grant		Maintenance grant		Untied grant	
	Number of CHCs	Number of PHCs	Number of CHCs	Number of PHCs	Number of CHCs	Number of PHCs
2006-07	1	4	9	17	13	26
2007-08	32	48	35	65	41	66
2008-09	40	45	44	52	46	57

Source: Details collected through proforma from CHCs and PHCs

It may thus be seen that the additional resources provided by GOI for the CHCs and PHCs did not reach a large number of these institutions, despite the availability of funds. Government stated (September 2009) that during 2006-07 and 2007-08, the entire amount approved by GOI for payment of grant was released to the CHCs/PHCs through the District Health Societies. But during 2008-09, grants were released only to those CHCs/PHCs which utilised 80 *per cent* of the funds released earlier. However, the information received by Audit from the CHCs/PHCs revealed that the grants were received by a few institutions as shown in the table above.

1.2.7.4 Lapses in budgetary control

GOI approved Rs 80 lakh towards selection and training of Accredited Social Health Activists (ASHA[31]) during 2006-08 and Rupees five crore for procurement of ASHA drug kits during 2008-09. However, the SHS spent Rs 6.81 crore and Rs 16.69 crore respectively for the above purposes against

[30] Figures adopted from the proceedings of meetings of National Programme Co-ordination Committee of GOI, Ministry of Health and Family Welfare during 2006-07 to 2008-09.

[31] A trained community health worker to be provided in each village for assisting in neonatal care, prevention and cure of common childhood diseases, immunisation and family planning activities and other activities for control of malaria, tuberculosis, leprosy, etc.

the approved amounts which resulted in excess expenditure of Rs 17.70 crore. Further, in the test-checked districts, it was noticed that NRHM funds were utilised for unapproved activities as described below:

Rupees 1.48 crore was spent on activities not approved by GOI in the Programme Implementation Plans and Rs 51.86 lakh was diverted for other services

- The SHS released Rs 91.20 lakh (2007-08 and 2008-09) towards stipend for BSc (Nursing) students, Rupees six lakh (2008-09) as maintenance grants to six CHCs where upgradation work was in progress and Rs 16.20 lakh (2007-08 and 2008-09) to Hospital Management Committees (HMC) of the General Hospitals at Thiruvananthapuram and Wayanad. In response to Audit, the State Mission Director (SMD) stated (July 2009) that stipends had been given to nursing students to resolve the shortage of nurses. Maintenance grants to CHCs under upgradation and funds to the HMCs of the General Hospitals were provided because these units were running short of funds. The reply is not acceptable as it was the responsibility of the State Government to provide adequate funds for such activities which were not covered under NRHM.
- As per NRHM guidelines, SCs attached to CHCs/PHCs were not entitled for untied grants. Contrary to this, DHS provided untied grants of Rs 14.50 lakh to SCs attached to CHCs/PHCs during 2007-08 and 2008-09. In response, the SMD stated (July 2009) that the districts concerned had been asked to explain the reasons for this action.
- A refundable loan of Rupees seven lakh was released (2007-08) to the Kerala State Institute of Virology and Infectious Diseases, Alappuzha. Rupees 13.30 lakh was released (2008-09) towards routine expenses (purchase of furniture, fuel charges, etc.) of the Kerala Medical Service Corporation. These activities were not covered under NRHM. The SMD stated (July 2009) that the institutions had been asked to refund the amounts.
- An amount of Rs 51.86 lakh, approved for the constitution of 14 Mobile Outreach Units and payment of salaries to Junior Public Health Nurses in urban wards, was diverted (2007-08 and 2008-09) for meeting expenses relating to ward health sanitation activities. In response, the SMD justified the diversion and stated (July 2009) that funds were released to selected urban wards in the State to enable them to initiate action for their designated activities, with a special focus on mothers. However, the diversion was made without the approval of GOI and hence was irregular.

1.2.7.5 Management expenditure

Expenditure on management during 2007-09 exceeded the prescribed limit of six *per cent* of the approved amount under Reproductive and Child Health II

As per NRHM guidelines, management expenditure should not exceed six *per cent* of the approved amount under RCH-II. During 2005-06 and 2006-07, the expenditure on management was below six *per cent,* whereas it exceeded the limit by Rs 3.08 crore during 2007-08 and 2008-09. Audit scrutiny revealed that inadmissible expenditure unconnected with the activities of NRHM like Nurses'/Doctors' day celebration, wages to drivers attached to the Minister's Office, wages to staff of the Kerala Medical Service Corporation Limited, entertainment of visitors, etc., was incurred during the period, contributing to the excess.

1.2.7.6 *Accounting system*

The annual accounts for the years 2005-06, 2006-07 and 2007-08 were audited and certified in December 2006, February 2008 and May 2009 respectively while accounts for 2008-09 had not been prepared till June 2009. The SMD stated (July 2009) that the Audit Report for 2008-09 was expected to be ready by July 2009. However, the audited accounts for 2008-09 had not been finalised as of August 2009.

1.2.8 Upgradation of Health Care Infrastructure and Capacity Building

Construction of buildings for only 34 out of 174 health care institutions had been completed as of March 2009

The core strategy of NRHM includes strengthening of health institutions through better human resource development and providing adequate infrastructure and equipment to raise them at par with Indian Public Health Standards. GOI approved upgradation of 174 health care institutions at a cost of Rs 142.40 crore during 2006-09. The construction works were entrusted to five Government agencies[32] and Rs 49.75 crore was released to them up to March 2009. Construction of buildings for only 34 institutions out of 174 had been completed as of March 2009.

GOI also released Rs 20.18 crore during 2006-09 for upgradation of the Institute of Maternal and Child Health, Kozhikode to a Centre of Excellence. Rupees 4.58 crore was released as advance to Hindustan Prefab Limited for installation of a sewage treatment plant for the institute during 2007-09. Only the work of the sewage treatment plant was completed. The remaining work of laying of a pipeline within the premises and external pipelines to carry the treated effluents was still to be completed (September 2009).

1.2.8.1 *Delay in completion of upgradation of CHCs*

Construction of buildings for 70 out of 115 CHCs had been completed

Hindustan Latex Limited (HLL) was appointed as the consultant for upgradation work of building infrastructure of CHCs in the State. As per the agreement signed for the purpose in February 2007, HLL was to prepare a detailed project report on the basis of a facility survey, get it approved by the hospital management committee of the CHCs and then prepare estimates for the works. Administrative sanction for the work was to be given by the SHS. During 2006-09, upgradation of 115 CHCs had been entrusted to HLL at an estimated cost of Rs 35.66 crore. Rupees 27.16 crore was paid as advance to HLL. It was observed that construction of only 22 CHCs had been completed as of March 2009. Work on 91 CHCs was in progress at various stages. Work was still to be started in the other two CHCs. None of the 22 CHCs which had been constructed had been upgraded as per the IPHS so far.

Government stated (September 2009) that the delay in upgradation of CHCs was due to various reasons such as delays in constitution of institutional level committees, revision of estimates to suit the budget, poor response of contractors to tender notifications, etc., which were beyond their control. The Government also stated that work had been completed in 70 out of 115 CHCs and work in the other CHCs was in progress. Government added that tendering procedures had almost been completed for procurement of

[32] Hindustan Prefab Limited, Hindustan Latex Limited, Kerala Health Research and Welfare Society, Kerala Police Housing Construction Corporation and Kerala State Nirmithi Kendra.

equipment for a few CHCs and equipment for the remaining CHCs would be given according to availability of funds.

1.2.8.2 Construction of buildings for Sub Centres

Construction of buildings for 50 Sub Centres had not yet been started

In order to provide their own buildings to 2020 SCs, which were functioning in rented buildings, GOI approved in the Programme Implementation Plan for 2007-08, construction of buildings for 50 SCs at an estimated cost of Rs 3.30 crore (Rs 6.60 lakh per SC) and for the balance 1970 SCs during the subsequent years (2008-09: 700 and 2009-10: 1270). However, the construction of buildings was not taken up as of September 2009 as priority was given to CHC upgradation.

Government stated (September 2009) that the District Programme Managers had been instructed to submit proposals for upgradation of SCs under their jurisdiction and the work would be prioritised after the receipt of these proposals.

1.2.8.3 Deficiencies in the selected institutions

During field visits to the selected institutions in the sample districts, the following deficiencies were noticed:

- The blood storage centre at the Taluk Headquarters Hospital, Ottappalam, Palakkad, for which Rs 1.55 lakh was spent during 2006-07, had not started functioning due to the absence of a trained blood bank technician. Government stated (September 2009) that the technician would be given training shortly.
- An outpatient block completed in March 2009 at a cost of Rs 25.26 lakh for CHC, Kadampazhipuram, Palakkad was not fully utilized due to shortage of specialist doctors and paramedical staff. Government stated (September 2009) that the outpatient wing was currently functional and an attempt was being made for getting the services of specialist doctors.
- Equipment viz., incubators, suction apparatus, etc., purchased in December 2008, at a cost of Rs 10 lakh, for renovation of the children's ward at the Taluk Headquarters Hospital, Ottappalam, Palakkad was not utilised as of April 2009, due to lack of three-phase electrification. Purchases were made without ensuring availability of space and usability of the equipment. Government stated (September 2009) that action was under way for getting three-phase electrical connection to operate the equipment and that furniture and other items had been distributed.
- A hospital building for the Taluk Headquarters Hospital, Sulthan Bathery, Wayanad, constructed at a cost of Rs 1.75 crore (Rs 50 lakh from NRHM funds) had started functioning from June 2008. However, the operation theatre, laboratory and Intensive Care Unit set up at a cost of Rs 34 lakh in October 2008 could not be made functional as of May 2009 due to shortage of staff. Government stated (September 2009) that staff had been posted under NRHM and the facilities were currently functioning.
- Non-posting of specialist doctors resulted in decrease of outpatients and non-utilisation of facilities viz., a fully equipped mini-operation theatre,

a labour room and an in-patient ward in PHC, Panamaram, Wayanad. Similarly, the operation theatre and labour room in CHC, Porunnannur, Wayanad was idling due to shortage of doctors. Government stated (September 2009) that efforts were being made to address the problem of shortage of doctors.

1.2.8.4 Accredited Social Health Activist scheme

ASHAs were not given five prescribed modules of training as provided in the guidelines

One of the key components of NRHM is to provide every village in the country with a trained female Accredited Social Health Activist (ASHA), accountable to the village. According to the guidelines, 28,757 ASHAs selected during 2007-08 and 2008-09, were to be imparted 23 days' training in five prescribed modules. However, training was imparted to 20,680 ASHAs in the first module, 16,180 ASHAs in the second module and 800 ASHAs in the third module during 2007-09. It was noticed that in the three selected districts, the third to fifth module training was not given to any of the selected ASHAs as of March 2009. The SMD stated that as of July 2009, 27,024 ASHAs were trained in the first module, 17,817 ASHAs in the second module and 1,720 ASHAs in the third module. As ASHAs were expected to create awareness on health and mobilise the community towards local health planning, it was necessary to give them training in all the five modules. Government stated (September 2009) that the training was in progress. Imparting training in five modules to a such a large number of ASHAs would take time. Lack of complete training could interfere with the purpose for which the ASHAs had been recruited.

1.2.8.5 Mobile medical units

Under NRHM, financial assistance[33] was to be provided for establishment of one Mobile Medical Unit[34] (MMU) for every district for improving health services in medically under-served remote areas. In the Programme Implementation Plan for 2006-07, GOI approved Rs 1.55 crore towards the capital cost of one MMU and recurring costs for 14 MMUs including the 13 MMUs already in use in seven districts. In the Programme Implementation Plan for 2007-08, GOI approved Rs 5.12 crore for 13 MMUs. However, no allocation of funds was made to the DHSs for purchase of the vehicles and for meeting the recurring charges of the MMUs, which resulted in the amount remaining unutilised. Government stated (September 2009) that Rs five crore had been released during 2008-09 to the Kerala Medical Services Corporation Limited for procurement of MMUs.

1.2.8.6 Deficiencies in upgradation of CHCs and PHCs compared to IPHS norms

NRHM envisages bringing of health institutions at par with IPHS to provide round-the-clock services. In order to ascertain the facilities available, Audit obtained relevant information through questionnaires from 71 CHCs and 83 PHCs from all the districts. Audit scrutiny revealed the following:

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33 Rupees 25.25 lakh per MMU towards capital cost and Rs 9.25 lakh per annum towards recurring charges.

34 Two vehicles (a 10-seater passenger carrier to transport medical/ para-medical personnel and the second vehicle for carrying equipment/accessories with basic laboratory facilities) with Medical Officer: 2; Nurse:1; Laboratory Technician:1; Pharmacist: 1; Helper:1 and Driver: 2.

- *Manpower*

Forty nine CHCs did not have any specialists as per norms

As per IPHS norms, seven specialists[35] and nine staff nurses with supporting staff were required in each CHC. Forty nine CHCs did not have any specialists, while 21 CHCs had less than the prescribed number of specialists and only one CHC had the full complement of specialists. As regards staff nurses, nine CHCs had nine or more staff nurses, 57 had less than nine and four CHCs had no staff nurse.

Ten PHCs did not have a full time Medical Officer

According to IPHS norms, each PHC was required to have a Medical Officer, three staff nurses, one Pharmacist and one Laboratory Technician. Ten PHCs did not have a full time Medical Officer. Eleven PHCs had three or more staff nurses, while 42 had less than three and 30 did not have any staff nurse. It was also noticed that 79 PHCs did not have a Laboratory Technician, while 10 did not have a Pharmacist.

Government stated (September 2009) that every effort would be made to ensure adequate number of doctors in the institutions and to fill up regular vacancies.

- *Infrastructure*

NRHM envisages providing of 30 beds for in-patients in each CHC together with other facilities[36]. Information furnished by 71 out of 115 CHCs revealed that 22 CHCs had bed strength in excess of 30 and 35 CHCs had bed strength less than 30. Fourteen CHCs did not furnish the relevant information. The number of CHCs out of these 71 CHCs, where infrastructural facilities were not available, are given in the following table:

Table 1.10: Non-availability of infrastructural facilities

Facilities not available	Number of CHCs
Blood storage	70
ECG	60
Labour room	29
Operation theatre	39
X-ray	62
24 hour emergency services	30

Source: Details collected through questionnaires from 71 CHCs

- *Equipment*

Twenty seven CHCs did not have even 50 *per cent* of the major equipment required for operation theatres

According to IPHS norms, 10[37] major types of equipment are necessary to make an operation theatre (OT) operational. Out of 32 CHCs which had operation theatres, 27 did not have even 50 *per cent*[38] of equipment in the OTs.

Government stated (September 2009) that the deficiencies in infrastructural facilities and equipment pointed out by Audit were being addressed.

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35 One post each of Anaesthetist, General Surgeon, Gynaecologist/Obstetrician, Ophthalmic Surgeon, Paediatrician, Physician and Public Health Programme Manager.

36 Operation theatre, labour room, X-ray, blood storage facility, 24 hour emergency services, wards, telephone, etc.

37 Air conditioner, Boyle's apparatus, cardiac monitor, defibrillator, emergency lamp, EMO machine, fumigation apparatus, generator, oxygen cylinder and ventilator.

38 Boyle's apparatus, cardiac monitor, defibrillator, oxygen cylinder and ventilator.

1.2.9 Procurement

A standardized procurement procedure was essential for the SHS to operationalise best practices to ensure transparency and public accountability and to facilitate a systematic approach in decision-making. During 2007-08 and 2008-09, the SHS purchased surgical kits, ASHA drug kits and other drug kits from M/s. Karnataka Antibiotics and Pharmaceuticals Limited (KAPL), a Central Public Sector Enterprise. Details are given in the table below:

Table 1.11: Details of purchase of kits

Sl. No	Details of item	Quantity supplied (numbers)	Period of supply	Date of agreement	Due date of completion of supply as per agreement	Amount (Rs in crore)
1.	Surgical kits	245[39]	August to September 2007	17 May 2007	28 July 2007	33.54
2.	Surgical kits	245[39]	April 2008	24 November 2007	12 March 2008	
3.	ASHA drug kits	8450	November 2008 to January 2009	29 September 2008	30 November 2008	6.69[40]
4.	Drug kits	6218[41]	April to May 2007 November and December 2007 August to November 2008	3 February 2007 (First supply order) 3 August 2007 (Second supply order) 17 June 2008 (Third supply order)	31March 2007 31 October 2007 31 July 2008	26.14

Source: Records from the State Health and Family Welfare Society

1.2.9.1 Procedural irregularities

Guidelines prescribed by GOI for procurement were not followed

- The procurement guidelines issued by the Ministry of Health and Family Welfare in July 2006 for the RCH II project envisages different methods for procurement like open tenders, limited tenders, global tenders, etc. However, the single tender system was to be adopted only for drugs and equipment which were of proprietary nature or where only one particular firm was the manufacturer of the item demanded. Also, the Purchase Preference Policy approved by GOI in August 2006, envisaged procurement of 102 medicines manufactured by Pharma Central Public Sector Enterprises (CPSEs) and their subsidiaries, either by inviting limited tenders or by purchasing directly at rates certified by the National Pharmaceuticals Pricing Authority with discounts up to 35 *per cent*. However, for purchase of surgical kits and drug kits, the single tender system was adopted and for ASHA drug kits, the limited tender system was adopted, though various options were available as per the procurement policy. Moreover, the entire purchase was made from a single firm, viz. KAPL.

No pre-despatch or post-despatch inspection was conducted

- Conditions of agreement for supply of surgical kits, ASHA drug kits and drug kits specify pre-despatch and/or post-despatch inspection by the purchaser. Final payments are to be made only after the receipt of final acceptance certificates from the district Stores-in-charges. Scrutiny of records in the Family Welfare Stores at the three districts test-checked revealed that no pre-despatch or post-despatch inspections

[39] One kit per CHC for 115 CHCs and two kits per First Referral Unit (FRU) for 65 FRUs.
[40] Rs 7923 per kit (Basic price: Rs 7370 plus Central Sales Tax of Rs 295 plus administration charges of Rs 258 at 3.5 *per cent* of basic price).
[41] SCs: 5094 kits, PHCs: 829 Emergency Obstetric Care (EOC) kits, CHCs and Block PHCs: 230 RTI/STI drug kits and FRUs: 65 EOC kits.

were conducted by the SHS or by the DHSs to ensure quality, quantity and workability of the supplied material. However, the final payments were released by the SHS/DHSs despite getting reports of short supply and damages. In reply, Government stated (September 2009) that the damaged items of the kits had been immediately replaced by KAPL.

Penalty was not levied for belated supplies amounting to Rs 3.18 crore

- According to the agreement conditions, a penalty equivalent to one *per cent* of the price of the delayed goods for each week of delay in supply was leviable from the suppliers, subject to a maximum of 10 *per cent* of the cost of delayed goods. There were delays of three to eight weeks in supply of surgical kits, one to five weeks in the case of ASHA drug kits and one to fourteen weeks in the case of drug kits. The penalty, leviable from KAPL in the above cases was Rs 3.18 crore[42]. Government stated (September 2009) the Governing Body of the SHS had resolved to exempt KAPL from the penalty clause as there were only minor delays in supplies for reasons like transport bottlenecks, strikes, lack of raw materials, etc. The reply cannot be accepted because the delay ranged from two to fourteen weeks (excluding the delay of one week) and Government should have invoked the penalty clause as per the agreement conditions.

1.2.9.2 Surgical kits and drug kits

Extra expenditure of Rs 1.99 crore was incurred due to indirect purchase

- Though the supply order was placed with KAPL, it was seen that the actual supply was made by another firm, viz. M/s.Plasti Surge Industries Private Limited, Amaravati, Maharashtra, on behalf of KAPL though there was no provision in the contract for subletting the contract. KAPL was allowed 6.8 *per cent* discount as per the invoice of M/s.Plasti Surge Industries kept in the records of three test-checked District Family Welfare Stores. However, KAPL had not passed on this discount to the SHS. The indirect purchase resulted in extra expenditure of Rs 1.99 crore[43] to the SHS and undue benefit of an equivalent amount to KAPL. Government stated (September 2009) that the in-house purchase policy of KAPL was not enquired into and the SHS had no knowledge of any private company through which KAPL had procured surgical kits and drugs kits. However, the fact remains that Government had incurred extra expenditure of Rs 1.99 crore.
- The SHS did not assess the actual requirement based on the sample survey conducted in September 2006 in all the CHCs before placing the order. In the Family Welfare Stores of the three districts test-checked, 26 out of 102 surgical kits had not been distributed to CHCs/First Referral Units as of March 2009. Physical verification done by Audit in two First Referral Units and three CHCs also revealed idling of seven surgical kits costing Rs 31 lakh.
- GOI instructed (December 2006) the State Government to procure the drugs from primary manufacturers following the Purchase Preference Policy for 102 medicines. The kits were to be formed by the State after procuring the drugs separately and this process was to be completed by

[42] ASHA drug kits: Rs 0.13 crore, surgical kits: Rs 1.75 crore and drug kits: Rs 1.30 crore.

[43] 6.8 *per cent* of Rs 29.29 crore = Rs 1.99 crore.

15 February 2007. However, the State Government purchased (January 2007) drug kits from KAPL directly instead of purchasing the drugs separately from primary manufacturers and making their own kits. In response, Government stated (September 2009) that kitting required a long process i.e. procuring the stores, assembling them in godowns, and kitting using semi-skilled and unskilled labourers. This would involve huge investment and therefore readymade kits were purchased. The reply of the Government is not acceptable because the purchase of readymade kits was against the instructions of GOI.

1.2.9.3 ASHA drug kits

- Limited tenders were invited from Pharma CPSEs[44] in April 2008 by the SHS. After opening the technical bids, the Technical Committee rejected the bids of three Pharma CPSEs because a criminal case was pending against HAL and the required documents had not been submitted by IDPL and BCPL. However, the technical bid of KAPL was accepted as it had furnished product permits for two tablets (Albendazole and Paracetamol) and had agreed to supply the other items from reputed Good Manufacturing Practice (GMP) Companies. It was seen that the financial bid of KAPL was accepted without any negotiations to reduce the rates as envisaged in the Purchase Preference Policy because it was the only firm which qualified for the financial bid. Moreover, the need for going in for the two-bid system of selection of vendor in the purchase of common medicines for ASHA kits was not justifiable. This clearly indicated that KAPL was favoured by the SHS. Government stated (September 2009) that all the three CPSEs whose bids were examined did not submit product permits for all the products. The Technical Committee decided to open the financial bid of KAPL based on an undertaking given by it that it would procure the drugs from reputed GMP companies. Though negotiations were held with KAPL, it did not agree to reduce the rates. The procurement order was issued to KAPL based on the decision of the Governing Body of SHS.

Extra expenditure of Rs 1.79 crore was incurred due to indirect purchase

- Though the supply order was placed with KAPL, it was seen that the actual supply was made by M/s.Vimal Labs Private Limited, Indore on behalf of KAPL. As per the invoices of the Indore based firm kept in the stores of the three test-checked District Family Welfare Stores, the rate quoted for each ASHA drug kit was Rs 5250 and this amount was entered as the cost in the stock register. However, the basic price quoted by KAPL and paid by the SHS was Rs 7370. Thus, the SHS incurred extra expenditure of Rs 1.79 crore[45] and provided undue benefit of an equal amount to KAPL. Government stated (September 2009) that the in-house purchase of KAPL had not been enquired into by them.

[44] Bengal Chemicals and Pharmaceuticals Ltd (BCPL), Hindustan Antibiotic Ltd (HAL), Indian Drugs and Pharmaceuticals Ltd (IDPL) and Karnataka Antibiotics and Pharmaceuticals Ltd.

[45] Rs 2120 x 8450 kits = Rs 1.79 crore.

The SHS did not apply the principles of financial propriety in the selection of KAPL for the supply of surgical kits and ASHA kits as procedures were violated, quality of materials were not assessed and finally the procured surgical and drug kits were not utilised in full.

1.2.10 Performance Indicators

NRHM prescribes national targets for reducing the Infant Mortality Rate (IMR), the Maternal Mortality Rate (MMR) and the Total Fertility Rate (TFR), as well as reducing the morbidity and mortality rate and increasing the cure rate of different endemic diseases covered under various national programmes. State-specific targets were not prescribed by GOI, as different States were at different levels of achievement/performance at the beginning of the Mission period. The targets fixed by the SHS for 2007-08 to 2011-12 were as below:

Table 1.12: Performance indicators

Indicator	2006-07 Current level (actual figures)	2007-08	2008-09	2009-10	2010-11	2011-12
Infant Mortality Rate (per 1000 live births)	12	12	12	11	10	9
Maternal Mortality Rate (per 1,00,000 live births)	110	75	65	50	40	30
Total Fertility Rate (per woman)	1.9	1.8	1.8	1.7	1.7	1.6

Source: Reproductive and Child Health Project Implementation Plan of SHS for the year 2007-08

As the SHS had not evolved a mechanism to ascertain whether the targets fixed were achieved at the close of the respective years, audit could not ascertain the extent of achievement against the targets fixed.

1.2.10.1 Maternal health

Micro-birth plan for each beneficiary of *Janani Suraksha Yojana* was not drawn up

The important services which ensure maternal health are antenatal care, institutional delivery, post-natal care and referral services. It is essential to register all the pregnant women before they attain 12 weeks of pregnancy and provide them with three antenatal check-ups, 90 or more iron-folic acid (IFA) tablets, two doses of Tetanus Toxoid (TT) and advice on correct diet and vitamin supplements. It is mandatory for a Junior Public Health Nurse to prepare a micro-birth plan at the SC level for each beneficiary of the *Janani Suraksha Yojana* (JSY), containing dates of antenatal checkups and TT injections, identification of the health centre for referral services, the place of delivery, expected date of delivery, etc. Audit scrutiny revealed that micro-birth plans were not drawn up in any of the selected 24 SCs.

- In the selected districts (Palakkad, Thiruvananthapuram and Wayanad), out of 5,14,139 pregnant women registered, only 4,30,156 received three antenatal check ups during 2005-06 to 2008-09. In these districts, there were no significant variations over the years in the number of pregnant women receiving three antenatal check ups.
- Although all the pregnant women registered were required to be provided with IFA tablets for 100 days, shortfalls ranging from 16 to 44 *per cent* were noticed during 2005-06 to 2007-08.

- During 2007-08 and 2008-09, Rs 23.95 lakh was disbursed to 7,985 beneficiaries in three Taluk Hospitals and two District Hospitals towards transportation cost under JSY, which was inadmissible.
- The percentage of institutional deliveries of pregnant women registered at the hospitals in the selected districts ranged from 77 to 96 in Palakkad, 61 to 104 in Thiruvananthapuram and 85 to 89 in Wayanad.

1.2.10.2 Immunisation

Routine immunisation

The immunisation of a child against six preventable diseases, namely, tuberculosis, diphtheria, pertussis, tetanus, polio and measles has been the cornerstone of routine immunisation in the State. During 2005-06 to 2007-08, the State had achieved 95 to 99 *per cent* success in pulse polio immunisation. However, immunisation in respect of other diseases showed wide variations ranging from 53 to 85 *per cent* in the test-checked districts during 2007-09. The targets and achievements of Diphtheria (DT) and TT immunisation carried out during 2005-09 are given in **Appendix I**.

During 2005-09, 2,82,887 children between 0-1 age group were not fully immunised

As per information furnished by the Director of Health Services, during 2005-06 to 2008-09, 19,30,592 out of 22,13,479 children between the 0-1 age group were administered full vaccines *viz.* BCG, Measles, Diphtheria, Pertussis and Tetanus (DPT) and Oral Polio Vaccine (OPV), leaving 2,82,887 children uncovered. The percentage of fully immunised children was in the range of 85 to 88 *per cent* during the period and did not show significant variations.

It was seen that DT coverage of children above five years declined steadily during 2005-06 to 2008-09 from 94 to 60 *per cent*. TT to children of 10 years and 16 years also declined during 2005-06 to 2007-08, but showed an increase during 2008-09.

Government stated (September 2009) that long periods of vaccine shortage occurred in 2007-08 and 2008-09 due to inadequate supply from GOI.

Shortfall in administering Vitamin A solution

The RCH-II programme emphasizes administering of Vitamin A solution to all children below three years of age. Prophylaxis against blindness amongst children due to deficiency of Vitamin A requires the first dose at nine months of age along with the measles vaccine, the second dose along with DPT/OPV and the subsequent three doses at six-monthly intervals.

Percentage of children supplied with all five doses of Vitamin A solution declined

Scrutiny of records in the three test-checked districts revealed a steady decline in the percentage of children supplied with all five doses during 2005-06 to 2008-09, the details of which are given in **Appendix III**. The main reason for the steady decline was the short supply of Vitamin A at health centres.

Government stated (September 2009) that the shortfall in administering Vitamin A solution was due to stoppage of supply by GOI from 2007-08.

1.2.10.3 Health Management Information System

An effective Integrated Health Management Information System was not set up though hardware and software were procured for Rs 4.70 crore

As per NRHM guidelines a health information system is to be in place for facilitating the smooth flow of information and for effective decision-making. The SHS purchased 1033 computers along with printers and UPS at a cost of Rs 3.64 crore for this purpose and supplied them to CHCs and PHCs in February 2008. The application software (MS Office 2007) was procured at a cost of Rs 1.06 crore during July 2008.

The SHS adopted the following multiple software applications:

- Health Management Information System (HMIS) viz., DHIS 2 developed by M/s HISP India Limited, a non-government organisation working in collaboration with the University of Oslo, Norway.
- A dynamic web-based surveillance system for monitoring disease incidence for the Integrated Disease Surveillance Project on a weekly basis.
- A Geospatial Kerala Health Information System developed by the Kerala State Remote Sensing and Environment Centre for tracking the spread and frequency of diseases and
- An MS-excel based format for data collection on diseases on daily basis by the State Disease Control and Monitoring Cell.

All these applications were independently operated by various users despite requiring common data sets relating to health parameters for their operation.

Instead of integrating various vertically driven information systems to create a single window system for data entry and report generation, the SHS developed multiple applications with common modules that resulted in data redundancy, duplication in data entry and increase in the workload at all levels. The State Data Officer stated (July 2009) that action was under way to integrate the systems of the Integrated Disease Surveillance Project and the State Disease Control and Monitoring Cell with the SHS.

1.2.10.4 Integrated Disease Surveillance Project

The Integrated Disease Surveillance Project (IDSP) was launched in November 2004 to detect early warning signals of impending outbreaks and to help initiate an effective response in a timely manner. Surveillance units were set up at the Central, State and district levels with linkages with all State headquarters, district headquarters and all government medical colleges on a Satellite Broadband Hybrid Network. Data is collected on a weekly (Monday–Sunday) basis. Whenever there is a rising trend of illness in any area, it is investigated by the Medical Officers/Rapid Response Teams to diagnose and control the outbreak. Data analysis and action are to be undertaken by the respective districts. The total cost of the project was Rupees nine crore, of which GOI released Rs 4.82 crore up to 2008-09. The expenditure incurred on the project was Rs 2.74 crore.

Hardware and accessories procured for Rs 54.82 lakh for IDSP were lying idle

All the 14 District Surveillance Units (DSU) were supplied with hardware accessories costing a total of Rs 21.06 lakh. Civil works for video-conferencing units were also completed in the districts at a cost of Rs 19.60 lakh. Accessories were also supplied to State Surveillance Units

(SSU) and seven[46] medical colleges at a cost of Rs 33.76 lakh. Necessary manpower was also provided to all DSUs and SSU. However, the video-conferencing unit at the State level had not been set up as of March 2009 as the Director of Health Services had not provided space for this. Consequently, hardware and accessories procured for Rs 54.82 lakh and the civil works executed at an expenditure of Rs 19.60 lakh, besides the manpower, remained idle. Moreover, the intention of the Government of detecting impending outbreaks and initiating an effective response could not be achieved. Government stated (September 2009) that the video-conferencing unit would be set up as soon as the civil works were completed within two months' time.

1.2.11 Information, Education and Communication activities

'Radio Health' launched by DHS, Thiruvananthapuram in September 2008 aimed to create positive changes in the health habits and behaviour of people by ensuring wider community participation through interactive and innovative radio programmes. It mainly focussed on primary health care and preventive aspects of health by giving importance to all medical systems and alternative health practices. Up to 31 March 2009, 108 programmes of 30 minutes duration had been broadcasted. Ten Radio Health Clubs were also established in schools, colleges, residential associations, etc., in different locations and 31 meetings were also conducted. This model could be adopted in other districts also to propagate health care programmes. Other activities under the Information, Education and Communication like Health Melas in Assembly constituencies, school health camps, street plays, cultural programmes, etc., were also conducted by the SHS. Government stated (September 2009) that the Radio Health Programme had been well received by the community and had been appreciated at various fora of the Ministry of Health and Family Welfare as a true innovation.

1.2.12 Community participation

NRHM envisages involving communities in planning, implementation and monitoring through representatives of Panchayati Raj Institutions and community based organisations at each level. It also envisages formation of Village Health and Sanitation Committees in each village within the overall framework of the Grama Sabhas. However, the State Government decided (February 2007) to constitute Ward Health and Sanitation Committees (WHSC) at the ward level instead of at the village level. In all the 24 SCs under the three test-checked districts, WHSCs, had been constituted. However, no revolving funds for providing referral and transport facilities on emergency deliveries had been set up in any of the WHSCs though envisaged under the scheme. Government stated (September 2009) that it was a conscious decision to constitute Ward Level Committees within the overall framework of the local bodies in lieu of Village Level Committees as improved community participation was the key to success of the scheme.

[46] Co-operative Medical Colleges at Ernakulam and Pariyaram, Medical College Hospitals at Alappuzha, Kottayam, Kozhikode, Thiruvananthapuram and Thrissur.

1.2.13 Conclusion

Introduction of NRHM in Kerala has improved the fund flow to health institutions at various levels, upgraded infrastructure in health institutions and helped in facilitating their routine management. It has led to the creation of Ward Health and Sanitation Committees and Hospital Management Committees and innovations like 'Radio Health' in Thiruvananthapuram district to create health awareness.

Decentralised planning was crucial for implementation of the scheme but the planning process was flawed as Annual Action Plans were prepared without preparing the State Perspective Plan and without using field level data, obtained through household and facility surveys.

The execution of projects by the SHS without the Perspective Plan by specifying the project activities in a critical path resulted in the projects being implemented without adhering to the time schedule. Thus, the SHS could not spend the funds released by GOI, huge amounts were kept in bank deposits and the accounts were not finalised in time. Though funds were available, the entitled grants were not released to all the CHCs and PHCs. Release of funds to activities not approved by GOI was also noticed. Upgradation work of CHCs and SCs were proceeding at a slow pace and even the facilities created were not fully utilised. There were deficiencies in medical and para-medical manpower, infrastructure facilities and equipment in CHCs and PHCs in the State. Procurement of drugs, surgical equipment and computers for Rs 70.01 crore was made without observing the principles of financial propriety and distributed without assessing the requirements of institutions.

1.2.14 Recommendations

- The Perspective Plan should be prepared for the remaining Mission period by incorporating all the required strategies to achieve the objective of convergence of all health initiatives under one umbrella. Each activity should be executed along a critical path to achieve the desired result within the Mission period.
- The SHS and the DHSs should synchronise all their activities and integrate structurally to ensure sustainability of NRHM initiatives even after the Mission period.
- The State level Action Plan should be a part of the Perspective Plan and prepared only on the basis of consolidated Action Plans at the village, block and district levels so that actual requirements are projected.
- Proposals in the Action Plan should be made on the basis of the absorption capacity of the Mission and the funds released should be utilised without undue delays to avoid retention of huge balances in bank deposits.
- Corpus grants, maintenance grants and untied grants should be released annually to all the entitled health care institutions.
- Priority should be accorded to complete all the upgradation works for which GOI approvals have been received.
- Steps should be taken to fill up the regular vacancies of medical and para-medical staff in the CHCs and PHCs and post contractual staff

under NRHM as per requirements to achieve Indian Public Health Standards.

- The principles of financial propriety should be observed in all the procurement processes to avoid undue favour to the suppliers.
- The SHS should integrate various vertically driven information systems to create a one-point system for data entry and report generation that covers all its activities like accounting, manpower, health profile, stores, disease surveillance, etc. to provide online information for planning, execution and monitoring of the Mission.

TRANSPORT/HOME/PUBLIC WORKS DEPARTMENTS

1.3 Road Safety Management in Kerala

Highlights

Road accidents and their adverse impact on the public are areas of serious concern for the Government. Kerala, with three per cent of the national population, accounted for nine per cent of the total number of road accidents in the country. There were 37,211 road accidents in the State in 2008, involving loss of 3,826 lives. The Kerala Road Safety Authority was constituted in April 2007 to co-ordinate road safety activities and to formulate a road safety policy. A Road Safety Fund was also created for this purpose. Though various departments and agencies were involved in this area, no specific road safety policy had been formulated in the State as of August 2009. The major areas of concern highlighted in the review are as under:

The Government did not make proper efforts for co-ordination among the various committees involved with road safety activities.

(Paragraph 1.3.6.1)

The strength of enforcement officials in Motor Vehicle and Police Departments was not revised to be commensurate with the increase in the number of motor vehicles registered during 2003-08. This resulted in poor enforcement of the provisions of the Motor Vehicles Act and rules leading to increase in road accidents.

(Paragraph 1.3.6.8)

Out of 635 cases reported by the police during 2004-09 for suspension of driving licences, action was taken in 329 cases. Of this, in 48 cases, suspension of driving licences was not effective as the suspension orders were issued with retrospective effect.

(Paragraph 1.3.6.10)

Out of 11 Speed Check Radars purchased by the Police Department, six were not used due to defects, resulting in idle investment of Rs 34.94 lakh.

(Paragraph 1.3.6.11)

Fifteen hospitals located near the national highways and major district roads in the selected districts referred 3326 major accident cases to the Medical College Hospitals and other major hospitals during the period from January 2007 to May 2009 which indicated that the emergency care facilities available for road accident cases were inadequate.

(Paragraph 1.3.7.3)

As of March 2009, 1.37 lakh cases of motor accident claims were pending in Motor Accident Claims Tribunals.

(Paragraph 1.3.7.5)

No data management systems on accidents existed in the Public Works, Motor Vehicles and Police Departments.

(Paragraph 1.3.8.1)

1.3.1 Introduction

Road safety is an area of serious concern for the State Government. Kerala, with three *per cent*[47] of the national population (2001 Census), accounted for nine *per cent*[48] of the total road accidents in the country. Road accidents have severe economic and social costs, which are around three *per cent* of the gross State domestic product (GSDP) annually. The number of road accidents decreased from 41,219 in 2004 to 37,211 in 2008, whereas the number of deaths showed an increasing trend from 3,059 in 2004 to 3,826 in 2008. During 2004 to 2008, there was one death for every 12 accidents.

1.3.2 Departments and Agencies involved

The following agencies of the State are involved in the management of road safety:

Transport Department

- **Motor Vehicles Department** (MVD): This department is responsible for implementation of the Motor Vehicles Act, 1988, the Central Motor Vehicles Rules, 1989 (Central Rules) and the Kerala Motor Vehicles Rules, 1989 (State Rules). The Transport Commissioner is the head of the department. There are 18 Regional Transport Offices headed by Regional Transport Officers (RTO) and 42 Sub Regional Transport Offices headed by Joint Regional Transport Officers (Jt. RTO). The RTOs and Jt. RTOs are assisted by Motor Vehicle Inspectors (MVI) and Assistant Motor Vehicle Inspectors (AMVI).
- **Kerala Road Safety Authority** (KRSA): This was constituted in April 2007 for co-ordinating the activities of various departments towards road safety and to make recommendations to the Government for formulating a road safety policy. A Road Safety Fund was also created and placed at the disposal of KRSA.

Home Department

- **Police Department - Traffic Police:** This department is responsible for control of traffic, enforcement of traffic rules and investigations of traffic accidents and traffic offences. It functions under the various Commissioners/District Superintendents of Police of the State. Nine traffic police stations have been set up in the State for effective management of traffic. Though a separate post of Inspector General (Traffic) was created by the Government in January 2009 and the duties and responsibilities were also clearly defined, no separate manpower and funds were provided and the pay and allowances of the traffic personnel were being drawn from the funds provided to the Police Department.

In addition, the Public Works Department (PWD), and various Municipal Corporations are associated with the construction and maintenance of roads. The Health Department provides trauma care facilities to accident victims and the Education Department helps to create road safety awareness among students. Besides, the National Transportation Planning and Research Centre

[47] Economic Review – Government of Kerala, 2007.
[48] Report of GOI, MORTH publication on road accidents in India, 2005.

(NATPAC)[49] undertakes research, training and consultancy projects in the transport sector. Motor Accident Claims Tribunals (MACT) deal with claims for compensation in accident cases.

1.3.3 Audit Objectives

The objectives of the performance audit were to assess whether:

- the relevant rules and regulations relating to road safety are effectively and efficiently enforced and action is taken to create awareness about road safety;
- the prescribed standards and specifications are observed in road construction and maintenance;
- a proper system exists for data collection and analysis and the data is used for future planning and
- an effective system exists for timely action for rescue/transfer of accident victims to hospitals.

1.3.4 Audit Criteria

The following criteria were adopted for assessing the performance:

- Motor Vehicles Act,1988 and rules made thereunder,
- Manuals, codes, departmental orders and instructions,
- Road Safety Authority Act,
- Indian Roads Congress Specifications,
- Highway Protection Act,
- Road Policy of Kerala State (January 2006),
- Orders issued by the Ministry of Health/Director of Health Services.

1.3.5 Scope and Methodology of Audit

The performance audit was conducted during the period April to June 2009 by test check of the records in the offices of the KRSA, the Transport Commissioner, Director General of Police, State Crime Records Bureau (SCRB), Director of Health Services (DHS) and Chief Engineers, PWD (Roads and Bridges/ National Highway Division) and subordinate offices under these, in the four[50] (out of 14) districts selected by Probability Proportional to Size With Replacement Sampling method. Besides, records relating to road safety programmes of NATPAC, activities of the three[51] (out of five) municipal corporations, motor accident claims and compensation awarded by MACT, road safety awareness programmes by the Director of Public Instructions (DPI) and the State Council of Educational Research and Training (SCERT) were also test-checked.

An entry conference was conducted in May 2009 with the Secretary, Transport Department, the Transport Commissioner, the IG of Police (Traffic) and the Additional Secretary, PWD. The audit objectives were explained to them. The findings and recommendations were discussed in detail in the exit conference

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[49] A Research and Development Centre under the Kerala State Council for Science, Technology and Environment.

[50] Ernakulam, Kozhikode, Pathanamthitta and Thiruvananthapuram.

[51] Kochi , Kozhikode and Thiruvananthapuram.

held in August 2009. The views of the Government/departments have also been taken into consideration for finalising the performance audit report.

Audit Findings

Performance audit of road safety management in Kerala was conducted under two broad categories, viz. preventive safety and accident care. Under preventive safety category, road infrastructure, the system of enforcement of traffic rules and road safety awareness were examined in detail. Under accident care, rescue operations including transportation of accident victims to hospitals, facilities available in roadside hospitals, payment of compensation for accident victims, etc., were examined. Besides, the monitoring mechanism adopted for road safety management was also examined in Audit.

1.3.6 Preventive Safety

In order to ensure road safety, vehicle movement should be controlled by means of a proper road network, smooth traffic flow, traffic lights and road signages, coupled with a substantial level of compliance to rules by the road users. Audit examination of the factors influencing the accidents revealed the following:

1.3.6.1 Multiplicity of authorities formed by the Government

Government constituted the following authorities for road safety management:

- A Road Safety Council (RSC) and District Road Safety Committees under it were constituted (December 1991) as per Section 215 of the Motor Vehicles Act with the Minister for Transport and the District Collectors as the chairpersons of the State Council and District Committees respectively.
- The Kerala Road Safety Authority (KRSA) was established in April 2007 for the implementation of road safety programmes in the State. The Minister for Transport is the Chairman and the Transport Commissioner is the ex-Officio Road Safety Commissioner and Chief Executive of KRSA.
- A Co-ordination Committee for Accident Reduction Plan (CCARP) with the Chief Secretary as Chairman was constituted (July 2007) to implement, enforce and co-ordinate accident reduction activities and monitor strict enforcement of traffic laws and rules.

Audit observed that all these authorities had the same members and discussed the same issues during their meetings. Their recommendations such as providing medians, identifying of black spots, establishing emergency care facilities, co-ordinating in digging of roads, enforcing motor vehicle rules, creating awareness, etc. were discussed repeatedly at the meetings but were not implemented by the departments concerned due to financial constraints or manpower shortage. Thus the Government's initiative of creating multiple entities did not produce the desired results towards improving road safety in the State.

1.3.6.2 Driving standards of drivers

Ninety seven *per cent* of road accidents were due to drivers' faults

Analysis of the records of accidents with the State Crime Records Bureau (SCRB) showed that the reason for 97 *per cent* of road accidents was drivers' mistakes while mechanical faults, bad roads and faults of pedestrians accounted for less than one *per cent* each. This indicated poor driving standards and ineffective enforcement of statutory provisions for issuing driving licences and penalising traffic violators.

An integrated approach to drivers' training, testing and licensing is important to prevent 'road rage', over-speeding, dangerous overtaking, lane cutting, jumping of signals, erratic parking, drunken driving, etc. Novices and young drivers, between the ages of 18 and 24 years, were involved in 31 *per cent* and 34 *per cent* of accidents during the years 2006 and 2007 respectively, killing 2,028 persons and injuring 32,897 persons during those two years.

1.3.6.3 Lacunae in issuance of Licences

A learner's driving licence is issued to a person who is above 18 years of age, physically fit and qualifies in the learner's examination conducted by the Motor Vehicles Department (MVD). The practical test for the permanent driving licence is conducted by the MVI/AMVI. The number of licences issued during 2004-05 to 2008-09 was around three lakh per year. The maximum number of candidates to be tested on a day was fixed at 40 by the Transport Commissioner in May 1997. However, Audit found that during 2008-09 in RTO, Thiruvananthapuram, the number of candidates who took driving tests were in the range of 41 and 68 per day on 157 days. The increase in the number of candidates was likely to affect proper evaluation of the driving skills which would, in turn, lead to issue of licences to persons with inadequate driving skills.

1.3.6.4 Violation of building rules in providing parking spaces

The Kerala Municipality Building Rules, 1999, prescribe the parking areas[52] required for different categories of buildings. Moreover, as per the Road Policy of Kerala, parking restrictions on streets and roadsides should be strictly enforced. As the vehicle population increased to 44.42 lakh in 2008, the requirement of parking areas specified in the rules became inadequate because more than one business entity was operating in office and commercial buildings. As parking space in commercial buildings was based on carpet area rather than on foot-falls, most of the vehicles had to be parked on public roads, which led to traffic congestion.

Parking space in commercial building was used for business activities causing traffic congestion

The commercial entities submit to local bodies building plans for construction of buildings showing adequate space for parking of vehicles. Subsequently, these parking spaces were utilised for business activities leading to parking of vehicles on roads and cause traffic congestion. The local bodies did not have any effective control to prevent such illegal practices. The Corporation of Thiruvananthapuram did not maintain proper records of such violations. In a test check, it was noticed that the designated parking spaces in two[53] commercial buildings had been converted for commercial use. Though the Corporation issued (June 2007) a notice to the Manager of these buildings for causing traffic congestion and accidents due to lack of parking space, no action had been taken so far (June 2009).

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52 One parking space for every 100 sq.m of carpet area in business or office buildings (Group E) and 75 sq.m of carpet area in mercantile or commercial buildings (Group F).

53 Food World at Pattom and Spencer building at Statue in Thiruvananthapuram City.

1.3.6.5 *Violation of parking rules*

For enforcement of parking regulations in Kozhikode and Thiruvananthapuram, the traffic police introduced a system of fixing stickers on vehicles that were parked in 'No Parking' areas and on vehicles which caused inconvenience to road users. The owners of the vehicles on which the stickers had been pasted were to report to the concerned police stations within 15 days to remit a fine of Rs 100 for the traffic violation.

There was no system to ensure that fines imposed for violation of parking rules were paid in all cases

Review of records maintained in the traffic police stations revealed that there was no system to ensure that fines were paid in respect of all the cases booked by the police. Action was also not initiated to prosecute the owners who failed to remit the fines due to difficulties in getting addresses from the web-site of MVD. Moreover, records of the booked cases were not properly maintained and the entries were not linked to the serial numbers of the counterfoils. As a result, it could not be verified whether all the cases booked for violation of traffic rules had been registered. Thus the system of enforcement of parking regulations remained ineffective.

1.3.6.6 *Non-functioning of signals*

Twelve out of 62 signal lights installed by KELTRON during 2004-05 were not functioning

During the period 2004-09, KELTRON[54] installed 62 signal lights at a cost of Rs 3.89 crore in 10 districts. Of these, 12 signal lights installed during 2004-05 were not functioning as of May 2009. It was noticed in audit that in Thrissur District, (which stood at third place in the order of occurrence of accidents), eight out of the nine signal lights were not functioning (some of them from January/February 2008 onwards) as the concerned authorities had not given annual maintenance contracts to KELTRON.

It was observed that the Signal Division of KELTRON at the request (March 2007) of the Transport Commissioner had submitted (March 2008) a project report identifying 278 critical junctions in 12 districts that required automatic traffic enforcement. No action had been taken by the Commissioner on the project report so far. The Government accepted the audit observation and stated that the cost of installing signals was high and action would be taken to instal signals through local bodies.

1.3.6.7 *Inadequate signage for speed restriction*

In order to facilitate accident-free flow of traffic, signboards on roads should be visible and self-explanatory. As per Section 112 of the Motor Vehicles Act, no person should drive a motor vehicle in any public place at a speed exceeding the maximum speed or below the minimum speed fixed for the vehicle.

During 2006 and 2007, 5,279 accidents occurred near schools/colleges in which 443 persons were killed and 6,221 persons were injured. Government decided (December 2008) to put up traffic signboards showing speed limits in front of all schools in the State with the help of the PWD, the Revenue Department, Local Self Government Institutions and Parent Teachers Associations of schools. Although, there were 12333 schools in the State, the Police Department had installed signboards only in front of 810 schools. The details of installation of signboards from Local Self Government Institutions

[54] Kerala State Electronics Development Corporation Limited.

and from other departments such as PWD and Revenue were awaited (October 2009).

Speed-breakers were installed without proper signage

Audit found that during 2006 and 2007, 27 out of 261 accidents and six out of 142 accidents respectively, turned out to be fatal where speed-breakers were installed. Had there been proper signage, these accidents could have been avoided. Further, on the National Highways and State Highways, signboards prescribing the speed limits for driving were not placed.

In order to restrict overspeeding, Government ordered (March 2007) all RTOs to ensure that speed governors were fitted in stage carriages and heavy transport vehicles before 15 April 2009. Only 89,908 out of 4.99 lakh heavy vehicles had been fitted with speed governors as of 14 July 2009.

Signboards were not maintained as prescribed by Indian Roads Congress

It was also noticed in the test-checked districts that the signboards placed by the police prominently showed advertisements of sponsors rather than the traffic information. Moreover, these signboards were not maintained as per the colour codes and standards prescribed by the Indian Roads Congress.

1.3.6.8 Manpower status

The number of enforcement officers remained stagnant

While the number of motor vehicles registered and the number of driving licence holders during 2003-08 showed an increase of 59 *per cent* and 26 *per cent* respectively, the number of enforcement officers in MVD remained stagnant at 409.

There was no well-defined system in the Police Department for assessing the manpower requirement for traffic management. Scientific norms for deployment of staff had neither been laid down nor evolved on the basis of work study. The department was functioning with a sanctioned strength of 2,156 personnel. The DGP intimated (August 2009) that only 2135 personnel were in position as at the end of 2008-09 against the requirement of 5637.

Audit observed that the inadequacy in the strength of enforcement officers in both the departments and the manifold increase in the vehicle population could contribute to poor enforcement of the provisions of the Motor Vehicles Act and the Rules leading to higher rate of road accidents. The Transport Commissioner stated (August 2009) that lack of equipment, training and space for seized vehicles in addition to the shortage of manpower had adversely affected enforcement.

1.3.6.9 Non-imposition of deterrent penalties on habitual offenders

The Police or Motor Vehicles Department did not evolve an integrated system to verify whether the drivers were booked on earlier occasions also

In order to book habitual traffic offenders, the Motor Vehicles Act and State Rules specified a lesser penalty for offences committed for the first time and increased penalty for violation of the same provision on subsequent occasions. However, the police or the MVD did not have any integrated system to verify whether drivers had been booked under the same rules of the Act on an earlier occasion so that increased penalty could be imposed on the offences committed again. Every time, when a violation was noticed, the drivers were booked as if it was for the first time and they got away with lesser penalty. Thus the objective of the Act remained unachieved. Similarly, compounding of violations was also not recorded in the licences to prevent habitual offences.

1.3.6.10 *Suspension of driving licences for over speeding and other serious violations*

The Motor Vehicles Act envisaged different kinds of penalties for violation of different provisions. Over speeding of vehicles was a major cause of road accidents and proper enforcement of speed restrictions could bring down the number of accidents. As per instructions issued by the Transport Commissioner in June 2002 and March 2008, driving licences were to be suspended for a minimum period of three months and six months in cases of over speeding and drunken driving respectively. Though monthly reports on action taken on the suspension or cancellation of driving licences were to be submitted by the field offices to the Commissioner, they were not furnished. Accepting this point, the Commissioner stated (August 2009) that introduction of smart card licences would solve the problems.

Out of 635 cases reported by the police during 2004-09, action was taken only in 329 cases

The police department was also reporting cases of violation of Rules to the concerned RTOs for suspension of driving licences. Out of 635 cases reported by the police during 2004-09 in the four districts test-checked, driving licences was suspended in 302 cases, fines were imposed in 27 cases while in the remaining 306 cases no action was taken. Audit found that in 140 out of 302 cases, driving licences were suspended for periods ranging from three to six months with retrospective effect. As a result, in 48 cases, the suspensions did not have any impact on the violators. In respect of 162 cases, the delays in suspension of driving licences were up to 34 months. The MVD did not intimate the Police Department regarding the action taken on the cases reported by them.

When a driving licence is seized by the police to effect suspension or cancellation for rule violations, a temporary authorization is issued to the driver under Rule 26 of the State Rules. The holder of this authorization is not entitled to drive a motor vehicle beyond the period specified therein. However, in all the 306 cases test-checked in RTO, Thiruvananthapuram, the period of expiry of the temporary authorization was not recorded. Thus, in the absence of any expiry period for the temporary authorization, the violators continued to drive the vehicles posing threats to other road users. No action was taken by MVD to suspend or cancel the driving licences also.

1.3.6.11 *Deficiency in enforcement due to shortage/defective equipment*

The Human Rights Commission suggested (April 2002) that every district should be provided with one Speed Check Radar per 10,000 vehicles and one breath analyser for every 10,000 driving licences issued. However, the police and MVD together had one Speed Check Radar for every 80,917 vehicles and one breath analyser for every 19,848 driving licences issued. Information received from selected districts revealed that police officials on traffic duty were not supplied with the required numbers of equipment.

Out of 11 Speed Check Radars purchased during 2004-05, six radars were not used, resulting in idle investment of Rs 34.94 lakh

Mention was made in Paragraph 3.5.13 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006 (Civil) about extra expenditure incurred on purchase of 11 Speed Check Radar Guns during 2004-05. The Radar Guns were distributed to various police stations during April 2005 but remained unpacked till training was organised by the supplier in September 2006. During training, many of the equipment were found to be defective and the supplier was not ready to repair the same on the plea that the warranty periods had already expired. Out of the 11 Speed Check Radars, six radars costing Rs 34.94 lakh were never used due to defects in the equipment, which resulted in wasteful expenditure. The Transport Commissioner, in response, stated (August 2009) that the radars were not giving accurate data and therefore better equipment was needed.

1.3.6.12 Lack of enforcement on drunken driving

As per Section 185 of the Motor Vehicles Act, if a driver has 30 mg of alcohol content in 100 ml of his blood while driving or attempting to drive a motor vehicle he is committing an offence. As per data made available to Audit, 42,994 cases of drunken driving were detected by police during the period 2006 and 2007, whereas only in 743 cases (less than 2 *per cent*) the causes of accidents were reported to be drunken driving.

Superintendent of Police, Thiruvananthapuram (Rural) received 20 breath analysers during the period November 2001 to August 2008 from police headquarters and distributed 10 of them to five Circle Inspectors. It was reported by the Superintendent of Police, Thiruvananthapuram (Rural) that four out of the ten breath analysers distributed were not functioning. During the period 2004 to 2009, only 29 cases were detected by utilising the breath analysers.

Seventy nine breath analysers were purchased against the recommendation of the purchase committee and later found to be of inferior quality

Under the 'Modernising Government Programme'[55], the Police Department invited (July 2005) tenders for purchase of 83 breath analysers. Out of the four tenders received, the price per piece (Rs 3,796) quoted by M/s K C Services, Chennai was the lowest for their model EDKCA. The technical evaluation committee opined that the model EDKCA offered by M/s K C Services was of no use and was only a showpiece. Inspite of this, the department purchased 79 breath analysers of the EDKCA model for Rupees three lakh. Subsequently, the department found that the instruments were of inferior quality and the results were erratic. This resulted in infructuous expenditure of Rupees three lakh.

Thus, the supply of inferior quality breath analysers to the enforcement personnel rendered detection of drunken driving largely ineffective.

1.3.6.13 Erection of arches and hoardings causing threat to road safety

Arches were installed on busy roads posing threats to vehicles, passengers and pedestrians

The Kerala State Human Rights Commission directed (April 2008) the District Collectors to issue necessary orders banning erection of arches in public places. Erection of arches in public places, especially on busy roads and placing of hoardings on the roadsides obstructed the view of drivers, diverted their attention and cause accidents. It was found that 879 accidents in 2006 and 3025 accidents in 2007 took place due to diversion of attention of drivers. The number of persons killed in these accidents was 51 and 205 and those injured were 1,318 and 4,452 respectively. The District Collector, Thiruvananthapuram issued orders in March 2009 banning erection of arches on public roads. However, it was noticed that the erection of arches continued (June 2009).

[55] The State Government's programme to overhaul and improve its services to the people.

1.3.6.14 *Short utilisation of Road Safety Fund*

Rupees 24.02 crore remained unutilised in the Kerala Road Safety Fund

As stated earlier the Kerala Road Safety Fund (Fund) was to be set up as per the Kerala Road Safety Authority Act. However, the Kerala Road Safety Fund Rules (Rules) were notified only in December 2007, after a delay of nine months. Under the Rules, one time cess collected from vehicle owners and 50 *per cent* of the compounding fees collected during the previous year was to be transferred to the Fund every year. As at the end of March 2009, the Fund had a corpus of Rs 24.41 crore. Due to delay in issue of Rules, only Rs 38.75 lakh could be spent from the fund towards road safety activities and the balance of Rs 24.02 crore remained unutilised (June 2009).

1.3.6.15 *Lack of co-ordination in creating awareness*

Road policy approved by State Government in January 2006 envisaged the starting of awareness programmes among the public regarding road safety through the KRSA and other organisations. It was observed that:

- The Police Department and MVD were conducting road safety weeks once in a year. During this week, MVD was also imparting awareness training to drivers, students, teachers and the general public. These programmes were however, not continued after the completion of the road safety week, which rendered them ineffective.
- The Kerala State Road Safety Council decided (November 2000) to include road safety aspects in the State's school syllabus from the primary level. However, the subject was included in the text books of Classes 3,5,6,7 and 8 only during 2009. The Director, SCERT stated (May 2009) that directions were issued to include road safety aspects in the text books of Classes 9 and 10.

There was no uniform and co-ordinated effort to form Road safety Clubs in schools

- KRSA decided in December 2008 to establish Road Safety Clubs in all schools in the State. However, such clubs were started only in 57 out of 3,943 schools in the selected four districts as of 31 March 2009. Moreover, there was no uniformity and co-ordination in the activities of the Road Safety Clubs. In response to this, the IG (Traffic) stated (August 2009) that action was being taken to create more clubs.
- CCARP decided (August 2007) to give wide publicity on road safety by telecasting one-minute visual media programmes through Kerala State Transport Project and the Police Department. However, the programmes had not been prepared for telecast (June 2009).

Thus, the task of creating road safety awareness among the public had not been taken up in a systematic and planned manner by any agency so far. Moreover, different agencies were conducting awareness programmes independently without co-ordination. This could result in ineffective campaigning against the hazards of drunken driving, not wearing helmets/seat belts, using mobile phones while driving, improper lane driving habits, disobeying traffic signals, etc.

1.3.6.16 *Delays in road restoration works*

There were delays upto 23 months for restoration of cut roads

The Thiruvananthapuram District Public Utility Co-ordination Committee was constituted under the chairmanship of the District Collector for granting permission to various agencies seeking permission for digging of roads.

However, there was no system to ensure that the cut roads were restored without delay. In the cases of works arranged by the Roads Division of PWD, Thiruvananthapuram, delays up to 23 months were noticed in 106 out of 228 road restoration works. Considering the delays in completion of restoration works, the Government issued an order in May 2009 directing the agencies to complete the work of cutting and restoration within 15 days from the date of granting permission for the works, failing which penalty of Rupees one lakh per day would be payable by the concerned agencies. Inordinate delays in restoring road cuts could increase the number of accidents due to overturning and skidding of vehicles in the unrestored portions.

1.3.6.17 Non-completion of black spot rectification

A junction or reach of a road where more than three major accidents take place in a year is identified as a 'black spot'. The responsibility for identification and rectification of black spots rests with the PWD. As per the recommendations of the Co-ordination Committee for Accident Reduction Plan, black spots are to be identified and rectified regularly. As of May 2008, PWD had identified 321 black spots in the 14 districts of the State. Of these, 137 black spots were rectified at a total cost of Rs 10.81 crore while the balance of 184 (57 *per* cent) black spots had not been rectified till May 2008.

List of black spots kept with PWD was not exhaustive

Audit also found that the list of black spots kept with the PWD was not exhaustive as it did not include black spots identified by the Police Department. The PWD had no system to collect details regarding black spots from other departments. In response to Audit, the Transport Commissioner stated (August 2009) that the total number of black spots identified by MVD were 896 and corrective action was being taken in this regard. PWD agreed (August 2009) to collect and include the information from other departments in their list.

1.3.7 Accident Care

1.3.7.1 Incomplete accident information

The State Crime Records Bureau (SCRB) is the main source of accident information in the State and no other department maintains a comprehensive information system for collecting and compiling road safety parameters and accident-related data for further analysis by different departments such as PWD, Police and Motor Vehicles.

Audit observed that accident data maintained by SCRB did not represent the true picture of accidents in the State as it contained data taken only from the FIR registered on the accidents. The following accident types were not captured in the system:

- minor accidents where only General Diary (GD) entries were captured by the police stations,
- accidents settled between the parties without GD entry or FIR, but police was informed or was aware of the accident,
- accidents where the police were not informed initially by either parties but were later informed through witnesses or the local community,
- unknown accidents where no one reported to the police and

- antecedents of the victims and violators involved in accidents for criminal investigation to bring out motives of sabotage.

Thus effective monitoring and planning for accident reduction was not possible. In response to Audit, the IG (Traffic) stated (August 2009) that the cases entered in the general diary were only minor in nature.

1.3.7.2 Geographical Kerala Accident Management System

With a view to supporting the development of road safety and traffic enforcement programmes of the PWD and the Police Department, KSTP purchased (2004) a software viz., the 'Geographical Kerala Accident Management System (GeoKAMS) at a cost of Rs 18.50 lakh from M/s IBS Technologies. The Police Department installed the software at Thiruvananthapuram City traffic police station and decided (July 2006) to instal the same in 57 MGP[56] police stations also. The system was meant for storing details of road accidents captured in the police stations in the main server and to make available to the enforcement agencies and other stakeholders, the required information for planning and implementation of the road safety accident reduction plan. The following points were noticed in audit:

- Though it was decided to instal the software in 57 MGP police stations, it was installed only in 44 MGP police stations and three city traffic stations. Three lakh accident report forms printed and distributed to these police stations were not used in all the police stations. In some cases where these forms were used, the data was incomplete.
- GeoKAMS was developed as a 'Desktop Software' which required separate installation in each computer and essentially functioned as a stand-alone unit and was located in different locations throughout the State without any connectivity. Thus, sharing of data with other stakeholders was not effective.
- When these deficiencies were pointed out by the Chief Engineer, PWD (R&B and IT), the IGP stated (September 2008) that the Police Department was not keen to implement the present GeoKAMS system because of a lot of technical flaws. He had requested (July 2008) the Secretary, PWD for installation of new web-based software on the Road Safety Management System (RSMS) developed by IBS. As the hardware, costing Rs 9.79 lakh, purchased in May 2007, meant for GeoKAMS were not used, the IGP ordered (October 2008) to reallot the same to the Forensic Science Lab (FSL), the Cyber Cell and SCRB.

Software purchased for accident management system for Rs 18.50 lakh remained idle

Thus, the purchase and installation of the software did not serve the intended purpose and the expenditure of Rs 18.50 lakh incurred thereon became wasteful. This was primarily due to lack of a proper system development procedure adopted by KSTP before procuring the computer.

1.3.7.3 Ineffective emergency response and trauma care

Emergencies due to road accidents require a co-ordinated response from various departments such as Police, Medical and Fire and Rescue Services.

[56] Modernising Government Programme.

More than 50 *per cent* of all accident mortality takes place within the first hour of occurrence of the accident viz. the 'golden hour'. According to the recommendations (October 2007), of the CCARP, a policy on emergency management services and accidents was to be initiated by the Department of Health and Family Welfare. In spite of this, the Government did not provide emergency management services in the hospitals. Trauma resulting from road accidents remained the most common cause of death among people who died at less than 35 years of age.

Fifteen hospitals located near the national highways and major district roads in the selected districts referred 3326 major accident cases to the Medical College Hospitals and other major hospitals during the period from January 2007 to May 2009 which indicated that the emergency care facilities available for road accident cases were inadequate. Due to the lack of equipment for diagnosis and surgical treatment, accident victims did not get critical care during the 'golden hour' that could have saved their lives.

Based on a decision (June 2002) of the Road Safety Council to strengthen emergency management in health services, the Director of Health Services submitted a proposal for establishing 20 Primary, 22 Secondary and four Tertiary level trauma care units in the District Hospitals, Taluk Hospitals and Primary Health Centres. A detailed Implementation Plan for an estimated cost of Rs 35.52 crore was also submitted to the Government in December 2004. However, no decision was taken by Government on this (September 2009).

Government of India had sanctioned (2004-2007) grant-in-aid of Rs 5.91 crore to four hospitals[57] for capacity building for upgradation and strengthening of emergency facilities. The amount was for purchase of well-equipped ambulances and other essential equipment required for accident and trauma care services. The status of implementation of the projects was as follows:

Table 1.14: Status of upgradation and strengthening of emergency facilities

Name of hospital	Amount sanctioned (Rs in lakh)	Expenditure (Rs in lakh)	Year of sanction	Stage of implementation
Medical College, Kottayam	146.25	127.42	2005-06	Furnishing of the building not completed. Equipment costing Rs 73.96 lakh was purchased. Trauma Care Ward has been functioning near casualty as a temporary measure.
Medical College, Thiruvananthapuram	144.86	97.49	2004-05	Rupees 36.94 lakh was spent on civil and electrical work but the building was not being utilised as a Trauma Care Centre. Equipment costing Rs 60.55 lakh had been purchased and was being used in different departments.
District Hospital, Palakkad	150.00	46.19	2006-07	Civil works not completed
Taluk Headquarters Hospital, Neyyattinkara	150.00	45.07	2006-07	Civil works not completed

Source: Information received from the Director of Medical Education and the Director of Health Services

Though funds were released during 2004-07, emergency facilities in the above hospitals had not been upgraded and strengthened (September 2009).

1.3.7.4 National Highway Accident Relief Service Scheme

Under the National Highway Accident Relief Service Scheme, the Ministry of Shipping, Road Transport and Highways allotted six ambulances and six

[57] Medical College, Kottayam, Medical College, Thiruvananthapuram, District Hospital, Palakkad and Taluk Headquarters Hospital, Neyyattinkara.

cranes to the Transport Commissioner, Kerala in December 2004 and February 2005 which were distributed to six NGOs based on selection criteria approved by the GOI. Of these, one crane (Rs 19.81 lakh) allotted to Abhaya Charitable Society, Kollam was seized (September 2006) by MVD for unauthorised use and handed over to police. The crane was still in police custody (July 2009). In March 2005, GOI requested the Transport Commissioners of all States to send requirements of cranes and ambulances for rescue operation from two NGOs from each State. Accordingly, the Transport Commissioner, Kerala forwarded (June 2005), an application for cranes and an ambulance received from the Association for Welfare of the Handicapped, Kozhikode. Even though the ambulance costing Rs 8.60 lakh was allotted in 2007, it had not been registered in the name of the Transport Commissioner and put to use (June 2009) as the invoice was in the name of the NGO.

1.3.7.5 Motor accident claims

As per Section 140 of the Motor Vehicles Act, the owner of any vehicle involved in an accident has to make payment of compensation for the death or permanent disablement of any person resulting from that accident and to ensure payment of compensation against third party risk. No person should use a motor vehicle unless a policy of insurance is in force for the vehicle. The Act further provides that claims for compensation should be disposed of as expeditiously as possible.

The table below indicates the number of motor accident claim petitions filed, the number of claims disposed of and the number of claims pending during the five-year ending 31 March 2009.

Table 1.15: Position in disposal of cases by Motor Accident Claims Tribunal (MACT)

Year	Number of MACT Cases			
	Opening Balance	Filed	Disposed	Closing balance
2004-05	1,51,107	56,008	47,024	1,60,091
2005-06	1,60,091	52,096	54,275	1,57,912
2006-07	1,57,912	48,112	52,597	1,53,427
2007-08	1,53,427	43,710	53,860	1,43,277
2008-09	1,43,277	41,662	48,034	1,36,905

Source: Data from Kerala High Court

1.37 lakh cases of motor accident claims were pending settlement in MACT at the end of March 2009

During the period from 2006 to 2009, clearances by the Tribunals were more than the filing of claims, bringing down the number of pending claims from 1.58 lakh to 1.37 lakh. At the current disposal rate another three years would be required for clearance of 1.37 lakh claims.

1.3.8 Monitoring

1.3.8.1 Lack of a proper system for monitoring and coordination

Section 135 of the Motor Vehicles Act, envisages that the State Government may make one or more schemes to provide for an in-depth study on the causes and analyses of motor vehicle accidents with the approval of the State Legislature. No such schemes had been formulated till June 2009. As per the existing practice, the accident data were collected only from FIRs. No in-depth studies on the causes of accidents were conducted either by the MVD or by the NATPAC and no corrective measures taken periodically.

No data management system on accident related parameters existed

As per the Road Policy 2006 issued by the Government, a systems approach was to be adopted in data collection, compilation and updation for analysis using the comprehensive system. However, it was noticed that there was no data management system relating to accident-related parameters in the Public Works, Motor Vehicles or Police Departments. The Chief Engineer (Roads and Bridges) did not have a system to compile information on black spots, road cutting, restoration, etc, for monitoring the work on a regular basis. Similarly, lack of an integrated licensing and enforcement database for both police and MVD resulted in ineffective planning, coordination and monitoring by other agencies involved in road safety related activities.

Further, recommendations of the committees constituted by the State Government for co-ordinating road safety activities were not effectively implemented because these issues were not pursued by conducting meetings regularly.

1.3.8.2 Lack of control over driving schools

RTOs/Joint RTOs were not conducting inspection of the driving schools as prescribed

The Transport Commissioner directed (February 2004) all RTOs to inspect at least one driving school in a month and Joint RTOs to inspect all driving schools once in six months and report on their functioning. Audit observed that the inspections were not conducted by the concerned RTOs/Joint RTOs as prescribed. This indicated lack of proper control over the functioning of the driving schools. The Commissioner stated (August 2009) that shortage of manpower was the main reason for not conducting regular inspections of the driving schools.

1.3.9 Conclusion

Government did not make concerted efforts to co-ordinate the activities of the various committees involved in road safety activities. Shortage of enforcement officers and lack of equipment and training diluted the enforcement of rules and regulations. There was no mechanism to identify habitual offenders of traffic rules and to impose penalties. Road safety awareness programmes lacked sufficient planning. Delays in road restoration works increased the risk of road accidents. GeoKAMS, the software for supporting road safety and traffic enforcement programmes did not serve the intended purpose. Emergency care services in the State were poor. Motor Accidents Claims Tribunals had the burden of clearing 1.37 lakh cases pending as at the end of March 2009.

1.3.10 Recommendations

- Government should review the multiplicity of committees in the field of road safety and the Kerala Road Safety Authority should be given adequate financial and executive powers for ensuring proper coordination between the various concerned agencies.
- Enforcement of the provisions of the Motor Vehicles Act and Rules should be strengthened by deploying sufficient and dedicated manpower in the Motor Vehicles and the Police Departments.
- A centralised database of accident details should be created by State Crime Records Bureau and the Motor Vehicle Department with a provision for sharing the data among the other regulating agencies.

- Government should frame a trauma care policy and create facilities for emergency management.
- A common hotline facility should be provided to the Motor Vehicles Department and the Police Department to receive information on road rage, over speeding, other violations, occurrence of accidents, etc., from the public and the hotline number should be displayed prominently on the rear side of all public transport vehicles.

The above points were referred to Government in September 2009. Reply had not been received (October 2009).

INFORMATION TECHNOLOGY DEPARTMENT

1.4 IT Audit of Akshaya, an e-Governance Project of Government of Kerala

Highlights

Akshaya, an ongoing e-governance project for providing Information Communication Technology accessibility and services to the citizens of the State aims to bridge the gap between 'the information rich and the information poor'. The project involves setting up of Information Communication Technology enabled centres called Akshaya e-kendras run by private entrepreneurs selected for the purpose. A review of the performance of the project revealed various shortfalls/deficiencies, viz., inadequate planning at various levels, inadequate monitoring during implementation, lack of coordination among Government departments, etc., resulting in non-sustainability of the e-kendras.

➢ **Imparting 100 *per cent* e-literacy to every household, the primary objective of the project, was not completed even after three years. Only 28.62 lakh (41 *per cent*) out of the targeted 69.83 lakh households had been trained so far.**

(Paragraphs 1.4.10.1 and 1.4.11.1)

➢ **Owing to the low turn-out of beneficiaries in the roll-out phases, Rs 39.56 crore transferred from Local Self Government Institutions to the project remained idle.**

(Paragraph 1.4.11.3)

➢ **Due to improper selection of beneficiaries, 93.14 *per cent* of the sponsored candidates from among the socio-economically marginalised sections of society did not complete the e-vidya course.**

(Paragraph 1.4.13.1)

➢ **Insufficient server capacity led to overloading of the server on peak days of e-payments. A non-secured site was used for financial transactions and users were compelled to share passwords since the required number of user ids was not provided.**

(Paragraphs 1.4.15.2, 1.4.15.3 and 1.4.15.4)

➢ **The e-kendras could not perform the role of e-governance since the backend providers of information, ie. Government departments, were not ready for dissemination of information even after six years of implementation of the project.**

(Paragraph 1.4.16)

➢ **As against the targeted employment generation of 50,000 jobs and direct investment of Rs 500 crore by the Government, local self-government institutions and Akshaya Centre Entrepreneurs during 2003-06 the achievement was only 6,818 and Rs 124.46 crore respectively.**

(Paragraph 1.4.19)

1.4.1 Introduction

Government of Kerala launched (November 2002) the 'Akshaya' project, aiming to improve governance and ensure delivery of essential services to citizens in terms of e-technology enabled information and communication, particularly for the benefit of disadvantaged sections of society. The project involved setting up of around 9,000 multipurpose community technology centres called Akshaya Centres (e-kendras) across the State which were the facilitation centres of the project. Akshaya Centre Entrepreneurs (ACEs)[58] were to set up these e-kendras. The project catered to 65 lakh families. The proposed number of e-kendras across Kerala were subsequently (April 2005) reduced to 3,000.

1.4.1.1 Delivery model planned for e-kendras

Akshaya aims at three types of service delivery models towards achieving sustainability. The first type comprises five core services in the model of 'Government to Citizens' (G2C). These services are (1) imparting training, (2) disseminating information, (3) enabling e-transactions, (4) facilitating e-governance and (5) acting as a communication hub. The second type relates to industry/business in the model of 'Business to Consumers' (B2C). Under this, e-kendras are at liberty to have tie-ups with various companies/business units to facilitate the services provided by them. The final type of models has a social perspective and provides room for social activities like clubs for kids, farmers, unemployed youth and women. The e-kendras were also endeavouring 'Citizens to Citizens' (C2C) services like establishing a networked farmers community throughout Kerala having access to information on market demand, prices, good agricultural practices, etc. They were also to help farmers for direct sale of their products without any intermediaries.

1.4.2 Organisational Set up

The Akshaya project is implemented through the Kerala State IT Mission (KSITM) and is governed at the apex level by the Information Technology Department headed by a Secretary who is also the Chairman of KSITM. Akshaya has a Director at the State level and district project offices in all districts, headed by Assistant District Coordinators. District Collectors act as District Coordinators who are vested with the responsibility of financial transactions.

The District Project Office, Malappuram, from where the activities are piloted, has been given the status of a State Field Office and is directly under the control of KSITM.

1.4.3 Objectives of the project

Akshaya was envisaged to achieve the following basic objectives:

- Ensuring access points for Information and Communication Technology (ICT) services to all sections of the society located in the remotest parts of the State so as to bridge the digital divide between the information rich and the information poor.

[58] Entrepreneurs selected under the project from the locality who were to function on the social entrepreneurship model for running the e-kendras.

- Providing e-literacy training to at least one member each in 65 lakh households.
- Facilitating locally relevant content and delivery of services such as e-transactions and e-governance.
- Generating over 50,000 employment opportunities and direct investment of over Rs 500 crore in three years.

1.4.4 Financial Status

Up to March 2009, Government incurred an expenditure of Rs 11.78 crore for the implementation of the project. Funds provided by Local Self Government Institutions (LSGI) were Rs 61.69 crore for e-literacy and e-learning activities.

1.4.5 Scope of Audit

Performance audit of the e-governance project, Akshaya, was conducted during May to August 2008 and covered Malappuram and Kannur districts in addition to KSITM and the State Project Office. A draft performance audit report was issued (September 2008) to which the Government replied in October 2008. Since project activities had not been implemented throughout the State by 2008, a further review was conducted during July-August 2009 covering four[59] out of 14 districts to especially examine the effectiveness of remedial measures stated to have been initiated by the Government.

1.4.6 Audit Methodology

As this is an e-governance project envisaged to convey the potential benefits of Information Technology to the general public, especially the rural masses through e-kendras, Audit mainly concentrated on the formation, management and functioning of these e-kendras. For this, visits to selected e-kendras and interviews with the field staff and entrepreneurs on the basis of a questionnaire prepared for the purpose, were undertaken. The validity of the survey findings were ensured by cross-checking the information with that of the project offices. In addition, analysis of the Akshaya household database using CAATs[60], and examination of IT security of the network application and software for e-payment were done. An entry conference was held with the Secretary, Information Technology Department in January 2008. An exit conference was also held with the Secretary in October 2009.

1.4.7 Audit Objectives

The main objectives of audit were to examine whether the project succeeded in achieving the envisaged socio-economic development in general and in particular whether:

- ICT services could be provided to the entire rural population bridging the digital divide and whether entire households were covered under the e-literacy programme;
- the five core services were effectively implemented;
- e-kendras were economically viable to ensure sustainability to deliver the intended services to citizens;

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[59] Ernakulam, Kollam, Kozhikode and Malappuram.
[60] Computer Assisted Audit Techniques.

- the contents developed were useful, adequate and were effectively delivered to the citizens and
- the envisaged employment opportunities and direct investment in the project were achieved.

1.4.8 Audit Criteria

Audit depended on the project vision documents, guidelines and Government orders issued in this respect.

1.4.9 Acknowledgements

We would like to place on record our sincere thanks for the cooperation extended by the Government of Kerala, KSITM, Akshaya State Project Office, District Project Offices, especially the State field Office, Malappuram and the ACEs, who participated in the field survey.

Audit Findings

Audit noticed certain deficiencies in planning and implementation of the project. Some important findings are listed below.

1.4.10 Digital divide: Rural coverage

1.4.10.1 Delay in implementation

During November 2002, the Government of Kerala sanctioned the implementation of the project at an estimated cost of Rs 1.50 crore. The project was officially inaugurated by the President of India on 18 November 2002 and commenced in Malappuram District as a pilot project.

The e-kendras were envisaged to be run by ACEs selected for the purpose. The e-kendras were opened in locations proposed by local bodies with necessary infrastructure. The e-kendras were supposed to cater to the requirements of around 2000-3000 families. The initial activity, e-literacy envisaged training of one member from each household that had no e-literate member. For imparting e-literacy, an entrepreneur was paid Rs 140[61] per trainee and the amount was shared by the Local Self Government Institutions (LSGI) and the trainee at the rate of Rs 120 and Rs 20 respectively. Malappuram district was declared 100 *per cent* e-literate on 31 March 2004.

Followed by e-literacy, e-learning and e-pay programmes were introduced in Malappuram after a break of about two years. The project covered seven[62] districts in 2006 and the remaining six[63] districts in 2007. In the roll-out phases, all the programmes were taken up simultaneously. The first phase programme viz. imparting e-literacy to citizens had not been completed in 13 out of 14 districts in which the programme was rolled out in the first and second phases, even after three/two years respectively. Implementation of the follow-up activities *viz.* e-learning and e-payment programmes were not completed in six districts in the second phase (August 2009).

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[61] The contribution was reduced to Rs 120 in a ratio of 80:40 after the State-wide roll-out.
[62] Ernakulam, Kannur, Kasaragode, Kollam, Kozhikode, Pathanamthitta and Thrissur.
[63] Alapuzha, Idukki, Kottayam, Palakkad, Thiruvananthapuram and Wayanad.

Implementation of each stage of the Akshaya project was *ad hoc*

Implementation of each stage was *ad hoc* in the absence of a project report detailing the strategies, target dates for completion of e-literacy, phases of roll-out, further services to be provided to citizens, steps for ensuring sustainability of e-kendras, etc. No social impact study was conducted on the pilot project before the project was rolled out. Empowerment of the State Project Office and the District Project Offices to enforce control measures and issue guidance was not done. Coordination of all the departments/LSGIs/ bodies concerned was not ensured. All of these were found to be the reasons for the delays in implementation.

KSITM stated (October 2009) that the e-payment and e-learning programmes were implemented on the basis of demands from the local areas. This reinforces the conclusion that the implementation was on *ad hoc* basis.

1.4.10.2 Non-representation of e-kendras in rural areas

According to the existing directions of the State Project Office, one e-kendra each was to be established to cater to 2000-3000 households in every LSGI. Accordingly, every Grama Panchayat (GP) was to have two[64] e-kendras to deliver the envisaged services to citizens. However, the representation of e-kendras in the GPs was found to be as shown below:

Table 1.16: Representation of e-kendras in GPs

Number of GPs with two or more e-kendras	602
Number of GPs with one e-kendra	346
Number of GPs with no e-kendra	51

Source: Details furnished by Director, Akshaya

The shortage or non-representation was caused either due to closing down of unviable e-kendras or lack of volunteers interested in opening new e-kendras.

In remote and rural areas, which lacked sufficient transportation facilities, e-kendras were not functioning effectively as they were not able to sustain themselves due to insufficient income.

Districts like Idukki and Wayanad are unevenly populated because of their hilly topography. Since e-kendras were limited to two each in a GP, citizens of these districts, who required the services most, could not avail of ICT services. These areas are sparsely populated and as a result, the number of people utilising the services rendered by e-kendras were less. So it was difficult for the ACEs to operate within the limited income generated by the available activities/facilities.

1.4.11 e-literacy

1.4.11.1 No source data to identify the eligible beneficiaries

Only 41 *per cent* of the targeted households was trained

The primary objective of the project was to make at least one person computer-literate in every household in the State. For achieving the objective, Government directed the Local Self Government Department to provide funds for the project for imparting e-literacy training at Rs 80 per trainee. Imparting e-literacy training at subsidized rates to more than one member in a family or

[64] Average population of a GP is taken as 6000-7000; so number of e-kendras in a panchayat is fixed as two.

to a member from a family where computer literates were already available was not envisaged. Government claimed that 28.62 lakh (41 *per cent*) families were trained under the scheme. The targeted number of households was stated to be 69.83 lakh on the basis of electoral rolls. However, no list of eligible households was available with the project. An amount of Rs 21.86 crore was spent on e-literacy alone. In the absence of the source database, payments made to ACEs could not be checked in audit. KSITM stated (October 2009) that the beneficiary list was based on the Census 2001. However, none of the auditee units was able to produce the list to Audit.

1.4.11.2 Irrelevance of e-literacy in the roll-out phase

Only 35.84 *per cent* of households joined the e-literacy training in the roll-out phases

The intention of the Government through the e-literacy programme was to provide e-literacy training to at least one member of each household, which did not have even a single e-literate member. However, the programme became insignificant in the roll-out phase due to the fast penetration of IT even in villages, mostly because of the compulsory and formal IT education introduced in schools. This was evident from the fact that only 35.84 *per cent* of households joined the course in the roll-out phases.

1.4.11.3 Idling of funds transferred from Local Self Government Institutions

Rupees 39.56 crore transferred to the project by the LSGIs remained idle

Owing to low response to the training programmes in the roll-out phases, funds to the tune of Rs 39.56 crore transferred by the LSGIs to the project remained idle in the project account for years. No decision was taken (August 2009) by the Government to re-allocate funds for other purposes. KSITM stated (October 2009) that the issue was under consideration.

1.4.12 Unrealistic estimation of income

A vision document published in the official website of Akshaya project, contained an income generation model for e-kendras from project activities. Accordingly, the monthly average net income of an ACE was projected to be Rs 9,000. However, the result of a field survey[65] conducted by Audit revealed that they were incurring a loss of Rs 1,069 per month on an average. A comparative analysis of the claims of the project and the audit findings are given in **Appendix III.** As evident from the analysis, the major income was derived from activities of their own and not from the programmes of Akshaya.

The vision document also envisaged reduced electricity tariff rates to ACEs at the rates applicable for educational institutions. However, it was observed that though the e-kendras were struggling with the problem of non-sustainability, Kerala State Electricity Board (KSEB) imposed commercial tariff on electricity consumed by e-kendras.

Five core services

The five core roles envisaged to be performed by e-kendras were those of training centres, information kiosks, e-transaction centres, e-governance cells and communication hubs.

[65] Sixty e-kendras in four districts were surveyed in July-August 2009.

1.4.13 Training

1.4.13.1 e-vidya course

The main course developed as a follow-up training programme for the new e-literates viz. e-vidya[66] attracted less public response. The reasons for this were that the course content was too basic and that it lacked accreditation by any reputed agency and had no value in the job market.

93.14 *per cent* of the sponsored candidates dropped out from the e-vidya course

LSGIs earmarked funds for sponsoring women and socio-economically marginalised factions of the society for undergoing the e-vidya course. Selection of beneficiaries was also done by the LSGIs concerned. No minimum eligibility conditions were fixed for selection of candidates. Selection of candidates without considering their willingness, aptitude and minimum qualification resulted in a dropout rate of 93.14 *per cent* among the sponsored candidates. This resulted in deprival of income for the ACEs.

1.4.13.2 Lack of a comprehensive structured courseware

The vision document of the Akshaya project envisaged e-kendras to conduct courses like spoken English, Arabic Typing Tutor, hardware assembling and maintenance, e-tuitions, etc. However, no courseware was developed by the project except Arabic Typing Tutor and spoken English.

1.4.14 Information kiosk

One of the key roles of e-kendras was to function as information disseminators so that citizens living in rural areas and places far away from district/State Headquarters could get the required information from Government offices right from the Government Secretariat to village offices through their nearby e-kendras. It was found that many Government departments and other institutions had hosted information, forms, etc. which were required by the public on their websites. Dissemination of information to the public was, however, not done effectively by the e-kendras due to the following reasons:

i) Directions were not given by the Government to their various departments, public sector institutions, LSGIs, etc., to provide the required information to the e-kendras.

ii) Adequate publicity was not given by Government regarding the availability of facilities in the e-kendras so that citizens could approach these e-kendras for their needs.

iii) The ACEs were not fully aware about the scope of services which they had to provide to the public. They were not trained to effectively liaise with departments/institutions for collecting the information to disseminate to the public.

Only two e-kendras were providing help desk activities in the State

The e-kendras were envisaged to act as front offices of Government departments and other public institutions. The services intended to be provided, *inter alia*, were issuing of forms relating to the services offered, and help desk activities like helping/advising citizens to fill forms, to prepare applications/requests/complaints etc. in specific prescribed formats. These

[66] An MS Office tutorial package developed in vernacular mainly as a self learning package requiring less assistance of a tutor. Course fee was Rs 450 with an additional Rs 50 as examination fee.

activities would not only help the public especially illiterates, but also the Government departments. Audit found that, only two e-kendras[67] were providing help desk activities in the entire State. KSITM stated (October 2009) that action was being taken to implement the recommendations of Audit regarding the extent of information that can be disseminated through the e-kendras, issue specific directions to all departments/other public institutions involved in providing such information to e-kendras and also provide adequate publicity about the services/information that can be available in the e-kendras.

1.4.15 e-payment

The objective of introducing e-payment was to extend FRIENDS[68] services, which were located only in district headquarters, to rural and remote places. The various e-services intended to be included were e-transactions in respect of various utility bills, university fees, flight/train/bus tickets, etc.

1.4.15.1 Limited coverage of utility bills

Arrangements were made in the e-kendras for e-payment of utility bills/fees in respect of BSNL[69], KSEB, the Kerala Water Authority and Calicut University. The other e-pay facilities available in FRIENDS centres such as those for building tax, property tax, land tax, road tax and fees etc. had not been extended to the e-kendras so far.

While BSNL gave commission at Rupees five per bill, ACEs were permitted to collect Rupees five per bill from the consumers in respect of all other bills in addition to the bill amounts. The commission received from making e-payments after deducting service tax was the main source of income to the ACEs from the envisaged activities.

According to the State Project Office figures, the average number of bills received for e-payment by an e-kendra in a month was 116, involving an average total cash transaction of Rs 42,108 and average total commission of only Rs 520. Had all the e-pay facilities available in the FRIENDS centres been extended to e-kendras, they would have succeeded in attracting more public support and become financially viable. KSITM stated (October 2009) that about 10 more services were planned for introduction at the Akshaya Centres.

1.4.15.2 Server issues

Server capacity in the roll-out phase remained the same as in the pilot phase

ACEs were provided login access to the Akshaya server through http://www.e-kendra.org for facilitating e-transactions. Utility bills were generally received by ACEs in large numbers on or close to the pay-by-dates. Owing to heavy net traffic on these days, the server became so busy that the ACEs found it difficult to make e-payments in respect of all the bills they had collected. The initial server capacity made available for starting e-transactions in Malappuram district in the pilot phase was not enhanced to meet the increased demands even after rolling out the scheme to the entire State. (August 2009).

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[67] One in the District Collectorate and the other in the office of the Superintendent of Police, Kollam.

[68] Fast, Reliable, Instant, Effective, Network for Disbursement of Services (FRIENDS), an e-service project of the State Government set up in all district headquarters for enabling payment of utility bills.

[69] Bharat Sanchar Nigam Ltd.

Audit observed that as the ACEs had difficulty in remitting the bills on peak days, they had to restrict the number of bills on the last dates causing hardship to the public. KSITM stated (October 2009) that action was being taken to solve the problems.

1.4.15.3 Non-secured site for financial online transaction

Financial transactions enabled through web-based applications require secured websites, capturing of IP addresses, use of complex passwords, etc. Storage of transaction details and log files can act as an audit trail in locating unauthorised activities and for initiating timely remedial measures. Compromise in any of these control measures would lead to the risk of unauthorised access to the system and consequent malpractices.

Financial transactions were carried out through an unsecured website

The website of Akshaya enabling e-payment was seen as a secured one - https://www.e-kendra.org/pay/login/login.aspx. However, immediately after the login procedure, the site was seen to be proceeding to a non-secured site viz. http://www.e-kendra.org/pay/akshaya/hhdetails.aspx, wherein e-payments involving financial transactions were made. On this being pointed out in audit, KSITM stated (October 2009) that financial transactions were carried out through the State Bank of India (SBI) website and not through the Akshaya website (e-kendra.org). However, it was found that the transactions were carried out through the Akshaya web site which proceeded to a non-secured site. Thus, the particular webpage where financial transactions were being carried out was an unsecured one.

1.4.15.4 Risk of fraud due to sharing of password

There was risk of fraud due to sharing of password

Access to the Akshaya server was permitted to the ACEs and user ids and passwords were given to them for the purpose. The ACEs deployed employees for making e-transactions. Despite demands from them for additional user ids, only one user id was provided to an e-kendra, forcing them to share passwords among them. There was no provision to capture the IP addresses of computers from which logins were permitted. This could lead to malpractices being committed by employees without leaving an audit trail. Audit observed that in respect of an e-kendra in Malappuram district, one of the employees was logging on to the ACEs account and made e-payment of bills debiting the bank account of the ACE without his knowledge. By the time the ACE detected the malpractice, his account was siphoned of to the extent of above Rs 10,000. In the survey conducted by Audit two other ACEs also stated that similar type of incidents occurred in their centres. On this being pointed out, Government stated (October 2008) that new e-payment software was being developed for secured e-transactions. However, the new software had not been installed (August 2009).

1.4.15.5 Denial of e-filing facilities to the ACEs

Commercial Taxes Department restricted the facility of e-filing of returns to some ACEs in some districts

The Commercial Taxes Department allows online filing of tax returns. Some e-kendras have been authorised to provide e-filing services in respect of commercial tax returns, for which they have been given user ids and passwords by the department. ACEs are paid a commission of Rs 23 per case by the department. The facility is convenient for traders, especially those who do not have internet facilities of their own. Though the Government wanted to extend this service to all the ACEs, it was observed that the Commercial Taxes Department restricted the facility to 58 out of 177 e-kendras in Kozhikode district.

1.4.16 e-governance cell

One of the objectives of the project was to convert e-kendras as last mile units for e-governance delivery in respect of the following:-

i) public grievance redressal system
ii) decision support system
iii) online processing of application
iv) information dissemination services
v) digital extension of campaign/awareness programmes

However, none of the above services were available to the citizens since the backend providers of information were Government departments, which were not ready for dissemination even after six years of implementation of the project.

1.4.17 Communication Hub

e-kendras were not networked through intranet

The e-kendras were envisaged to perform the role of communication hubs, through which ICT based communication facilities were to be provided to citizens reaping benefits of the intranet. Programmes like 'District Collector online' by which citizens in remote localities and far-off places could communicate with the District Collector through the Akshaya intranet, seeking redressal of their grievances, were envisaged to be made available. However, except for a wireless network connectivity provided in Malappuram district, no other e-kendras were networked through intranet. Even in Malappuram, no intranet services were made available to the public and the available wireless connectivity has also ceased to exist (July 2009). The role of e-kendras as communication hubs was, therefore confined to only internet browsing centres.

1.4.18 Non-achievement of target in respect of locally relevant content development

The project envisaged enabling citizens to effectively acquire knowledge through a robust information system, including locally relevant information pertaining to each Grama Panchayat. Rupees one crore for every district was envisaged to be set apart for the development of locally relevant content. However, only general topic compact disks (CDs) on agriculture, health care, education, career and law were developed in 2002, at a total expenditure of Rs 57.02 lakh. The CDs were made available to all the e-kendras for public viewing. Eighty five *per cent* of the ACEs surveyed stated that these CDs attracted little response from the public.

1.4.19 Non-achievement of target on employment generation

Against the target of generation of 50,000 opportunities, only 6818 were generated

One of the objectives of the project was generation of over 50,000 employment opportunities during the first three years (2003-06) of implementation of the project with a direct investment of over Rs 500 crore by the Government, local self-government institutions and ACEs. However, audit scrutiny revealed that the employment generated in eight years was only 6,818 as shown in the following table:

Table 1.17: Employment generation

Area of employment	Employment generated
State Project Office	10
District Project Offices (5 x 14 Districts.)	70
Akshaya Centre Entrepreneurs	2,246
ACE's employees (2 x 2,246 e-kendras)	4,492
Total	**6,818**

Source: Information furnished by Director, Akshaya

Against the anticipated amount of Rs 500 crore, the direct investment was found to be only Rs 124.46 crore, as shown below:

Table 1.18: Direct investment

Source of investment	Total amount (Rupees in crore)
LSGI	61.69
Project	11.78
ACE investment (2,246 nos. x Rs 2.27 lakh)	50.99
Total	**124.46**

Source: Information furnished by Director, Akshaya and result of audit survey

1.4.20 Lack of coordination with KSEB

The success of the e-kendras mainly depended on their credibility and usefulness among the public. This success in turn was dependent on the support and co-operation of the departments/agencies whose services e-kendras helped to deliver to the public. Lack of an effective mechanism for co-ordination with KSEB resulted in frequent problems for the consumers who remitted power bills at e-kendras. A few instances noticed during field inspection are detailed below:

i) KSEB fined consumers at Rs 30, when their bills were paid through e-transactions at e-kendras, claiming that they had later found shortage of Rupees one or two[70] in cases where the consumer paid the amounts as per the authentic bills issued to the consumers.

ii) KSEB disconnected power supply of consumers who had paid their bills through e-kendras, before ensuring whether the payment scrolls had been received from FRIENDS.

iii) KSEB did not accept proof of payments produced by ACEs to the effect that the payments had been made in time.

On this being pointed out, Government stated (October 2008) that steps had already been initiated to address the issue but Audit found that the issues still remained (August 2009) unattended. Despite the fact that the credibility and the existence of the project were at stake, Government had not succeeded in solving the issue even after nearly a year.

1.4.21 Improper maintenance of household database

To make e-payments easy, web-based software was developed by Akshaya and furnished to ACEs for making a database of the persons making use of

[70] In spot billing, manually calculated bills were served by spot billers to the consumers. When the meter reading was input into the information system, differences of Rupees one or two would arise due to rounding/carry over.

e-payment facilities through the e-kendras. ACEs were required to capture full details of the consumers from their bills when they approached the e-kendras for the first time so that the information could be made use of for future transactions. The database was maintained district-wise and centrally controlled by C-DIT[71]. The ACEs were not informed about the importance of the database as a result of which, care was not taken by them while capturing the details in the bills. Data analysis using CAATs[72] revealed the following:

i) A total of 39,914 out of 2,13,389 records were found to be filled with junk characters due to improper data capture.

ii) The system lacked input controls to ensure uniformity of data.

iii) A total of 82,167 telephone numbers had been recorded without their STD codes.

Since there were no unique fields in the database like voters id, with which a consumer could be uniquely identified, the database could not be used for any useful purpose.

1.4.22 Conclusion

The Akshaya project started with expectations of bridging the digital gap and enabling of e-governance initiatives through e-kendras as a channel to reach citizens located even in the remotest parts of the State. After completion of the pilot phase of e-literacy implemented in Malappuram district the envisaged benefits had not been fully achieved in the roll-out phase. Inadequate planning at various levels, lack of a proper monitoring mechanism during implementation, lack of adequate Government support and lack of coordination among Government departments/institutions hindered the sustainability and further development of e-kendras. Even after six years of starting the project, the Government departments were not in a position to disseminate information properly through the e-kendras.

1.4.23 Recommendations

Government should:

- consider providing supportive measures to non-sustainable e-kendras so that the envisaged benefits of e-governance reach the rural populace, especially in districts like Idukki and Wayanad;
- examine fund requirements for e-literacy and initiate action to re-allocate the unutilised funds immediately;
- decide on the details of information that can be made available for dissemination to the public and issue specific directions to all departments/other public institutions involved in providing such information to e-kendras;
- provide adequate publicity about the services that are available in the e-kendras;

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[71] Centre for Development of Imaging Technology, a public sector undertaking of the State Government.

[72] Computer Assisted Audit Techniques.

- extend services of e-payment facilities for all types of payments relating to all departments and
- ensure that a mechanism is in place to effectively co-ordinate all stakeholder departments to extend support to Akshaya for the smooth functioning of e-kendras, which would eventually enhance its credibility and acceptability among the public.

The above points were referred to Government in September 2009. Reply had not been received (October 2009).

CHAPTER II

AUDIT OF TRANSACTIONS

CHAPTER II
AUDIT OF TRANSACTIONS

Audit of transactions of the Government, its field formations as well as of autonomous bodies, brought out several instances of lapses in management of resources and failures in adherence to the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs.

2.1 *Misappropriation/fraudulent drawal*

HEALTH AND FAMILY WELFARE DEPARTMENT

2.1.1 Misappropriation of Hospital Development Committee funds

Lack of proper supervisory checks by the concerned officers led to misappropriation of Rs 6.33 lakh from Hospital Development Committee funds.

Government constituted (January 1983) Hospital Development Committees (HDC) to ensure constant vigil on the working of the medical institutions in the State. One of the functions of the HDCs was to run voluntary blood banks in the hospitals. The HDCs were required to keep proper accounts of the fees collected for the services rendered so as to utilize the amounts for various developmental activities instead of remitting them to the Government Account. The charges fixed for blood supply were Rs 250 per bag for in-patients in general wards and Rs 500 per bag for pay ward/private patients. There were no charges for poor patients.

A test check of the records of the blood bank run by the HDC of the Women and Children Hospital, Thiruvananthapuram for the period January 2006 to March 2009 revealed the following shortcomings:

- **In 1275 cases, the amounts of fees credited to the concerned account were different from the amounts shown in the receipts. Against the actual collections of Rs 250 and Rs 500 per bag, the amounts credited to the account were only Rs 10 or Rs 250 per bag respectively, resulting in short accounting of Rs 4.12 lakh.**
- **In the blood issue register, the same receipt numbers were noted against more than one case. Thirty-nine such receipts were recorded against 130 cases, resulting in non-accounting of Rs 0.28 lakh relating to the remaining 91 cases.**
- **In 86 cases (involving Rs 0.27 lakh), though the fees for issue of blood bags were shown as collected in the blood issue register, they were not shown as receipts in the accounts.**
- **There were several mistakes in the cash book, e.g. totalling of receipts on the lower side and payments on the higher side; non-carrying forward of the closing balance of a day to the next day; opening balance of a particular day being less than the closing balance of the previous day, etc. resulting in misappropriation of Rs 1.66 lakh.**

Thus the total amount defalcated in the Women and Children Hospital, Thiruvananthapuram was Rs 6.33 lakh.

In addition, counterfoils of 22 used receipt books were missing and 424 receipts had been tampered with and their counterfoils had been torn off. These receipt books could, therefore, not be verified by Audit.

The Superintendent of the hospital as head of the institution should have exercised necessary supervisory control over the functioning of HDC. Failure of the HDC to maintain proper accounts and the absence of proper supervisory checks by the officers concerned resulted in misappropriation of Rs 6.33 lakh. On this being pointed out in audit, the Superintendent confirmed (May 2009) the misappropriation of Rs 6.33 lakh.

Government stated (October 2009) that the Blood Bank Technician and the Upper Division Clerk had been suspended and two Medical Officers had been transferred. Government also directed the Director of Health Services to initiate disciplinary proceedings against the Blood Bank Technician and the Upper Division Clerk and to take steps to recover the misappropriated amount from those responsible for the misappropriation.

LOCAL SELF GOVERNMENT DEPARTMENT

2.1.2 Fraudulent claims

Failure on the part of officials to check fraudulent claims submitted by a Mahila Pradhan Kshetriya Bachat Yojana agent resulted in overpayment of incentive allowance and bonus amounting to Rs 5.71 lakh.

Mahila Pradhan Kshetriya Bachat Yojana agents were appointed by the State Government for encouraging deposits under the National Savings Scheme. Each agent was attached to a post office and the job assigned to these agents was to enrol new depositors, collect regular monthly deposits and remit the same to the respective accounts in post offices. The agents were given a monthly incentive allowance based on the amounts collected and deposited in the post offices and an annual incentive bonus based on the total collections in a year. The rates of monthly incentive allowance were as below:

Collection	Incentive
Up to Rs 1000	Nil
Above Rs 1000 but less than Rs 5000	at the rate of Rs 25 for every 1000
Rs 5000	Rs 150
Above Rs 5000 but less than Rs 10000	Rs 150 + at the rate of Rs 30 for every 1000 above 5000
Rs 10000	Rs 300
Above Rs 10000	Rs 300 + at the rate of Rs 40 for every Rs 1000 above Rs 10000

The annual incentive bonus was at the rate of 1.25 *per cent* of the annual collection.

According to the procedure in vogue in the department, the agents were to submit the claims at the end of every month in the prescribed form, supported by statements of deposits issued by the Postmasters of the concerned post offices in Form No. ASLAAS. Scrutiny (April 2009) of records at the Block Development Office (BDO), Chittur, Palakkad district, revealed that the number of deposit schedules mentioned in the abstract of monthly claims for September 2008 submitted by an agent for payment of the incentive was 34 whereas the actual number of schedules enclosed with the claim was only 19. A detailed verification of the statements of deposits made by the agent for the period from January 1999 to D.cember 2008, furnished by the postal authorities, showed that incentives were not paid based on the actual deposits made by the agent in the post office in almost all the months. Overpayment of monthly incentive allowance and annual incentive bonus during the period January 1999 to September 2008 based on fraudulent claims submitted by the agent was Rs 5.71 lakh.

The General Extension Officer (GEO) of the BDO was to verify claims submitted by agents and certify their accuracy. Based on these certificates, the BDO was to pass the claims for payment. It was revealed during audit that lack of proper check and verification by the control centres, viz., section clerk, the concerned GEO and the BDO, was the reason for overpayment. It was also seen that there was no system to verify the claims submitted by the agents with the post offices periodically to guard against bogus and inflated claims.

Audit unearthed this fraud.

The BDO, Chittur admitted (May 2009) that there was lack of proper control on the part of the section clerk, GEO and BDO. The agent had wilfully lodged bogus excess claims and the BDO's office had honoured such claims in toto, without proper scrutiny.

The Finance Department of Government admitted (July 2009) that a mere physical verification of the number of schedules could have detected this malpractice. However, the GEO or BDO had not conducted any such verification, which resulted in the fraudulent practice being continued from 1998 to 2008. Government added that Rs 1.60 lakh (out of Rs 5.71 lakh) had been recovered from the agent, necessary steps would be taken to recover the balance amount from the agent and the concerned officers and preventive steps would be taken to avoid such incidents in future.

2.2 *Violation of contractual obligations, undue favour to contractors, avoidable expenditure*

FISHERIES AND PORTS DEPARTMENT

2.2.1 Non-recovery of amount paid at enhanced rate to a contractor

Non-completion of work as envisaged in an agreement resulted in payment of Rs 50.97 lakh at enhanced rates to a contractor for construction of a fishery harbour at Ponnani.

The Superintending Engineer (SE), Harbour Engineering (North Circle), Kozhikode awarded (April 2002) the work of construction of a fishery harbour project at Ponnani to a contractor at a contract amount of Rs 7.38 crore (20.05 *per cent* below the estimate based on the 1999 Schedule of Rates) with the scheduled date of completion as 18 December 2003, which was extended to 18 October 2004 by the SE after imposing a penalty of Rs 0.45 lakh. The contractor did not complete the work and approached (October 2004) the Government for revision of rates and re-scheduling of the work. While the petition was under consideration of the Government, the contractor filed a writ petition in the High Court for revision of rates. Based on the judgment of the High Court in December 2004 directing the Government to dispose of the petition in accordance with law, Government constituted (June 2005) a Technical Committee to evaluate the contractor's representation after considering its technical and financial aspects.

Based on the recommendations of the Technical Committee, Government ordered (May 2006) revision of the rates with 10 *per cent* increase over the 2004 Schedule of Rates for work done after 1 December 2004. As per the order, the contractor was to complete the work within a period of nine months from the date of execution of the fresh agreement. Accordingly, a supplementary agreement was executed on 30 June 2006 with the firm for Rs 10.79 crore to complete the balance work by 30 March 2007 and a month-wise target of works was also drawn up as part of the agreement. The contractor again could not complete the work within the stipulated time as per the supplementary agreement and stopped work from March 2007. Subsequently, Government terminated (April 2008) the contract and ordered the balance work to be rearranged at the risk and cost of the contractor. The SE rearranged (December 2008) the balance work at a contract amount of Rs 6.77 crore and the work was in progress (June 2009). Meanwhile, the earlier contractor was paid Rs 1.91 crore between February and June 2007 based on the supplementary agreement for the completed portion of the work. The above payment included Rs 50.97 lakh at enhanced rates though the contractor did not complete the work by March 2007 as stipulated in that agreement. This constituted an unauthorized aid to the contractor.

Government stated (May 2009) that action was being taken to recover the losses on account of re-arrangement of the work. The SE assessed (June 2009) the risk and cost liability to be recovered from the contractor firm consequent on rearrangement of work as Rs 4.34 crore (including Rs 50.97 lakh paid towards enhancement of rates). The Executive Engineer stated (July 2009) that the District Collector, Malappuram had been addressed to initiate revenue recovery action to realise the amount.

HEALTH AND FAMILY WELFARE DEPARTMENT

2.2.2 Avoidable payment of surcharge and penal interest on water and electricity charges

Insufficient provision in the budget and non-replacement of faulty water meters in time resulted in avoidable payment of Rs 32.99 crore as surcharge and penal interest.

According to clause (b) under Regulation 14 of the Kerala Water Authority (Water Supply) Regulations 1991, bills for consumption of water charges are required to be paid in full within the due dates. In cases of failure, two *per cent* surcharge is leviable per month for the period of default. Also, as per clause (e) under Regulation 12, surcharges of 25 *per cent*, 50 *per cent* and 100 *per cent* of average consumption charges for the initial two months, next two months and for the period thereafter respectively, was leviable in cases where consumers have not replaced faulty meters. The Public Accounts Committee in its 91st Report presented to the Legislature in December 2000, had recommended that sufficient funds should be provided in the budget to meet water and electricity charges.

It was noticed in audit that in spite of specific recommendations by the Public Accounts Committee, the State Government failed to provide sufficient funds in the budget for payment of water and electricity charges, which resulted in payment of fines/surcharge/penal interest on belated payment of these charges as detailed below:

Case 1: Out of Rs 60.50 crore paid to the Kerala Water Authority by three Government medical colleges at Kottayam, Kozhikode and Thiruvananthapuram during the period from April 2005 to January 2009, Rs 24.40 crore was towards fines for delayed payment of water charges and surcharge for water consumed through faulty meters. Lack of sufficient funds in the budget was the reason attributed for the delayed payment.

Case 2: The District Hospital, Palakkad had five[73] water connections. The water charges due for the period April 1990 to October 2009 in respect of these connections were Rs 5.15 crore (including Rs 3.48 crore towards fines). During January 2000 to October 2009, the hospital paid Rs 3.83 crore to the Kerala Water Authority (KWA) towards water charges for the five water connections, which included Rs 2.64 crore towards surcharge (fines) for belated payment. After the above payment, a net amount of Rs 1.32 crore was due as of October 2009 to KWA towards water charges, including fines totalling Rs 84 lakh.

[73] Consumer Nos. 6778, 8177, 11040 (from 1990), 20383 (from January 2004) and 22091 (from July 2005).

The Lay Secretary and Treasurer[74], District Hospital, Palakkad admitted (February 2009) that sufficient funds were not received in time for payment of water charges and hence fines for belated payment had to be paid.

Case 3: Rupees 5.95 crore was incurred towards penal interest on belated payment of electricity charges to Kerala State Electricity Board by the following institutions:

Table No.2.1: Details of penal interest paid

Name of institution	(Rs in crore)			
	2006-07	**2007-08**	**2008-09**	**Total**
Medical College, Kozhikode	0.05	...	...	0.05
Medical College Hospital, Kozhikode (Low Tension)	1.15	0.05	0.01	1.21
Medical College Hospital, Kozhikode (High Tension)	0.16	0.15	...	0.31
Dental College, Kozhikode	0.05	0.05	...	0.10
Medical College Hospital, Thiruvananthapuram	2.41	0.04	1.02	3.47
Medical College, Thiruvananthapuram	0.20	0.01	...	0.21
Sree Avittam Thirunal Hospital, Thiruvananthapuram	0.06	0.53	0.01	0.60
Total	**4.08**	**0.83**	**1.04**	**5.95**

Source: Details collected from the institutions

The Director of Medical Education stated (June 2009) that belated remittances were due to lack of sufficient funds in the budget during 2006-07 and 2007-08.

Thus, belated payment of water/electricity charges due to insufficient provision in the budget and non-replacement of faulty meters in time led to the avoidable payment of Rs 32.99 crore towards fines, surcharges and penal interest.

The matter was referred to Government in May 2009. Reply had not been received (October 2009).

PUBLIC WORKS DEPARTMENT

2.2.3 Non-adjustment of security towards risk and cost liability from contractors

Failure of the department to obtain valid bank guarantees totalling Rs 38.32 lakh from contractors as security resulted in non-adjustment of the amount at the time of termination of works.

As per paragraphs 15.9.2 and 15.9.6 of the Kerala Public Works Department Manual, a contractor has to deposit the required security in the prescribed form before execution of an agreement. Agreement conditions also stipulate that the contractor should furnish to the department, security for works contracted in the form of bank guarantees or any other acceptable form of security. Deviations from these conditions were noticed in the following two cases:

(i) The Superintending Engineer (SE), National Highways, South Circle, Thiruvananthapuram awarded (May 2004) the work of 'Improvement to accident prone area/location in the ghat section between km 68/00 to 81/250 in the NH 208' in Kollam District to a contractor. The contractor was required

[74] The Lay Secretary and Treasurer is the administrative head and also the drawing and disbursing officer of the hospital.

to furnish security of Rs 18.79 lakh[75] in the form of a bank guarantee or a certified cheque/demand draft at the time of execution of the agreement. The SE accepted (May 2004) a claim of Rs 20 lakh, pending settlement, in another work executed by the same contractor in a different NH Division (Thiruvananthapuram) under the same SE as security deposit and performance guarantee for the said work. However, Audit found that the said claim had already been settled in April 2004 before signing of the agreement. This led to execution of the agreement without valid security. As the work was not completed within the scheduled date of completion, ie., 30 October 2006, the SE terminated (April 2008) the work at the risk and cost of the contractor. The work had not been rearranged so far (June 2009).

(ii) The SE, Buildings and Local Works, South Circle, Thiruvananthapuram awarded (December 2000) the construction of 'Vikas Bhavan – Additional block C' to a contractor at a cost of Rs 1.95 crore. At the time of award of the work, the contractor was to submit a bank guarantee of Rs 19.53 lakh as security deposit. However, the agreement for the work was executed after obtaining an undertaking from the contractor that a bank guarantee would be produced as and when called for. The bank guarantee was not insisted upon when part payment was made to the contractor in April 2003. Instead, the contractor was directed to produce the same before the next payment. However, the contractor did not produce any bank guarantee. As the contractor did not complete the work within the scheduled date of completion i.e., 7 December 2005, the SE terminated (November 2007) the work at the risk and cost of the contractor.

Failure of the department to insist on the two bank guarantee totalling Rs 38.32 lakh in the above two cases towards security for the works resulted in execution of the agreements without valid security. As a result, when the works were terminated, the security amount could not be realised.

The matter was referred to Government in May 2009. Reply had not been received (October 2009).

2.2.4 Payment to a contractor beyond the scope of the contract

Revision of rates to include provision for formwork[76] and payment made for concrete to support the formwork, which was beyond the scope of the contract, resulted in undue benefit of Rs 35.39 lakh to a contractor.

The Superintending Engineer, Roads and Bridges, North Circle, Kozhikode awarded (December 2005) the work of construction of the Olassery-Palayangad Road, including a bridge at Palayangad across Chitturpuzha in Palakkad district to a contractor at a contract amount of Rs 3.60 crore, which was 24.60 *per cent* over the estimate. The work was completed (June 2008) at a cost of Rs 5.55 crore. As per an agreement condition, the rates quoted by the contractor were to incorporate all operations contemplated in the specifications and tender schedules as well as all incidental works necessary for such operations like shoring, bailing, formwork, scaffolding, etc. The formwork was to be absolutely rigid, preferably of steel, so as to ensure

[75] Rs 10.32 lakh as security deposit and Rs 8.47 lakh as performance guarantee.
[76] A temporary steel or wooden platform to cast a concrete structure.

casting of a structure of perfection. The agreement with the contractor included the following items for cement concrete.

Item no.11:- Vibrated Reinforced Cement Concrete (VRCC) in a design mix of M 25 for moulding girders, cantilever slabs, cross beams, kerbs, etc., including labour charges for mixing, laying, formwork, watering etc., at the rate of Rs 49 per 10 decimetre cube(dm^3).

Item no:12:- VRCC in a design mix of M 25 for deck slab at the rate of Rs 89 per 10 dm^3.

Audit scrutiny revealed the following:

During execution, items 11 and 12 were shown as clubbed and an extra provision was made for multi-stage formwork[77] using additional teak poles for extra support, to withstand the flow of water through the river and the rate of VRCC was revised to Rs 96.13 per 10 dm^3.

Analysis of rates of both original items 11 and 12 and those of the revised item are given below:

Table 2.2: Analysis of rates

Component	Item No.11	Item No.12	Revised item
Concreting	Rs 30.51 per 10 dm^3	Rs 30.51 per 10 dm^3	Rs 30.51 per 10 dm^3
Form work	Rs 18.49 per 10 dm^3	Rs 58.49 per 10 dm^3	Rs 65.62 per 10 dm^3
Total	**Rs 49 per 10 dm^3**	**Rs 89 per 10 dm^3**	**Rs 96.13 per 10 dm^3**

Source: Data sheet approved by the Chief Engineer

As seen from the above table, the rate was changed because of providing the extra rate for formwork. When compared to the rate provided for formwork in the original items 11 and 12, the rate per 10 dm^3 was increased by Rs 47.13 and Rs 7.13 respectively. As the rate quoted by the contractor was inclusive of the cost of formwork, the contractor was not entitled for any extra payment for the multi-stage formwork, if provided by him. The extra expenditure on this account based on the executed quantity of 8,19,332 dm^3 worked out to Rs 29.03 lakh as shown in Item I in **Appendix IV**.

Concreting of a river bed to place wooden poles for supporting the formwork was executed for a quantity of 1,82,470 dm^3 at Rs 28 per 10 dm^3. As the river bed concreting was a part of formwork, the item should not have been measured and paid as the contractor had to provide such concreting works as per the contract condition. The extra expenditure on this account was Rs 6.36 lakh as shown in Item II of **Appendix IV**.

Thus, the unwarranted revision of rates and separate payment for river bed concreting to support the formwork, already included among the contractor's obligations, resulted in extra expenditure of Rs 35.39[78] lakh. Thus, the revision was against the contract conditions and resulted in undue benefit of Rs 35.39 lakh to the contractor.

[77] Multi-stage formwork is providing an intermediary platform to provide further support to the top stage of platform where the concrete is cast.

[78] Extra expenditure due to revision of rate consequent on clubbing item nos. 11 and 12: Rs 29.03 lakh and that due to execution of riverbed concreting works for centering: Rs 6.36 lakh.

The Chief Engineer, Roads and Bridges, Thiruvananthapuram stated (May 2009) that items 11 and 12 were clubbed to change the mix of M 20 specified in item 12 to a design mix of M 25 and as part of the revision, the data of formwork was also revised. Government endorsed (July 2009) the views of the CE in this matter. The reply is contrary to the stand taken earlier by the department that the rate was revised for providing multi-stage formwork and also not in conformity with the facts as the mix provided for originally against item 12 was the M 25 mix itself and the rate for the concrete mix was also the same. It is obvious that the change in the rate was made to extend undue benefit to the contractor by increasing the rate of formwork.

2.2.5 Avoidable expenditure on award of work before acquisition of land

Government incurred avoidable expenditure of Rs 2.99 crore on arbitration due to delay in handing over land for a road work undertaken by the Kerala State Transport Project with World Bank assistance.

The Secretary, Public Works Department (Project Director), concluded (November 2002) a contract for upgradation of the Angamali-Muvattupuzha road and the Muvattupuzha-Thodupuzha road under the World Bank aided Kerala State Transport Project at a cost of Rs 92.89 crore. A World Bank stipulation and Para 15.2.2 of the Kerala Public Works Department Manual did not permit the award of work prior to possession of land. However, the work was awarded without taking possession of the required extent of land. According to the contract conditions, the land was to be handed over by October 2003 but the entire land was handed over only by June 2006. The work was completed by January 2007 at a cost of Rs 112.78 crore.

Non-handing over of the site in time resulted in a dispute with the contractor which was referred to an arbitrator. The arbitrator awarded (October 2007) Rs 2.86 crore and interest thereon to the contractor. The Project Director paid (October 2007) Rs 2.99 crore (including interest) towards the award.

Government replied (July 2009) that arbitration was a process for settlement of dispute and was a part of the project agreement and could not be considered to be a loss to Government. However, the fact remains that Government had not handed over the land in time which resulted in the arbitration award.

2.2.6 Undue benefit to a contractor due to change in specification of concrete mix

Instead of reducing the rates for pile construction as a result of change in specification of the concrete mix from M35 to M25, the rates were revised upwards, disregarding the contract conditions, which led to undue benefit of Rs 1.11 crore to a contractor.

The Chief Engineer (CE), Roads and Bridges, Thiruvananthapuram issued (March 2005) technical sanction for Rs 7.25 crore for the work of 'Construction of Mitramadom Bridge across Pamba River' in Chengannur-Mannar road. Accordingly, the Superintending Engineer, Roads and Bridges, South Circle, Thiruvananthapuram awarded (May 2005) the work to a contractor at a contract amount of Rs 7.87 crore (14.04 *per cent* above the estimate rate).

Reinforced cement concrete piles having a diameter of 1200 mm were proposed for the foundation. The concrete mix proposed for both abutments and piers was M35 grade as per the Ministry of Surface Transport (MOST) specifications and was shown as a separate item in the agreement, for a length of 1980 metre at the rate of Rs 5,553 per metre. An estimated quantity of 2407 quintals of steel at Rs 2,543 per quintal was also included as another item for providing reinforcement for piles. However, in the structural drawing, approved (September 2005) by the Chief Engineer, the design of concrete was revised as M25, a concrete mix with less cement content than M35. This necessitated a change in specification of casting of piles. The Chief Engineer revised (June 2006) the specification to include the changes and also clubbed the item of reinforcement with casting of piles. The revised rates were Rs 11,437 per metre for abutment piles and Rs 9,934 per metre for pier piles.

The Superintending Engineer stated (February 2008) that the revision was made to change the specification according to the specification of MOST. The CE also put forth (July 2009) a similar argument that the rate was arrived at as per MOST specifications for M25 graded mix. However, it was found that there was no specification for pile work using M25 concrete mix under MOST specifications. As per MOST specifications, work of pile foundation was to be carried out with M35 mix. In this case, piles were executed using M25 design mix. There are three distinct items of work in pile work, namely, making of bore holes, providing reinforcement and concreting. The contract conditions provided for the revision of rates by adjusting the cost of only the affected components. As the change was in respect of the concrete only, revision was required in the cost of concreting work. As the cement content in the M25 mix was lesser than in the M35 mix, the revised rate should invariably have been lesser. Instead, the CE approved an increased rate for piling work using M25 mix. The resultant undue benefit is discussed below:

According to the supplemental agreements I (August 2006) and IV (September 2007) piles were provided for a length of 1039.87 metres at Rs 11,437 per metre for abutments and for a length of 1494 metre at Rs 9,934 per metre for piers. The total cost incurred on these items was Rs 3.04 crore, including tender premium.

The original data rate prepared by the executing division for one metre pile was based on the cement content (660 kg per m^3) in the M35 grade at Rs 5,553. As the specification of concrete mix had been revised as M25, the revised data rate for one metre pile based on the cement content (380 kg per m^3) in the M25 grade would have to be reduced to Rs 4,403 per metre (Rs 5,553[79] - Rs 1,150[80]). The cost for execution of 2533.87 metre piles based on the above rate excluding reinforcement would work out to Rs 1.12 crore.

[79] Rate specified in the agreement schedule.

[80] Difference in data rate for one metre pile (volume: $1.131m^3$) due to change in specification of concrete mix from M35 to M25 (660 kg to 380 kg) including contractors profit of 10 *per cent* = Rs 1017 per m^3 x 1.131 m^3 = Rs 1150.

In addition, the cost of 2222.49[81] quintals of steel for providing reinforcement to the abutment and pier piles at Rs 2,543 per quintal would work out to Rs 0.57 crore. Thus the total expenditure on pile construction including reinforcement would be Rs 1.93 crore[82], whereas the contractor was paid Rs 3.04 crore. This resulted in extending of undue benefit of Rs 1.11 crore[83] to the contractor.

The matter was referred to Government in May 2009. Reply had not been received (October 2009).

WATER RESOURCES DEPARTMENT

2.2.7 Loss on arranging works at excessive rates

Award of 27 canal works of Kuriarkutty Karappara Irrigation Project by the Executive Engineer at higher rates, resulted in loss of Rs 1.03 crore to the Government.

Based on the original petition filed by beneficiary farmers who surrendered their land for the canal works of the Kuriarkutty Karappara Irrigation Project (KKIP), the High Court ordered (February 2000) the Chief Engineer, Project I, Kozhikode to complete the works of Valiavallampathy Canal within six months. Accordingly, the Chief Engineer, Project I, Kozhikode directed the Superintending Engineer (SE),Siruvani Project Circle, Palakkad and Executive Engineer (EE), KKIP to arrange the works after observing all formalities. In order to comply with the judgment, canal works of 10065 metres (chainage 2010 to 12075 metres) were split into 40 small reaches. Estimates of 27 works were restricted within the financial powers of the EE (Rs 15 lakh) and tendered by him in August 2003 after three and a half years of the High Court order. All the 27 works were awarded (November 2003 to May 2004) at 60 *per cent* above the estimated rates and were to be completed within six months. Out of the 27 works, 25 works were completed and bills for Rs 5.43 crore were paid during March 2006 to January 2008.

A scrutiny of 13 similar works of the same canal which were tendered by the SE during the same period, revealed that 12 works were awarded at rates ranging from 7.51 to 33 *per cent* below the estimate. The remaining work was awarded at a rate which was 23 *per cent* above the estimate. All the works arranged by the SE were completed during January 2005 to September 2006. The offers obtained for the works arranged by SE was competitive when compared to the works arranged by the EE. Even reckoning the highest rate obtained while arranging of the works by the SE, ie., 23 *per cent* above the estimated rate, there was a loss of Rs 1.03 crore to the Government due to splitting of works and awarding of the works at higher rates by the EE.

The EE replied (November 2007) that only two contractors had submitted their rates for each of the 27 works, though 12 to 52 tender forms were sold for each work. The works were to be completed within six months as per the

[81] Calculated based on the length of abutment and pier piles executed (2533.87 metre).

[82] Cost of piles (Rs 1.12 crore) + cost of reinforcement (Rs 0.57 crore) + tender excess of 14.04 *per cent* (Rs 0.24 crore) = Rs 1.93 crore.

[83] Rs 3.04 crore – Rs 1.93 crore.

directions (February 2000) of the High court. However, it was seen in audit that in spite of the High Court's directions, the works had been tendered (August 2003) after a lapse of three and a half years. Hence, no urgency was shown by the department in arranging the works. It was also seen that two out of the 27 works remained incomplete as of October 2009, even after five years of award of the same.

The matter was referred to Government in May 2009. Reply had not been received (October 2009).

2.3 Infructuous/unfruitful expenditure and overpayment

HOME DEPARTMENT

2.3.1 Unfruitful expenditure on construction of prison blocks

Failure of the Prisons Department to provide additional funds in time to the Public Works Department resulted in non-completion of two blocks at the Central Prison, Viyyur, resulting in unfruitful expenditure of Rs 60 lakh.

The State Government accorded (March 2002) administrative sanction for construction and renovation of A and F Blocks of the Central Prison, Viyyur in Thrissur District at an estimated cost of Rs 70 lakh as part of the scheme 'Modernisation of Prisons' with the objective of accommodating undertrials separately from convicts. Accordingly, the Prisons Department deposited (30 March 2002) Rs 70 lakh with the Public Works Department (PWD) for arranging the work. PWD requested (July 2002) the Prisons Department to obtain a revised administrative sanction for an estimate of Rs 1.35 crore based on the 1999 Schedule of Rates and also to deposit the additional funds required for arranging the work. However, the department did not take any action either to obtain the revised sanction or provide additional funds to PWD. However, the PWD awarded (August 2003) the work to a contractor at an agreed amount of Rs 1.14 crore with the scheduled date of completion as 31 March 2006. The PWD informed (March 2006) the department that the value of the works executed was more than the original deposit and requested for an additional deposit of Rs 43.72 lakh to complete the work. In June 2006, the department approached the Government for a revised administrative sanction and additional funds of Rs 43.72 lakh, which had not been sanctioned by Government as of September 2009. Meanwhile, the contractor stopped the work for want of payment and the PWD terminated (March 2007) the contract. An amount of Rs 60 lakh was paid to the contractor. The unfinished structure was not in usable condition. Thus, the objective of providing additional space for accommodating undertrials and convicts separately remained unfulfilled.

Failure of the department to take timely action to obtain revised sanctions and additional funds resulted in unfruitful expenditure of Rs 60 lakh.

The Additional Director General of Police (Prisons) stated (September 2009) that a revised estimate of Rs 87 lakh based on the current Schedule of Rates had been received from the Executive Engineer, PWD, Buildings Division, Thrissur on 20 July 2009 for completion of the work and action had been taken to obtain the administrative sanction from the Government for taking up the work with funds from the current year's allotment.

The matter was referred to Government in April 2009. Reply had not been received (October 2009).

HOUSING DEPARTMENT

2.3.2 Unproductive expenditure on a revenue tower

Due to delays on account of administrative and technical reasons, a revenue tower project started in 1995 by the Kerala State Housing Board could not be completed even after 14 years and Rs 23.29 crore incurred on the project remained unproductive during this period.

In August 1994, the State Government accorded sanction to the Kerala State Housing Board (Board) for construction of a seven-storied building for a revenue tower in 2.80 acres of land in Ernakulam District at a project cost of Rs 11.98 crore. Institutional finance of Rs 8.95 crore was proposed to be obtained from the Housing and Urban Development Corporation (HUDCO) under a Government guarantee. As the land received from Government was only 0.85 acre (30 *per cent*), the design and plan of the building was revised to a 14-storied building with a height of 54.80 metres above the Mean Sea Level (MSL). The work was awarded to a contractor in December 1995 for completion by August 1997. Despite several extensions of time, the work could not be completed and the Board revised (November 2000) the project cost to Rs 49.63 crore and extended the time for completion till May 2001. Even after allowing several more extensions of time for completion, the work had not been completed till March 2009. The expenditure incurred on the project up to 31 March 2009 was Rs 21.31 crore. Besides, the Board was also required to meet the interest liability of Rs 1.98 crore on repayment of the HUDCO loan of Rs 5.46 crore[84] from its own resources.

Scrutiny of records revealed the following:

- The Board could not provide sufficient funds for the project during 2001-04.
- The Command Aviation Officer, Southern Naval Command granted (April 1998) a 'No Objection Certificate' for the project, for a height of 46.60 metre above MSL and the Kochi Corporation also issued (August 2000) a building permit, limiting the height at this level. As the roof slab of the twelfth floor was already cast at 46.60 metres, the Board proceeded with the construction of a lift room and a water tank above this, which raised the height of the building to 50.60 metres above MSL. Government stated (July 2009) that the Board proceeded with the construction as it was unavoidable and also on the expectation that the 'No Objection Certificate' for the additional height would be obtained in due course.

[84] Only Rs 5.46 crore was obtained as loan from HUDCO though the proposal was for Rs 8.95 crore.

- The delay in completion was due to delays in sanctioning the revised estimate by the Government, changes in the number of floors, inclusion of extra items during execution, etc.

Thus due to delay in getting the revised sanction from the Government, execution of extra items, inadequate resources, violation of height restrictions imposed by Southern Naval Command, etc., the revenue tower project, started in 1995 by the Board could not be completed even after 14 years and Rs 23.29 crore[85] incurred on the project remained unproductive.

Government stated (July 2009) that the delay was due to certain unanticipated administrative and technical reasons and severe financial crisis faced by the Board. Government also added that the Kochi Corporation had granted an occupancy certificate on 31 March 2009 up to the eleventh floor and action had been taken by the Board to lease/rent out the space, except for the last floor. The fact, however, remained that the Board failed to plan and implement the project as per the project report, which resulted in non-completion of the project for 14 years and the expenditure of Rs 23.29 crore remaining unproductive during this period.

POWER DEPARTMENT

2.3.3 Overpayment due to irregular fixation of pay

Additional payment of Rs 22.88 lakh was made to 16 contract employees of Agency for Non-Conventional Energy and Rural Technology up to March 2009, disregarding the provisions of pay revision orders.

Government extended (December 2006) the benefits of General Pay Revision granted to State Government employees with effect from 1 July 2004 to the staff of the Agency for Non-Conventional Energy and Rural Technology (ANERT) and ordered that the rules for fixation of pay in the Pay Revision orders should be adhered to scrupulously. As per Annexure III of the orders, contract/provisional employees recruited through the employment exchange who were in service on 30 June 2004 were eligible for the minimum of the revised scale of pay from 1 July 2004 and monetary benefits would be payable to them from 1 April 2005 onwards. Subsequently, the Government clarified (December 2008), following a reference made from ANERT that contract employees on specific scales of pay were not eligible for fitment benefit and weightage and their pay was to be fixed at the minimum of the revised scales of pay.

Scrutiny (March 2009) of the records of ANERT revealed that disregarding the provisions in the pay revision orders of March 2006, ANERT fixed the pay of contract employees in the revised scales allowing fitment benefit[86] and service weightage. This resulted in overpayment of Rs 22.88 lakh on pay and dearness allowance to 16 contract employees up to March 2009. The Director, ANERT stated (June 2009) that the above benefits were given to the contract

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[85] Rs 21.31 crore paid to contractor and Rs 1.98 crore on interest.

[86] Fitment benefit is the amount equal to six *per cent* of basic pay which is added to the existing emoluments for fixation of pay in the revised scales of pay.

staff before receipt of the Government direction (December 2008). Government accepted (July 2009) the audit observation.

PUBLIC WORKS DEPARTMENT

2.3.4 Infructuous expenditure on an abandoned portion of a road

Frequent accidents in some stretches of the upgraded Angamali-Thodupuzha road from Muvattupuzha to Thodupuzha necessitated straightening of curves, resulting in abandoning of an upgraded portion of the road and infructuous expenditure of Rs 1.36 crore.

The Angamaly-Thodupuzha road was upgraded based on a design, both geometric and structural, prepared by a foreign consultant. One of the main objectives of the upgradation of the road was reduction in accidents by 30 *per cent*. The work was awarded in November 2002 to a contractor at a contract price of Rs 92.89 crore and it was completed by January 2007, at a cost of Rs 112.78 crore. The design speed of the road was 65 km per hour and according to the Design Project Report of the Kerala State Transport Project, the minimum radius of the horizontal curve was to be 155 metres. However, the radius of curvature provided at chainage 3/700 to 4/200 was only 80 metres.

In the wake of frequent accidents in some of the stretches of the upgraded road, an expert study was conducted and it was found that about 3650 metres (km 3/000 to 4/400 and km 6/920 to 9/170) of the road from Muvattupuzha to Thodupuzha had unscientific alignments requiring improvement. As part of rectification of the same, the alignment was changed to straighten the curve (500 metre) at one spot at chainage 3/700 to 4/200 of the road portion to increase the radius of curvature from 80 metres to 366 metres.

This resulted in abandonment of the road portion originally constructed and proportionate expenditure of Rs 1.36 crore[87] on its construction becoming infructuous.

Government stated (July 2009) that the curve had to be straightened on public demand consequent to the few fatal accidents which occurred due to speeding of vehicles after completion of the road. The reply does not explain why the curvature was not provided initially as per the specification in the Design Project Report. Government further stated that the expenditure could not be considered as infructuous as the old road provided access to a large number of houses at that place and local traffic plied through that road. The reply cannot be accepted as the contention was only an after thought and the road existed prior to upgradation could have been utilised for the said purpose.

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[87] $\frac{\text{Rs 112.78 crore} \times \text{500 m}}{\text{51.230 km (length of road)}}$ + Rs 0.26 crore (land acquisition cost).

2.4 Idle investment/blockage of funds

FISHERIES AND PORTS DEPARTMENT

2.4.1 Non-utilisation of Central funds

Failure of the State Government to apprise the Government of India in time about the necessity of modifying the criteria for getting rebates on High Speed Diesel Oil consumed by mechanized fishing vessels resulted in non-utilisation of Central funds of Rs 3.43 crore for the period 2005 to 2009.

Government of India (GOI) released Rs 4.78 crore in three instalments during 2005-06 towards the Central share of grant-in-aid for 'Fishermen Development Rebate on High Speed Diesel (HSD) Oil' which was one of the components of the Centrally sponsored scheme on 'Development of Marine Fisheries, Infrastructure and Post Harvest Operations', implemented during the Tenth Plan (2002-2007). The rebate was Rs 1.50 per litre of diesel consumed by mechanized fishing vessels below 20 metre length and was to be shared by Central and State Governments in the ratio of 80:20. According to the guidelines of the scheme, only mechanized fishing vessels added to the fleet of vessels before the end of the Ninth Plan (1997-2002) and registered under the concerned Government agencies were eligible for the rebate.

During 2005-06 to 2007-08, only Rs 1.35 crore was utilised by the Fisheries Department towards the rebate. The Director of Fisheries informed (December 2007) the Government that the stipulation in the GOI guidelines that vessels were to be registered before the end of the Ninth Plan (1997-2002) for getting the rebate under the scheme was the reason for not achieving the target.

It was seen in audit that the State Government had stopped registration of vessels from 31 December 1994 onwards to streamline the number of boats to regulate fishing activities and restarted the registration only in May 2007.

The scheme was subsequently extended to the Eleventh Plan period (2007-2012) and allocation of Rs 100 crore was made, but no funds were released by GOI during 2007-09.

Government stated (July 2009) that revision of the guidelines of the scheme had been taken up (September 2008) with GOI to include modified traditional crafts and new boats added to the fleet of vessels up to the Eleventh Plan under the eligibility criteria. Thus, failure to apprise the GOI in time about the necessity of modifying the eligibility criteria for getting the rebate resulted in non-utilisation of Central funds of Rs 3.43 crore for the last four years and consequent denial of benefits to the fishermen.

HEALTH AND FAMILY WELFARE DEPARTMENT

2.4.2 Idling of a hospital building

Owing to non-sanctioning of additional staff by Government, a new hospital building with 80 beds for the Community Health Centre, Perambra constructed in August 2005 at a cost of Rs 95.32 lakh, remained unutilised for the last four years.

In order to offer better treatment facilities to the people of Perambra Block Panchayat, Kozhikode district and nearby areas, the Block Panchayat, Perambra decided to construct a new building to add 80 beds in place of a dilapidated building having a bed strength of six and to increase the bed strength from 38 to 112. The Block Panchayat sanctioned (July 2001) the construction of a new additional building for the Community Health Centre (CHC), Perambra at a cost of Rupees one crore utilising their Plan Funds and Local Area Development Funds of the concerned Member of Parliament and Member of the Legislative Assembly. Technical sanction was accorded (civil works-November 2001 and electrical works-January 2003) by the District Level Technical Committee (DLTC), Kozhikode for Rs 91.50 lakh, which was subsequently revised (March 2004) to Rs 1.19 crore, including certain extra items. The building was completed in August 2005 at a total cost of Rs 95.32 lakh. Infrastructure facilities such as operation theatre, labour room, furniture, water supply, etc., were also provided.

The District Medical Officer of Health, Kozhikode submitted (October 2001) a proposal to the Director of Health Services (DHS) for enhancement of the bed strength to 112 and another proposal in March 2004 for creation of additional posts of medical and para-medical staff required for the CHC. The DHS forwarded (May 2005) the proposal to the Government and followed it up in June 2006 and May 2008. Government had not yet sanctioned the additional posts and not enhanced the bed strength for in-patients. Therefore, the CHC had to continue to function with the original bed strength.

Government stated (September 2009) that the new building for CHC, Perambra was constructed by the Perambra Block Panchayat utilizing their own funds without consulting the DHS and that the bed strength was not increased and additional posts were not sanctioned due to resource constraints.

The DHS was aware of the fact of construction of the new building as can be seen from the proposals for enhancement sent by the District Medical Officer of Health, Kozhikode to the DHS in October 2001. Moreover, Government had to provide additional staff as the authority to appoint the staff vested with them and the salary was also to be met by them.

Thus, even though an additional building was provided at a cost of Rs 95.32 lakh for the CHC, the intended benefits could not be extended to the poor patients of the area for the period August 2005 to September 2009 due to laxity on the part of Government to sanction additional posts to the CHC.

LOCAL SELF GOVERNMENT DEPARTMENT

2.4.3 Blockage of funds on 'Yuvashree Project'

Failure of the Government to modify the 'Yuvashree' project for educated unemployed youth resulted in blocking of Plan funds of Rs 25.86 crore with Kudumbashree.

Government announced a special employment programme in the State Budget during 2004-05 for providing employment opportunities to educated unemployed youth and designated the State Poverty Eradication Mission (Kudumbashree) to implement the programme. Based on a detailed project report prepared by Kudumbashree, Government accorded (June 2004) administrative sanction to the project known as 'Yuvashree'. The programme was proposed to be completed within nine months by February 2005. The scheme envisaged creation of 50,000 employment opportunities for educated youth in the age group of 18 to 35 years through self-employment by identifying innovative areas to set up micro-enterprises for youths from BPL families, providing handholding and escort services to new generation entrepreneurs, etc., at a total project cost of Rs 146.73 crore. Of the total project cost, Rs 79.23 crore was to be provided by the Government, Rs 52.50 crore was to be financed by banks and Rs 15 crore would be the share of Local Self Governments for creation of infrastructure. The role of Kudumbashree was identification, training and placement of micro-enterprises consultants for identifying potential individuals/group entrepreneurs and providing financial support to identified entrepreneurs by way of backend subsidy for setting up the units.

Government released Rs 28.54 crore during 2004-05 to 2007-08 to Kudumbashree for implementation of the project. Kudumbashree identified 283 micro-enterprise consultants and got them trained during 2004-05, incurring an expenditure of Rs 3.30 lakh. It was seen in audit that as of February 2009, only 742 units were sanctioned subsidy of Rs 2.32 crore, benefiting 2487 members (5 *per cent* of the target). The total expenditure incurred by Kudumbashree on the project up to 2007-08 was only Rs 2.68 crore (9 *per cent*), leaving an accumulated balance of Rs 25.86 crore. In reply to an audit observation, Kudumbashree stated (April 2009) that the youth in the age group, not having exhausted the scope for employment in Government/quasi-Government organisations were not ready to take the risk of starting micro-enterprises with bank loans to develop their future. The reply does not explain why no serious attempt was made to find out the exact constraints faced in the implementation of the project and to overcome them by effecting necessary modifications. This resulted in blocking of Plan funds of Rs 25.86 crore with Kudumbashree, defeating the objective of creating employment opportunities for unemployed youth.

Government stated (June 2009) that in view of the poor field response to the 'Yuvashree' scheme, Kudumbasree had proposed reallocation of funds of Rs 13.75 crore to lease land farming. The reply does not explain the reasons for the delay in modifying the scheme, based on the poor response from the youth which resulted in blocking of Rs 25.86 crore and non-achievement of the objective of fostering economic development by creating jobs.

PERSONNEL AND ADMINISTRATIVE REFORMS DEPARTMENT

2.4.4 Non-utilisation of grants released for construction of an executive hostel

Delay in locating a suitable site for construction of an executive hostel resulted in blocking of funds of Rs 1.90 crore for three years.

As part of an executive training complex under construction at the Institute of Management in Government (IMG) campus at Thiruvananthapuram, IMG proposed (January 2006) the construction of a separate executive hostel at a cost of Rs 1.90 crore for providing accommodation facilities to high level executive trainees. The proposal was to construct the hostel building in the IMG main campus where the seminar hall, lecture hall, library etc., were located.

Government accorded (March 2006) administrative sanction for the construction of the executive hostel and released (March 2006) Rs 1.90 crore to IMG. The amount was kept in the Treasury Public (TP) account of the Director, IMG. The Governing Body of IMG decided (August 2008) to change the site of the hostel building to the Barton Hill campus in view of the congestion of the buildings in the main campus. The concept paper regarding the change of site prepared by the consultant architect was discussed in the Governing Body meeting held on 3 October 2008. Accordingly, the Chief Engineer was requested to prepare a detailed plan and estimates based on this. However, no plan and estimates had been prepared as of March 2009.

Thus even after three years of release of funds to IMG for the construction of the hostel building, the plan and estimates of the building could not be finalized due to the failure of IMG to find a suitable site, which resulted in blocking of Government funds of Rs 1.90 crore in the TP account of the Director, IMG.

Government stated (July 2009) that it was decided to change the site considering the congestion of the buildings in the main campus and that the construction would be started during the current financial year. The reply does not explain why the congestion could not be foreseen at the time of submission of the proposal as also the reasons for the delay of about three years in finding a suitable site since the release of the grant.

PUBLIC WORKS DEPARTMENT

2.4.5 Idle investment on two bridges

Failure of the department in taking timely action to acquire land for construction of approach roads for two bridges resulted in investment of Rs 5.42 crore remaining idle.

According to Paragraph 15.2.2 (d) of the Kerala Public Works Department Manual, tenders are not to be invited before making sure that the land required is ready for being handed over to the contractor to start the work in time. However, it was noticed during audit that in the following two cases, though bridges were completed, construction of approach roads had not been started/ completed as the required land had not been acquired and made available to the contractors.

Case 1: Kothy – Pallikandy bridge

The Kothy-Pallikandy bridge was completed during the year 2000-01 at a total cost of Rs 4.21 crore. For construction of the approach road, a length of 1800 metres of land, 1200 metres on the Pallikandy side and 600 metres on the Chakkumkadavu side of the bridge, was required. Government issued an administrative sanction in October 2004 for Rs 3.65 crore and ordered (December 2004) the acquisition of the land by invoking the urgency clause[88]. Out of 806.90 cents of land to be acquired, only 328.76 cents of land had been acquired so far (March 2009). The land acquisition procedure for the balance land was in progress (March 2009). Thus even after five years of the Government's sanction, the required land for the approach road had not been acquired. In the absence of the approach road, the bridge constructed in 2001 at a cost of Rs 4.21 crore could not be used and the expenditure incurred on it remained as an idle investment for the past eight years.

Case 2: Anayadi bridge across Pallickal river

The Superintending Engineer, Roads and Bridges, South Circle awarded a work, viz., 'Reconstruction of Anayadi bridge across Pallickal river connecting Sasthamcotta-Thamarakulam road' in August 2004 to a contractor. The bridge was completed by March 2007 at a total cost of Rs 1.21 crore. For construction of the approach road, 19.03 cents of land was required, out of which 5.44 cents of land was Government land and the balance 13.59 cents of land had to be acquired. Government issued a sanction (March 2008) for acquisition of the land invoking the urgency clause. However, the land had not been acquired so far (October 2009) as necessary funds had not been made available. Thus due to delay in acquisition of the land, the bridge completed at a cost of Rs 1.21 crore was idling for the last two years.

Failure of the department in taking timely action to acquire land for the approach roads led to their non-completion and resulted in investment of Rs 5.42 crore on the two bridges remaining idle for the past eight/two years. Besides, the people are deprived of the benefits to be derived from the bridges.

The matter was referred to Government in June 2009. Reply had not been received (October 2009).

[88] Urgency clause under Section 17(3) of Kerala Land Acquisition Act enables the department to take advance possession of land.

2.5 Regularity issues and others

FOREST AND WILDLIFE DEPARTMENT

2.5.1 Irregular expenditure on engagement of data entry operators and computer operators

Engagement of data entry operators and computer operators by the Forest Department against the directions of Government resulted in irregular expenditure of Rs 33.30 lakh towards wages.

The State Government directed (January 2007) that the appointment of data entry operators (DEOs) and computer operators (COs) on daily wage basis should henceforth be made only against sanctioned posts. The Principal Chief Conservator of Forests reiterated (March 2008) the Government's instructions and ordered that engaging DEOs and COs in violation of Government instructions would be at the risk and cost of the officers who engaged them. The Chief Conservator of Forests (Administration) and Chief Conservator of Forests (FMIS[89]) reported (May 2009) that there were no sanctioned posts of DEOs and COs in the Forest Department and training had already been given to the staff in computer work.

Audit scrutiny revealed that in 88 offices under the Forest Department, expenditure of Rs 33.30 lakh was incurred towards engagement of DEOs and COs on daily wage basis during February 2007 to March 2009.

The appointment of these DEOs and COs on daily wage basis was against the instructions of both the Government and the Principal Chief Conservator of Forests. Thus, the expenditure of Rs 33.30 lakh incurred on their appointment as of March 2009 was irregular. It was also noticed that the practice was still being continued and no action had been initiated against the erring officers.

The matter was referred to Government (June 2009). Reply had not been received (October 2009).

GENERAL EDUCATION DEPARTMENT

2.5.2 Irregular expenditure on distribution of workbooks to non-focus group children in violation of SSA guidelines

Expenditure of Rs 1.96 crore was incurred under the Sarva Shiksha Abhiyan Scheme for distributing workbooks free of cost to non-focus group children of Classes I to VII against the scheme guidelines.

The State Level Monitoring Committee of Sarva Shiksha Abhiyan (SSA) approved (March 2008) the printing of a workbook named 'Kanikonna' to be distributed to the students of Classes I to VII before 15 April 2008 for making their vacation more creative and meaningful. The District Project Offices of SSA were allowed to arrange the printing work themselves. The printing work was done through printing presses under the co-operative sector and

[89] Forest Management Information System.

Government autonomous bodies like the Kerala State Audio-Visual and Reprographic Centre, Thiruvananthapuram and the Kerala Books and Publications Society, Kakkanad, Ernakulam.

As per the guidelines, workbooks can be provided to only focus group children (SC/ST/girl students) in Classes I to VII. It was noticed in audit that the workbooks were distributed free of cost to children of non-focus groups and expenditure of Rs 1.96 crore[90] incurred on distribution of workbooks to non-focus groups was charged to the SSA accounts. As it was against the guidelines of SSA, the expenditure incurred on this from SSA funds was irregular.

The State Project Director, SSA stated (June 2009) that all groups were included to avoid creation of social problems by neglecting some sections in the society. Government stated (October 2009) that the commitment was that the material should be distributed to all children from Classes I to VII during the vacation period. The reply is not in consonance with the guidelines/norms of SSA which restricts the distribution of workbooks to focus-group children only and the Government should have met the expenditure on provision of workbooks to non-focus children from its own funds.

HIGHER EDUCATION DEPARTMENT

2.5.3 Loss of financial assistance due to failure to adhere to guidelines

The failure of Kannur University to adhere to the norms prescribed for the release of grants by the University Grants Commission and the Indira Gandhi National Open University resulted in loss of assistance amounting to Rs 55.75 lakh.

Kannur University had been receiving grants towards development assistance from agencies like the University Grants Commission, the Indira Gandhi National Open University, etc. Scrutiny (December 2008) of the records of the university revealed the failure of the university to adhere to the guidelines for the release of grants, which resulted in loss of assistance of Rs 55.75 lakh as shown below:

Case A: University Grants Commission (UGC) approved (September 2004) allocation of Rs 4.61 crore towards General Developmental Assistance to Kannur University during the Tenth Plan period (2002-07). UGC released Rs 4.15 crore, out of which Rs 91.20 lakh had been earmarked towards expenditure on staff. According to the guidelines, sanction from UGC was to be obtained for creation of posts and concurrence of the State Government or an undertaking from the university for continuance of the posts after the Tenth Plan period was to be furnished. The university, however, operated 16 posts of Readers/Lecturers during the period from January 2006 to March 2007 without getting prior sanction from UGC and incurred an expenditure of Rs 25.75 lakh on their salaries. On furnishing of the utilisation certificate (UC) (January 2008) for Rs 4.61 crore by the university, UGC intimated (March 2008) that the salary paid for 16 posts of Readers/Lecturers without

[90] In respect of 13 districts for which information was made available.

prior approval would not be admitted. Though the university requested (May 2008) UGC to admit the expenditure on staff, UGC reiterated (June and October 2008) its inability to admit the expenditure. Thus, the university lost Rs 25.75 lakh spent on salary of staff appointed without prior approval of UGC.

The university stated (May 2009) that appointment of staff was delayed due to litigation by the parties concerned. The UGC had been requested to grant permission to appoint guest lecturers against the vacancies, which was not given by them. The university also stated that a request for concurrence of the Government for creation of posts was still pending with the Government and hence the university could not approach UGC for approval of expenditure on staff. The reply does not explain why the university had operated 16 posts without obtaining sanction of the said posts from UGC.

Case B: The Chairman, Distance Education Council, Indira Gandhi National Open University (IGNOU) sanctioned (July 2006) a development grant of Rs 20 lakh to Kannur University for 2006-07 and released 50 *per cent* (Rs 10 lakh) as first instalment in November 2006. According to the conditions for the release of grants, the second instalment of the grant would be released on receipt of the status of expenditure incurred/committed by 1 December 2006 or earlier and the entire grant was to be utilised within the current financial year. The university, however, did not furnish the details in time and submitted the UC only in December 2007. Hence, the second instalment of the grant of Rs 10 lakh for 2006-07 was not released. During 2007-08 also, IGNOU sanctioned (July 2007) Rs 40 lakh for the scheme. However, due to delay in furnishing the UC for the previous year, the first instalment of Rs 20 lakh for 2007-08 was released in February 2008 while the second instalment of Rs 20 lakh was not released. Thus, delay on the part of the university in furnishing the expenditure incurred as stipulated in the guidelines resulted in lapse of Rs 30 lakh for the years 2006-07 and 2007-08.

The university stated (May 2009) that as the first instalment for 2006-07 was released only in November 2006, it was not possible for them to comply with the time limit prescribed in the guidelines regarding forwarding of the status of expenditure by December 2006. The university was not able to avail of the second instalments for the two years 2006-07 and 2007-08. As the sanction of funds for the years 2006-07 and 2007-08 was received in July of the respective years, the university could have taken action to furnish the status of expenditure incurred in time to avail of the second instalments of assistance for these years.

Thus the failure of Kannur University to adhere to the norms prescribed for the release of grants by UGC/IGNOU resulted in loss of assistance amounting to Rs 55.75 lakh.

Government endorsed (July 2009) the remarks of the university.

PUBLIC WORKS DEPARTMENT/HOME DEPARTMENT

2.5.4 Extra expenditure due to short recovery of electricity and water charges from tenants of Government quarters

Government incurred extra expenditure of Rs 83.11 lakh on payment of electricity and water charges of the Government quarters at Thrikkakara and at the Malabar Special Police camp, Malappuram as there were no separate meters for the quarters to determine and recover the actual amounts due from each tenant.

Article 119(1) b and (2) of the Kerala Financial Code (KFC) provides that a tenant occupying a Government building should pay electricity and water charges directly if the building is used solely as a residence.

Scrutiny by Audit revealed that in two cases, in spite of the specific provision in the KFC, the departments[91] paid the entire amount towards electricity and water charges and only a nominal amount was recovered from the tenants occupying the quarters. There were no separate meters installed in the individual quarters and hence, the departments were not in a position to calculate the actual share of each tenant. The details are given below:

(i) There were 559 quarters in the non-gazetted officers quarters at Thrikkakara in Ernakulam District which were occupied by personnel of different departments. There were only three common water connections and no individual connections were given to the quarters. The Executive Engineer, Buildings Division, Ernakulam remitted (July 2008) Rs 46 lakh towards water charges in respect of the above three connections for the period from January 2002 to April 2007. However, only Rs 20 per mensem was recovered from the salary of each tenant and deposited in 'Public Works Deposits'. The amount so recovered and credited to 'Public Works Deposits' during September 1995 to June 2008 was only Rs 4.50 lakh. Thus, the department had to incur extra expenditure of Rs 41.50 lakh from Government funds towards water charges of the tenants of Government quarters.

(ii) In the Malabar Special Police (MSP) Camp, Malappuram there were 110 family quarters but only one electricity connection. The electricity charges payable during the period from April 2006 to December 2008 were Rs 43.26 lakh and paid by adjustment towards the cost of police guards provided to the Kerala State Electricity Board. However, only Rs 1.63 lakh was collected during the above period at a nominal amount of Rs 45 per mensem fixed in 1998 from each tenant. Thus the Department had to meet an additional amount of Rs 41.63 lakh from Government funds towards electricity charges of the tenants of Government quarters.

Had separate electricity or water meters been installed for each quarter, Government could have assessed the actual charges payable by each tenant. In the absence of separate meters, Government had to incur additional expenditure of Rs 83.13 lakh from their own funds.

[91] Public Works and Home.

Government intimated (July 2009) that the Police Department had taken action for installing separate electric meters in the quarters at MSP Camp, Malappuram in 1998 itself and there was laxity on the part of Kerala State Electricity Board and Public Works Department in solving the issue on a time-bound basis. However, the fact remains that separate electric meters had not been provided in the quarters even after a decade.

WATER RESOURCES DEPARTMENT

2.5.5 Non-realisation of the cost of private water connections from beneficiaries

Failure of the Kerala Rural Water Supply and Sanitation Agency to realise the full cost of private water connections from beneficiaries as envisaged in the guidelines of the World Bank-aided project resulted in additional liability of Rs 9.75 crore to the Government/Grama Panchayats.

The State Government sanctioned (August 1999) the implementation of the World Bank-aided Kerala Rural Water Supply and Environmental Sanitation Project in four districts of the State which was later (December 2003) extended to the remaining 10 districts. The project implementation was to be managed by the Kerala Rural Water Supply and Sanitation Agency (KRWSA) and implemented through identified Grama Panchayats (GP) and Beneficiary Groups (BGs)[92]. One of the components of the scheme was construction of small scale drinking water supply systems up to 70 lpcd[93]. The project was proposed on two types of water connections viz., private/household water connections and public stand posts. According to the Project Appraisal Document (PAD) and Project Implementation Plan (PIP), the capital cost of the water supply scheme was to be shared by the Government (75 *per cent*), BG (15 *per cent*) and GP (10 *per cent*). Those beneficiaries who opted for private/ household water connections were to pay the full cost of private water connections and others were to be supplied water through public stand posts. As of October 2008, KRWSA commissioned 3,699 small scale piped drinking water supply schemes, incurring an expenditure of Rs 218.42 crore and 1,46,675 households were provided with private water connections. Scrutiny (November 2008) by Audit revealed that KRWSA had incorrectly included the cost of providing individual household/private water connections in their capital cost and recovered the above proportion from the stakeholders (BGs, GPs and the Government). No public stand posts were provided. All beneficiaries had taken private water connection. There was nothing on record to show that approval of Government had been obtained for such a deviation from the project guidelines. The cost of private water connections was estimated at Rs 1500 per household in the project document. However, a test

[92] Beneficiary groups are associations of households likely to be benefited by the water supply scheme and consist of two representatives, one male and another female, from each household. The BGs are autonomous legal entities registered under the Societies Registration Act 1860.

[93] litres per capita per day.

check of the water supply schemes implemented by 25 BGs (935 households) in five districts (out of 13) revealed that the cost[94] of water connections provided to each household ranged from Rs 523.34 to Rs 1150.71. Computed with reference to the average cost per household connection (Rs 781.76), the cost of providing 1,46,675 private household connections amounted to Rs 11.47 crore. Only 15 *per cent* of the above cost (Rs 1.72 crore) had been recovered and the balance 85 *per cent* (Rs 9.75 crore) remained unrealised from the beneficiaries.

Thus, the failure of KRWSA to separately work out the cost of providing private/ household water connections as envisaged in the scheme guidelines resulted in non-realisation of Rs 9.75 crore from the beneficiaries and additional liability to the Government/Grama Panchayats.

Government stated (July 2009) that the terms 'public stand post', 'house connections' and 'private connections' were not defined in the World Bank document and hence their meaning was construed in the generally accepted sense in the backdrop of the vision of the Jalanidhi project, which provided water at the doorstep. Therefore, the cost of private connection had not been collected. The reply is not in consonance with the guidelines of the scheme which provided for private water connections and public stand posts and provided for recovery of the full cost of private connections from the beneficiaries who opted for it.

General

2.5.6 Lack of responsiveness of Government to Audit

The Principal Accountant General (Audit) arranges to conduct periodical inspections of Government departments to test check their tr nsactions 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 copies to the next higher authorities. The provisions of Article 63 (c) of Kerala Financial Code provide for prompt response by the Executive to the IRs to ensure rectificatory action and accountability for deficiencies, lapses, etc. The Heads of offices and the next higher authorities are required to report compliance to the Principal Accountant General within four weeks of receipt of the IRs. Half-yearly reports of pending IRs are sent to the Secretaries of the concerned departments to facilitate monitoring of the pending IRs.

At the end of June 2009, 6,896 IRs and 29,436 paragraphs issued up to March 2009 were pending for settlement. The year-wise break-up of these IRs is given in the following table:

[94] Worked out by Audit based on the inputs used for providing water connections to 935 households in five test-checked districts.

Table: 2.3: Details of inspection reports and paragraphs pending for settlement

Year	Number of Inspection Reports	Number of paragraphs
Up to 2004-05	1431	3885
2005-06	781	3203
2006-07	902	4277
2007-08	1264	6433
2008-09	2518	11638
Total	**6896**	**29436**

The department-wise break-up of these IRs and paragraphs is indicated in **Appendix V**.

A review of the outstanding IRs pertaining to the Police and Treasury Departments revealed that 723 paragraphs contained in 146 IRs having money value of Rs 349.49 crore remained unsettled at the end of June 2009. The year-wise position of outstanding IRs and paragraphs and the nature of irregularities are indicated in **Appendix VI**.

2.5.7 Follow-up action on Audit Reports

The Government is required to finalise remedial action on 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 are required to furnish notes explaining the remedial action taken (ATNs) on the audit paragraphs to the Public Accounts Committee as well as to the Principal Accountant General within the prescribed time limit.

Position of pendency as of June 2009 in furnishing ATNs on paragraphs included in the Report of the Comptroller and Auditor General of India (Civil), Government of Kerala, pertaining to the years 2002-03 to 2006-07 is as follows:

Table 2.4: Position of pendency in furnishing ATNs

Reference to Report (Year)	Number of paragraphs included	Number of paragraphs for which ATNs have been furnished by the Government	Number of paragraphs for which ATNs were due from the Government
2002-03	63	62	1
2003-04	43	35	8
2004-05	32	27	5
2005-06	32	26	6
2006-07	39	24	15

Department-wise details of pending ATNs are furnished in **Appendix VII**.

CHAPTER III

INTEGRATED AUDIT

CHAPTER III
INTEGRATED AUDIT

SCHEDULED CASTES AND SCHEDULED TRIBES DEVELOPMENT DEPARTMENT

3.1 Integrated audit of Scheduled Tribes Development Department

Highlights

Scheduled Tribes constitute 1.14 per cent (3.64 lakh) of the total population of the State. The Scheduled Tribes Development Department implements various welfare schemes for the benefit of the Scheduled Tribes. An integrated audit of the department revealed various deficiencies such as underutilisation of funds, delays in implementation of schemes, ineffective implementation of provisions in the statutes for the welfare of Scheduled Tribes, inadequate infrastructure facilities in residential schools under the control of the department, lack of supervision and proper monitoring, etc. The important audit findings are as under:

During 2004-09, savings of Rs 52.73 crore were noticed under 'Plan' due to non-implementation of schemes.

(Paragraph 3.1.7.1)

Against the target of construction of 4128 houses during 2002-08, undertaken by the Tribal Resettlement and Development Mission, only 346 (8 *per cent*) houses were completed as of May 2009.

(Paragraph 3.1.8.1)

Despite spending Rs 3.91 crore for setting up a speciality hospital in Attappadi, the objective of providing better health care facilities to the tribals of the remote area were not fulfilled due to shortage of medical and para-medical staff.

(Paragraph 3.1.8.3)

Although Government of India released Rs 12.50 crore during 2002-04 as Special Central assistance and Rs 2.03 crore in March 2005 as Additional Central assistance for drinking water supply schemes for tribals in Wayanad and Idukki districts respectively, the schemes remained incomplete and the tribals were denied access to clean drinking water.

(Paragraph 3.1.8.4)

Despite the availability of funds, infrastructural facilities in residential schools under the department were largely inadequate due to delays in construction of buildings.

(Paragraph 3.1.8.5)

Lack of supervision and monitoring affected implementation of various schemes and delivery of the intended objectives to the targeted tribal population.

(Paragraph 3.1.11.3)

3.1.1 Introduction

The Scheduled Tribe population in the State as per the 2001 census was 3.64 lakh, which was 1.14 *per cent* of the total population. The Tribal Welfare Department, subsequently renamed as the Scheduled Tribes Development Department, was formed in July 1975, for implementing various Centrally and State sponsored welfare schemes for social upliftment of Scheduled Tribes. The department is mandated to identify, formulate and implement schemes in thrust areas like education, health, poverty eradication, resettlement and housing, self-employment, skill development, etc. The objective of the department is to ensure that the benefits of the schemes for which investments are made by the Central and State Governments reach the targeted masses.

3.1.2 Organisational Set up

At the Government level, the Scheduled Tribes Development Department is headed by the Principal Secretary, Scheduled Castes and Scheduled Tribes Development Department. At the Directorate level, the department is headed by a Director who is assisted by an Administrative Officer, a Joint Director, one Deputy Director each for Tribal Sub-Plan and education and a Finance Officer. At the field level, seven Project Officers are in charge of Integrated Tribal Development Project Offices (ITDP) while nine Tribal Development Officers are in charge of Tribal Development Offices (TDO). All of them report to the Director directly. They are assisted by 48 Tribal Extension Officers all over the State. The Tribal Resettlement and Development Mission (TRDM) was constituted in 2001 with the objective of distributing land to landless tribals and ensure their overall development under the department.

3.1.3 Audit Objectives

An integrated audit of the department was conducted to assess whether:

- Annual Action Plans were prepared based on field surveys and actual requirements;
- funds provided by the Central and State Governments were effectively and economically utilised;
- welfare schemes for resettlement and housing of landless tribals, health care projects, water supply, education, etc., were implemented in time and were in conformity with the approved Plans;
- co-ordination existed among various departments in implementation of various schemes and statutes related to the welfare of Scheduled Tribes and
- monitoring of implementation of the schemes was adequate and effective.

3.1.4 Audit Coverage

The integrated audit was conducted during April – June 2009 and covered the period 2004-09. Records of the Administrative Department in the Government Secretariat, the Directorate of Scheduled Tribes Development Department, Integrated Tribal Development Project Offices/Tribal

Development Offices of four out of 14 tribal concentrated districts[95] were scrutinized. Records in the Office of the Director General of Police and the Collectorates in the four selected districts were also scrutinised.

3.1.5 Audit Criteria

The audit criteria used for bench-marking the audit findings were as under:

- Scheme guidelines, instructions issued by Government from time to time for implementation of schemes and Annual Action Plans;
- State Budget Manual/ State Financial Rules/Treasury Code;
- Procedures prescribed for monitoring and evaluation of schemes/programmes and
- The Scheduled Castes and the Scheduled Tribes (Prevention of Atrocities) Act, 1989 and the Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006.

3.1.6 Audit Methodology

An entry meeting was held (March 2009) with the Principal Secretary to Government, Scheduled Castes and Scheduled Tribes Development Department, wherein the audit objectives were explained. Audit findings as discussed in the succeeding paragraphs are based on analysis of records during field visits to Tribal Development Offices of the selected four districts. Field visits were also made to the Collectorates of the four selected districts to scrutinize records relating to tribal resettlement and housing schemes implemented by the TRDM. Audit findings were discussed (July 2009) with the Principal Secretary to Government in an exit conference. The views of the Government have been incorporated in the review at appropriate places.

Audit Findings

3.1.7 Financial Management

3.1.7.1 Budget allocation and expenditure

Budget provisions and expenditure of the department during the review period were as follows:

Table: 3.1: Budget provision and expenditure

(Rupees in crore)

Year		Provision	Expenditure	Savings (percentage)
2004-05	Plan	77.22	64.36	12.86 (16.7)
	Non-Plan	18.78	17.56	1.22 (6.5)
2005-06	Plan	77.50	60.00	17.50 (22.6)
	Non-Plan	22.31	21.46	0.85 (3.8)
2006-07	Plan	83.06	75.94	7.12 (8.6)
	Non-Plan	24.38	22.71	1.67 (6.8)
2007-08	Plan	85.93	79.00	6.93 (8.1)
	Non-Plan	29.36	27.42	1.94 (6.6)
2008-09	Plan	84.74	76.42	8.32 (9.8)
	Non-Plan	36.95	32.78	4.17 (11.3)
Total	**Plan**	**408.45**	**355.72**	**52.73 (12.91)**
	Non-Plan	**131.78**	**121.93**	**9.85 (7.47)**

Source: Plan progress report and Expenditure statement

[95] Idukki, Kannur, Palakkad and Wayanad.

During 2004-09, there were savings of Rs 52.73 crore under Plan schemes

As can be seen from the table, savings of Rs 52.73 crore occurred under Plan expenditure during the five years 2004-09. During the three years 2006-09, the department could spent 90 to 92 *per cent* of the budget provision. However, during 2004-05 and 2005-06, the savings were 17 *per cent* and 23 *per cent* of the budget provisions respectively. The savings were due to non-implementation of the drinking water supply scheme and the Grain Bank scheme[96], non-formation of neighbourhood groups under the Kudumbasree[97] project, etc.

According to Para 24 of the Kerala Budget Manual provision should be made only for sanctioned schemes. However, provisions were made in the budget without finalising the proposal or identifying the required land, in violation of the above provision. Some of the instances noticed in this respect during audit were as follows:

- Budget provisions of Rs 2.03 crore and Rs 1.02 crore made during 2004-05 and 2005-06 respectively for a drinking water supply scheme at Idukki and provision of Rs 1.15 crore made during 2004-05 to 2006-07 for payment to Kudumbasree towards formation of neighbourhood groups were not utilised due to non-formulation of proposals for the same. Similarly, out of Rs 80 lakh provided during 2004-05 and 2005-06 for the Grain Bank scheme, Rs 72 lakh was not utilised as the scheme was not found to be viable. Government stated (October 2009) that funds had to be reappropriated due to non-submission of proposals by Kudumbasree and it was difficult to implement the Grain Bank scheme in Kerala as cultivation among tribals was minimal.
- During 2007-08 and 2008-09, Rs 1.40 crore and Rs 60 lakh respectively were provided in the budget for construction of a school building for students of classes +1 and +2 in the Kannur and Nalloornadu Model Residential Schools though the proposal for construction had not been finalised at the time of providing the funds.
- Even though land had not been identified, Rs 2.90 crore each was provided for construction of an Ashram School for Primitive Tribes in Palakkad and a Tribal Complex at Ernakulam during 2004-05 and 2005-06 respectively. Government stated (October 2009) that the funds could not be utilized due to delays in obtaining land.

3.1.7.2 Non-settlement of advances

Article 99 of the Kerala Financial Code prescribes that advances should be adjusted as early as possible by presenting detailed bills and vouchers. However, in the following offices, contingent advances aggregating Rs 1.24 crore given to Tribal Extension Officers for food supply programmes, meeting fuel charges, etc., during 2004-09 remained unadjusted as of March 2009 as given in the following table:

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[96] The Grain Bank scheme envisages a system whereby tribals are lent foodgrains in times of need with the debt to be repaid by them during harvest time.

[97] Kerala State Poverty Eradication Mission (Kudumbasree) is registered under the Travancore-Cochin Literary, Scientific and Charitable Societies Registration Act, 1955. It is a network of neighbourhood groups, area development societies and community development societies.

Table 3.2: Outstanding advances

(Rupees in lakh)

Name of institution	2004-05	2005-06	2006-07	2007-08	2008-09	Total
Directorate of STDD	16.66	1.42	7.15	4.35	--	29.58
ITDP, Kannur	33.29	24.00	18.63	1.09	5.54	82.55
TDO, Palakkad	0.19	1.03	0.54	3.10	0.23	5.09
TDO, Mananthavady, Wayanad	..	..	..	7.00	..	7.00
Total	**50.14**	**26.45**	**26.32**	**15.54**	**5.77**	**124.22**

Source: Departmental figures

3.1.7.3 Retention of demand drafts for prolonged periods

Article 40 of the Kerala Financial Code provides that money should not be drawn unless it is immediately required for payment. However, it was seen that money in the form of demand drafts (DD), drawn by Tribal Development Officers and Project Officers of ITDP offices in favour of beneficiaries/implementing agencies for various purposes such as assistance for housing, special incentives for brilliant students, special awards, etc., remained unpaid for periods ranging from three to 26 months as shown hereunder:

Table 3.3: Details of retention of DDs

Name of TDO/ITDP	Number of DDs	Date from which retained	Period of retention (in months)	Amount *(Rupees in lakh)*
Kalpetta	26	March 2009	3	5.13
Kannur	2	12 April 2007	26	0.23
Kannur	1	4 March 2009	3	2.07
Palakkad	10	21 January 2009	5	0.39
SulthanBathery	3	March 2008	16	0.34
Total				**8.16**

Source: Departmental figures

Retention of DDs for long periods gives scope for misappropriation. Government stated (October 2009) that DDs for special incentives to brilliant students could be handed over to the students only when they came for vacations. The reply does not explain why the drafts could not be sent to the students/institutions in which they were studying so that they could utilise the money during their course of study. The Government reply was silent about the retention of drafts drawn for providing assistance for housing.

3.1.7.4 Rush of expenditure during March

According to the Kerala Budget Manual, flow of expenditure should be regulated to avoid rush of expenditure, particularly during the closing months of the financial year. As per Article 40 (c) 7 of the Kerala Financial Code Volume I, no attempt should be made to prevent the lapse of an appropriation by any undue rush of expenditure during March. However, it was noticed that the percentage of expenditure during the month of March was appreciably high under pooled funds[98]. The details are as follows:

[98] Funds set apart for small projects with special emphasis on self employment, skill development, provision for water supply and sanitation, electricity, etc.

Table 3.4: Rush of expenditure during March

(Rupees in lakh)

Name of office	Year	Allotment	Progressive expenditure (up to February)	Expenditure during March	Total expenditure	Percentage of expenditure in March
TDO, Kalpetta	2007-08	16.04	6.22	9.83	16.05	61
TDO, Sulthanbathery	2005-06	51.89	18.27	33.62	51.89	65
TDO, Thodupuzha	2004-05	95.04	28.92	66.12	95.04	70
TDO, Thodupuzha	2005-06	77.98	42.78	35.20	77.98	45
TDO, Thodupuzha	2006-07	75.15	32.41	42.39	74.80	56

Source: Expenditure register

Though the funds were provided at the beginning of the financial year, the rush of expenditure in March indicated that they were being drawn at the fag end of the financial year to avoid lapse of funds. Government stated (October 2009) that rush of expenditure in March was due to procedural delays in approving schemes as a result of which, works could be awarded only after the first half of the financial year.

3.1.8 Implementation of Schemes

The department implements various schemes under housing, health, drinking water supply, education, etc. Findings relating to the schemes which were audited are given below:

3.1.8.1 Resettlement and housing

The Tribal Resettlement and Development Mission (TRDM) was constituted in 2001 with the objective of rehabilitation of landless tribals. The key components of the resettlement plan were distribution of one to five acres of land to each family according to availability and development of minimum needs infrastructure including housing, roads, power, drinking water supply, crop husbandry, land development, etc. The Principal Secretary of the Scheduled Castes and Scheduled Tribes Development Department is the Chief of the Mission. TRDM has 14 District Mission Offices in the State with the District Collectors as the Chairpersons and the Project Officers, ITDP as the Convenors. Beneficiary lists for resettlement are to be prepared by the District Missions based on scrutiny and recommendations of District Level Committees[99] and *Oorukoottams*[100].

No comprehensive Action Plan for resettlement of tribals was prepared by TRDM

It was found that TRDM had not prepared any comprehensive Action Plan for resettlement of tribals. There were delays of two to three years in distribution of land and one to two years in taking up construction of houses. In the three[101] districts test-checked, 6997.41 acres of land was distributed to 5058 families. During 2002-08, 4128 houses were sanctioned for tribal families for which Rs 22.65 crore was provided by TRDM to District Collectors (Rs 8.29 crore) and the Kerala State Nirmithi Kendra (KESNIK[102]) (Rs 14.36 crore). The construction of the houses was entrusted to Local Self

[99] Committees headed by the Presidents of the District Panchayats who oversee the implementation of various schemes.

[100] The basic unit consisting of local people for preparation of proposals to execute work in a locality and preparation of beneficiary lists for availing of benefits under various schemes.

[101] Idukki, Kannur and Wayanad.

[102] An autonomous body engaged in the construction of low-cost houses.

Against the target of 4128 houses, only 346 (8 *per cent)* houses were completed

Government Institutions, SC/ST Labour Contract Societies KESNIK, District Nirmithi Kendras[103], COSTFORD[104] and beneficiaries. Only 346 houses (8 *per cent)* were completed as of May 2009 by the implementing agencies as indicated in the following table:

Table 3.5: Details of construction of houses

District	Number of families to which land was allotted	Number of houses sanctioned	Unit cost (in Rs)	Amount provided (Rs in crore)	Number of houses		
					Completed	Under construction	To be taken up
Idukki	949	949	75,000	3.56	204	461	284
Kannur							
i) Aralam	2557	2557	1,12,330	14.36	Nil	400	2157
ii) Kannur	149	149	75,000	1.19	141	8	Nil
Wayanad	578	473	75,000	3.54	1	199	273
	4233	**4128**	-	**22.65**	**346**	**1068**	**2714**

Source: Details collected from the District Collectorates

Further audit scrutiny revealed the following:

- In Palakkad district, TRDM could not make much headway in re-settlement except for distribution of 4.44 acres of land to 10 families. Even in these cases, the beneficiaries did not accept the land as the major portion of the same was rocky and unsuitable for any developmental activity, including housing. Consequently, Rs 8.30 lakh allotted in December 2006 by TRDM for housing was returned by the District Collector in June 2007.
- In Wayanad district, though land was allotted to 578 families in four settlements[105], records of rights[106] were issued only to 536 families (93 *per cent*).
- In Idukki district, 585 houses (62 *per cent*) were in Chinnakanal area which was remote, inaccessible and under the threat of elephant attack. As a result, only 12 houses were completed as of June 2009 though sanction for construction of houses were issued during 2003-06. Of the remaining 573 houses, 301 houses were partially completed and 272 houses were not taken up.
- In Kannur district, construction of 2557 houses was entrusted to KESNIK. The construction was to be completed in five phases over a period of 20 months. Six hundred houses were to be completed in the first phase. Government ordered (September 2008) payment of Rs 14.36 crore as mobilization advance to KESNIK, which was 50 *per cent* of the total cost of construction of the houses including wells and wiring. However, due to poor quality of construction and complaints, TRDM directed (July 2009) KESNIK to limit the construction to 400 houses only and refund the balance amount of Rs 9.59 crore. KESNIK refunded Rs 9.59 crore in August 2009.

[103] District-level agencies engaged in the construction of low-cost houses.
[104] Centre of Science and Technology for Rural Development.
[105] Karapuzha, Kunnanhidavaka, Pookot and Suganthagiri.
[106] Title deeds conveying ownership of land.

- Implementation of the housing scheme was to be closely monitored by the District Level Review Committees[107] headed by the District Collectors and monthly reports were to be sent to the State Level Review Committee[108]. However, no progress reports had been sent to the State Level Committee during October 2008-June 2009.

Government stated (October 2009) that considerable progress was expected to be achieved in resettlement and development once remedial measures such as appointment of site managers, upgradation of posts of overseers in ITDP, Kannur, enhancement of cost of houses, etc., were taken. However, the fact remains that construction of only 346 (8 *per cent)* out of 4128 houses sanctioned during 2002-08 could be completed and the tribal families were deprived to that extent.

3.1.8.2 Primitive tribal housing

Under primitive tribal housing, 683 houses (out of 781) were completed despite release of the entire cost of the houses to the agencies

During 2003-04, GOI released Rs 10 crore as Additional Central assistance for providing basic needs packages to primitive tribal group[109] families in the State. According to a baseline survey report of KIRTADS[110] conducted during 2004-05, 6,523 primitive tribal families were scattered in different areas of the State. Government sanctioned (May 2006) 1,111 houses for the primitive tribes. Each house was to have a plinth area of 300 sq.ft and was to be built at a cost of Rs 90,000. The construction of the houses was mainly entrusted to KESNIK and the Kerala State Housing Board. Fifty *per cent* of the cost was to be paid on execution of the agreements, 40 *per cent* on attaining 50 *per cent* progress and the balance 10 *per cent* on completion of construction. In the test-checked offices, Audit found that the entire amount had been released to the agencies within three months of execution of the agreements. However, only 491 houses (63 *per cent*) were completed out of 781 as of March 2009 even though the scheduled dates of completion had expired by March 2007. The following table depicts the status of implementation of primitive tribal housing.

Table 3.6: Status of implementation of primitive tribal housing as of Mach 2009

Name of office ITDP/TDO	Agency to which construction was entrusted	Number of houses		Payment made (Rupees in crore)
		Target	Achievement	
Palakkad District				
Attappady	A class contractor	100	95	0.88
Palakkad	District Nirmithi Kendra	161	2	1.45
Wayanad District				
Kalpetta	Kerala State Nirmithi Kendra	100	68	0.90
Mananthavady	District Nirmithi Kendra	150	141	1.35
Sulthan Bathery	Kerala State Housing Board	270	185	2.43
Total		**781**	**491**	**7.01**

Source: Departmental figures

It was found that a number of complaints regarding use of inferior quality material, reduction in the plinth area, etc., had been made by local bodies and

[107] Committee constituted for the purpose of reviewing progress of implementation of housing scheme

[108] Committee headed by the Principal Secretary, SC&STDD.

[109] Group with pre-agricultural stage of development, diminishing/dwindling population and very low literacy rate.

[110] Kerala Institute for Research, Training and Development Studies of Scheduled Castes and Scheduled Tribes.

a non-governmental organisation viz. All India Survival of Tribal People for Social Justice on the quality of construction, but the Tribal Development Officers did not take any action to rectify the defects. No records were maintained by the TDOs in Palakkad and Wayanad districts regarding the details of the number of houses occupied, houses deserted due to lack of basic amenities, houses which had defective construction, etc. In Attappadi, while awarding the work, no tender procedure was adopted. The Palakkad District Nirmithi Kendra was entrusted with the construction of 91 houses costing Rs 81.90 lakh in December 2006. However, the Kendra expressed (May 2007) inability to undertake the construction due to inaccessibility of the sites. The department did not take any action to get back the amount paid to the Kendra and rearrange the work (June 2009). Government stated (October 2009) that 683 houses had since been completed and in almost all cases, the tribals were living in these houses. However, the fact remains that 98 houses still remained incomplete even after two and a half years of the scheduled date of completion.

3.1.8.3 Attappadi health project

GOI sanctioned Additional Central assistance of Rupees one crore in March 1999 for construction of a 25-bedded hospital for the tribals of Attappadi. Government issued (June 2000) an administrative sanction for Rupees five crore for construction of a 100-bedded hospital there. The balance amount (Rupees four crore) was to be met by the State Government. The construction was to be completed in two phases for which Rs 1.95 crore and Rs 3.64 crore respectively were sanctioned. The first phase of construction of a 52-bedded ward was started in May 2001 and completed in December 2004. The second phase of construction was in progress as of July 2009. The Tribal Development Department incurred Rs 3.91 crore for construction of the hospital as of December 2008. The original proposal was to provide nine specialities[111] with a total of 13 units. As the department found it difficult to ensure the services of Medical Officers and paramedical staff from the Health Department, the hospital was transferred to the Health Department in March 2007 for ensuring the services of Medical Officers and paramedical staff. The hospital started functioning in August 2007 with facilities for 80 in-patients, casualty services and two specialities, gynaecology and paediatrics.

The objective of providing health care facilities to tribals of the remote Attappady area could not be fulfilled despite spending Rs 3.91 crore for setting up a speciality hospital

Against the requirement of 13 doctors, only four were available, of which three were under working arrangements[112] (May 2009). The hospital could not provide the services of a gynaecologist. The operation theatre functioned only for 18 days since inception as a full-time surgeon was not available. As a result, 224 patients who required emergency services of surgeons had been referred to various hospitals as of March 2009, defeating the purpose of setting up the hospital at Attappadi. Thus, the objective of providing better health care facilities to the tribals of the remote area did not materialize even after 10 years and incurring of Rs 3.91 crore on the project. Government stated (October 2009) that the situation would improve once the construction of staff quarters was completed.

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[111] One unit each for ENT, skin, ophthalmology, anaesthesia and orthopaedics and two units each for paediatrics, gynaecology, medicine and surgery.

[112] Personnel from other hospitals deputed temporarily for working in this hospital.

3.1.8.4 Drinking water supply

Giridhara Drinking Water Supply and Sanitation Project at Wayanad

Expenditure of Rs 7.17 crore on Giridhara Drinking Water Supply Scheme in Wayanad was unfruitful

The State Government issued (March 2003) an administrative sanction for implementation of the Giridhara Project for supply of drinking water to the tribal population of the 10 Grama Panchayats of Wayanad District, utilising the Special Central assistance provided by GOI. The total outlay of Rs 16.63 crore for the project was to be met from the Central assistance of Rs 12.73 crore, the Grama Panchayats' share of Rs 1.60 crore and beneficiary share of Rs 2.30 crore. GOI released assistance of Rs 12.50 crore[113] during 2002-04. The Government entrusted (January 2004) the implementation of the scheme to the Socio-Economic Unit Foundation (SEUF)[114], an accredited agency of the State Government in the water and sanitation sector. At the district level, the District Collector was the coordinator. The District Collector, Wayanad (Client I) and the Project Officer, ITDP, Wayanad (Client II) executed an agreement with the Executive Director, SEUF (May 2004) for implementation of the scheme. The agreement provided for payment of Rs 3.03 crore to SEUF as consultation fee for institutional set up and strengthening (Rs 2.43 crore) and capacity building (Rs 0.60 crore). The activities to be taken up under the scheme were supply of drinking water through rainwater harvesting, digging of wells, utilisation of existing wells and construction of toilets. The implementation of the scheme was to be supervised by the Grama Panchayat and Ooru Vikasana Samithies[115]. The project was due to be completed in December 2005.

During 2004-05 and 2005-06, Rs 8.60 crore was released to the 10 Panchayats for the scheme and Rs 0.91 crore was paid to SEUF towards the first instalment of consultancy charges. Construction of 3317 water tanks, five drinking water wells, drinking water facilities for 13 schools and 5866 sanitary latrines was completed under the scheme by SEUF at a total cost of Rs 7.17 crore. The District Level Steering Committee directed (January 2006) SEUF to exit from the scheme by March 2006. Accordingly, SEUF stopped (March 2006) all the works. Audit scrutiny disclosed the following:

i) The District Project Management Team[116] (DPMT) which was to be responsible for field level coordination and implementation had not been formed and the implementation was left to SEUF itself.

ii) No operational guidelines were issued by the department to the Director for the implementation of the project and release of funds to DPMT.

iii) No feasibility study on the viability of the project had been conducted at the project formulation stage.

iv) The beneficiaries raised complaints such as leakage, unsuitable lid on water tanks, defects in hand pumps, etc. However, no action was taken by the department to rectify the defects.

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113 Rs 7 crore in March 2003 and Rs 5.50 crore in December 2003.

114 A society registered under the Travancore Cochin Literary, Scientific and Charitable Societies Registration Act, 1955.

115 Beneficiary committee set up at Grama Panchayat level for implementation of projects.

116 As per the project report, the DPMT was to be formed for co-ordination and supervision of the implementation of the project.

v) Water tanks to collect rain water were constructed in areas where drinking water facilities were already available.

It was found that the Vigilance and Anti-Corruption Bureau, was enquiring (January 2009) into the allegations in the implementation of the scheme and was not in favour of entrusting any further rectificatory work to SEUF. Thus, the project on which Rs 7.17 crore was spent remained largely unutilised.

Drinking Water Supply to remote tribal settlements in Idukki District

Drinking water had been provided to seven out of 12 settlements in Idukki

Government of India released Rs 2.03 crore in March 2005 as a one-time Additional Central assistance for taking up a scheme viz., 'Drinking Water Supply to Remote Tribal Settlements in Idukki District'. The State Level Working Group approved (March 2008) a proposal forwarded by the Director of STDD to provide drinking water supply to 12 settlements in three Grama Panchayats covering 1,017 tribal families at a cost of Rs 2.03 crore. The work was proposed to be executed through the Kerala Water Authority (KWA) as a 'deposit work' and Rs 2.10 crore (including Rs 7 lakh released by State Government) was released to KWA in March 2008 and March 2009. As of June 2009, works in seven settlements had been completed by KWA, after incurring an expenditure of Rs 1.16 crore.

Audit scrutiny disclosed the following:

- There were delays of more than three years in forwarding of detailed proposals by the Director of STDD to the State Level Working Group, though GOI had released the assistance in March 2005.
- Though the 12 works were to be completed by March 2009, five works were incomplete.
- The department did not monitor the progress of work to ensure that the completed schemes were commissioned on time so that the tribal people could derive the benefits of the scheme.

Thus, the scheme for which Rs 2.03 crore was released by GOI in March 2005 had been implemented in only five out of 12 settlements, even after four years of release of funds. Government stated (October 2009) that though funds from GOI were received in March 2005, they were given to the department through the budget only in 2007-08. However, it was found in Audit that Rs 2.03 crore and Rs 1.02 crore respectively had been provided in the years 2004-05 and 2005-06 for the scheme and had been surrendered/reappropriated due to non-formulation of the scheme.

Drinking Water Supply Scheme in Kuttiplangadu in Kokkayar Grama Panchayat

Government sanctioned Rs 18 lakh in March 2005 for the implementation of a water supply scheme in Kuttiplangadu S.T. Colony in Kokkayar Grama Panchayat in Idukki District. The scheme was to be implemented by KWA and accordingly the funds were transferred to them. The estimate was subsequently revised to Rs 24.01 lakh due to revision of the Schedule of Rates. An additional amount of Rs 6.01 lakh was also transferred to KWA in November 2006. The work was completed in July 2008 but the project was not commissioned as of June 2009 due to delay in obtaining a power connection. Thus, due to lack of proper co-ordination between the department and KWA, the drinking water scheme sanctioned in 2004-05 could not be commissioned even after four years. Government stated (October 2009) that the Scheduled Tribes Development Department had remitted additional funds for taking a power connection through underground cable.

3.1.8.5 Education

Despite availability of funds, schools under the department suffered from lack of infrastructural facilities

There were 18 residential schools[117] under the control of the department in the State for the welfare of tribal students. Of these, 10 schools were located in the four sample districts. Scrutiny of the records and verification of sites depicted that out of the 10 schools, the following six schools did not have any permanent building, hostel facilities, staff quarters, etc. and were functioning in temporary accommodation as detailed in the table below:

Table 3.7: Lack of infrastructure facilities in schools

Name of school and year from which functioning	Sanctioned strength of students	Present strength of students	Remarks
Idukki District			
Ekalavya Model residential school, Painavu (2000)	300	194	Central assistance of Rs 2.50 crore was received in 1998-99. Six hectares of land was acquired in March 2003 and work of construction of the school building was awarded to a contractor in February 2004. It was stopped in December 2008 after 85 *per cent* completion due to objection by the Forest Department. The contractor had been paid Rs 4.04 crore as of June 2009. The school continued to function in the temporary accommodation provided by the Idukki District Panchayat.
Palakkad District			
Ashram School, Malampuzha (2000)	280	258	Though 1.5 hectares of land was taken possession of in 2008 the work of construction of a building was awarded to KITCO[118] only in March 2009 and Rs 2.45 crore was paid as mobilization advance. The school continued to function in the temporary accommodation of the pre-Matric hostel, Pudupariyaram, which could accommodate only 40 students.
Wayanad District			
Rajiv Gandhi Memorial Ashram School, Noolpuzha (1993)	385	353	Land measuring 2.96 acres was acquired and handed over (December 2001) to the Kerala State Construction Corporation for construction of the school building at an estimated cost of Rs 2.06 crore. As the work had not been completed even after extension of time, the contract was terminated in June 2008. The work has not been rearranged (October 2009).
Ashram School, Kaniyampetta (1997)	210	210	9.06 acres of land was acquired and handed over in March 2003 to the Public Works Department (PWD). The plan and estimate for Rs 10 crore were, however, prepared by PWD only in September 2008. The work was awarded to KITCO[118] in March 2009 and had not started (July 2009). Overcrowding of 210 students in the limited space continued.
Ekalavya Model Residential School – Pookot (2000)	300	300	Though Rs 2.50 crore was sanctioned in 1998-99, the department could not acquire land and hence the school continued to function in two modified cattle sheds of the erstwhile Pookot Dairy Project which could hardly accommodate 180 students. Overcrowding of 300 students in the limited space continued.
Ashram School, Mananthavady (2000)	280	229	The school was functioning in the building of the pre-Matric hostel at Thirunelli. Ten acres of land identified had been taken possession (July 2009).

Source: Details from the Department

[117] Four Ashram schools (Nilambur, Noolpuzha, Malampuzha and Thirunelli), two Ekalavya schools (Pookot and Wayanad) and 12 Model Residential Schools.

[118] Kerala Industrial and Technical Consultancy Organisation.

3.1.8.6 *Wasteful expenditure on a bridge*

In order to provide permanent access to families in four tribal settlements (Akamoola, Chandroth, Kadalkandam and Kayalode) in Kolayad Grama Panchayat in Kannur District to reach nearby areas for their daily needs, Government sanctioned Rs 17 lakh in October 2005 for the construction of a bridge across Peruvapuzha river from the Tribal Sub-Plan funds[119]. As the proposed bridge was within a forest area, it was decided to get the work executed through the Forest Department. The construction was done through a convenor of a beneficiary committee under the supervision of the Block Panchayat, Peravoor. The work was completed in January 2007 at a cost of Rs 17 lakh. The approach road for the bridge was also constructed at a cost of Rs 4.02 lakh. Due to heavy rain and flash floods, one pier of the bridge sank by 1.5 feet and twisted away from the main slab which made the bridge unsafe for vehicular traffic. Audit found that the bridge was not constructed as per the approved plan and the length of the bridge was reduced to 15 metres against the approved length of 24.5 metres. Though the Project Officer sent a report to the Directorate in July 2007 regarding the lapses in the execution of the bridge, no follow up action was taken. Thus the expenditure of Rs 17 lakh incurred on the bridge became wasteful and the tribals of the settlements were denied the benefits of using the bridge. Government stated (October 2009) that action was being taken against the officers responsible for the lapse through the Local Self Government Department.

3.1.8.7 *Grain Bank Scheme*

Under the Centrally sponsored Grain Bank scheme, the State Government sanctioned (January 2004) Rs 40 lakh for construction of buildings for setting up 50 Village Grain Banks in selected tribal remote areas in seven districts. The estimated cost of each Grain Bank was Rs 80,000. During February 2004, the Director of STDD allotted Rs 40 lakh to five Project Officers and five Tribal Development Officers of the seven districts. In the case of four test-checked districts[120], four TDPOs and three TDOs released Rs 21.60 lakh (out of Rs 31.20 lakh) for construction buildings for 27 out of 39 Grain Banks to the Kerala State Federation of Scheduled Castes and Scheduled Tribes Co-operative Development Societies and the Divisional Forest Office, Munnar. However, construction of buildings for only 13 Grain Banks was completed (March 2009). There was an unspent balance of Rs 11.20 lakh as of July 2009 in respect of 14 Grain Banks with the implementing agencies. Even the Grain Banks constructed were not made operational as cultivation among tribals was minimal. It was also seen that the TDPOs, Attappady and Kannur could not utilise the funds (Rs 9.60 lakh) allotted to them for construction of buildings at another 12 centres. As the tribals in the State are not involved in cultivation the expenditure incurred on the construction of Grain Banks could not deliver any benefit to the tribals.

[119] Plan funds earmarked exclusively for development of Scheduled Tribes.
[120] Idukki, Kannur, Palakkad and Wayanad.

3.1.9 Implementation of Statutes

For the protection of tribals and their rights, the Scheduled Castes and the Scheduled Tribes (Prevention of Atrocities) Act, 1989 and the Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006 had been enacted by GOI. The implementation of these Acts, in the Tribal Development Offices of the test-checked districts was as indicated below:

3.1.9.1 The Scheduled Castes and the Scheduled Tribes (Prevention of Atrocities) Act, 1989

Implementation of the statute for protection of tribals was ineffective

The Scheduled Castes and the Scheduled Tribes (Prevention of Atrocities) Act, 1989 defines 15 categories of offences punishable with imprisonment along with fines. The Act also provides for adequate relief in cash/kind or both to victims according to the scale prescribed (July 1997) by Government. The Act envisages setting up of Special Courts at the district level with the concurrence of the Chief Justice of the High Court to try cases of atrocities as well as constituting State/district level Vigilance and Monitoring Committees headed by the Chief Minister/District Collectors to review the implementation of the provisions of the Act. Cases of atrocities are to be disposed of within 30 days from the dates of filing the First Information Reports (FIR).

Audit scrutiny revealed the following:

- There were delays of more than one year in filing FIRs and also in giving copies of the same to the Tribal Development Offices in respect of seven out of the 235 cases test-checked. As compensation could be given to the victims only after receipt of copies of FIRs, delays in filing FIRs were likely to affect the rehabilitation of the victims.
- In two cases, FIRs were drafted to exclude the provisions of the Act, which resulted in diluting the gravity of the offences and denial of rehabilitation packages to the victims as envisaged under the Act.
- The rate of conviction was below 10 *per cent* up to 2007 and 16 *per cent* in 2008.
- Meeting of District Monitoring Committees which were to be convened every quarter were convened only twice in Idukki and Palakkad Districts. However, in Kannur and Wayanad districts, the meetings were convened as required.

Government stated (October 2009) that instructions were issued to District Collectors to convene meetings of the District Monitoring Committees every quarter.

3.1.9.2 Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006

According to the Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006, forest-dwelling Scheduled Tribes and other traditional forest-dwellers on all forest lands were to have (a) the right to hold and live in the forest land, (b) the right of ownership and access to collect, use and dispose of minor forest produce (c) rights for conversion of *pattas*[121] or leases to titles, etc. The vesting of such rights was subject to the condition that the Scheduled Tribes or other forest-dwellers had occupied the forest land before 13 December 2005. The Scheduled Castes and Scheduled Tribes Development Department, in charge of implementation of the Act, was to collect data relating to forest habitations, conduct socio-economic surveys and prepare development plans for welfare of tribals and other forest dwellers. As per the Act, the tribals are to submit applications in the grama sabha for vesting of rights and these are to be forwarded to the Forest Rights Committee for consideration. In order to implement the Act the Government issued (June 2008) a time schedule according to which, new forest villages were to be constituted by 15 February 2009. The status of implementation of the Act was as follows:

Table 3.8: Status of implementation of the Forest Rights Act, 2006

Name of ITDP/TDO	Number of settlements	Number of FRCs[122] formed	Number of applications received	Number of applications considered by FRC	Number of cases surveyed	Record of rights issued
Attappady	58	56	1851	1851	nil	nil
Idukki	216	94	10574	47	nil	nil
Kannur	72	57	1050	1050	438	nil
Palakkad	41	34	1474	1474	nil	nil
Wayanad	220	109	6949	3305	2455	23

Source: Details collected from the Department

Audit found that in 1247 cases in Wayanad, land could not be surveyed due to objections from the Forest Department. Also, lack of adequate numbers of survey personnel hampered the progress of implementation of the scheme. Government stated (October 2009) that it would distribute all the title deeds by January 2010.

3.1.10 Manpower

Though the number of schemes for the welfare of tribals increased, no additional staff was provided

The sanctioned strength of staff and men-in-position in the Scheduled Tribes Development Department during the period under review were 1337. No additional staff was provided after 1998 when one post of Senior Superintendent had been sanctioned. Proposals made by the Directorate from time to time for the creation of new posts were not approved. The creation of one separate Tribal Development Office each at Adimali in Idukki district and Alappuzha in Alappuzha district taken up with the Government in May 2000 had not materialised. Even a proposal (2003) for the creation of two posts of Tribal Extension Officers, one each at Bheemanady in Kasaragod district and Thaliparamba in Kannur district, consequent on the addition of Karimpalan, Malavettuvan and Mavilan sects in the ST list was not sanctioned. Meanwhile, the number of schemes implemented through the department for the welfare of the ST population increased during the past five years. Government ordered (June 2009) a detailed study by the Personnel and Administrative Reforms Department on the staff pattern and additional requirement of manpower. It stated (October 2009) that additional posts would be sanctioned to make up the shortage of manpower after receipt of the study report.

[121] Title deed of land.

[122] FRC – Forest Rights Committee considers the applications received from the tribals through the grama sabha for vesting of rights under the Act.

3.1.11 Internal control

3.1.11.1 Internal Audit Wing

Internal audit was not effective

The Internal Audit Wing of the department had one Senior Superintendent and one clerk for audit of field offices. No Annual Audit Plan was framed by the department for audit of the field offices. It was found that no audit had been conducted in ITDP, Attappady since 2000-01. The details collected from the Directorate showed that audit was in arrears from 2005-06 in the field offices at Kasaragod, Mananthavady, Muvattupuzha, Nedumangad and Ranni. As many as 451 paragraphs were pending clearance in 26 Internal Audit Reports relating to the field offices.

Though the Director submitted a proposal for additional staff to the Government in February 2009, it had not been approved as of October 2009. The Government ordered the Director to strengthen the Internal Audit Wing, but no follow-up action was taken. According to a circular of June 2005 of the Finance Department, regular review meetings were to be conducted for follow-up action on internal audit reports. However, no such meetings had been conducted.

Audit scrutiny regarding internal control in the department revealed the following:

Internal control system was weak

- The Asset Register, Register of Inspection Reports, Register of Expenditure in Form 12, Register of Liabilities in Form 13, Consolidated Monthly Expenditure in Form 15 and Monthly Return of expenditure in Form 16 were not maintained in any of the field offices test-checked.
- In ITDP, Kannur, Rs 82,435 lying idle in six unoperated SB accounts was not credited back to Government account.
- According to Rule 92 (iv) of the Kerala Treasury Code, the Head of Office is required to verify the cash balance at the end of each month physically and record a signed and dated certificate to that effect. In ITDP, Attappady, this procedure was not being followed.
- Rule 130 of the Kerala Treasury Code Volume I provides for double lock of cash chest, custody of keys by two different persons and deposit of duplicate keys in the treasury. These directions were not complied with in the Directorate as well as in the other field offices test-checked.
- Administrative Reports are tools to assess the performance of the department and give an opportunity to ascertain the status of implementation of various schemes entrusted to implementing agencies. The preparation of Administrative Reports of the department from 2001-02 onwards was in arrears.

3.1.11.2 Response to Audit

Principal Accountant General (Audit) conducts audit of the Department of Scheduled Tribes Development and its subordinate offices and major irregularities are reported through Inspection Reports (IRs). There were 138 paragraphs included in 25 IRs pending as of June 2009 as shown in the following table:

Table 3.9: Pending IRs and paragraphs

Year	Number of IRs	Number of paragraphs
2004-05	1	3
2005-06	3	20
2006-07	2	15
2007-08	10	38
2008-09	9	62
Total	**25**	**138**

3.1.11.3 Monitoring

The Department and the ITDP/TDOs did not regularly monitor the progress and implementation of the various schemes including utilization of funds placed at the disposal of implementing agencies like Kerala Water Authority, Kerala State Electricity Board, Forest Development Agency, Nirmithi Kendra, etc. The District Missions of the Tribal Resettlement and Development Mission were to furnish monthly progress reports to TRDM showing the physical and financial targets and achievements on or before the tenth of every month. There was a heavy backlog in sending progress reports and the arrears ranged from three to 45 months. Lack of effective monitoring resulted in delays in completion of the projects, idling of funds with the agencies, etc.

3.1.12 Conclusion

Though several welfare schemes for drinking water supply, housing for primitive tribals and infrastructure for model residential schools were entrusted along with funds to Government and quasi-Government agencies, the department did not follow up the implementation of the schemes. The Tribal Resettlement and Development Mission constituted in 2001 to rehabilitate landless tribals, had not prepared any comprehensive Plan for their resettlement. The Mission had not monitored the progress of construction of houses for tribals with the result that 92 *per cent* of the houses remained incomplete. The department did not monitor the progress of work properly and majority of the schemes remained incomplete for several years and funds remained unutilised.

3.1.13 Recommendations

- The Department should review the progress of various schemes periodically and ensure their completion within the target period.
- Technical supervisors/site managers should be posted in TRDM to ensure the implementation of resettlement and housing scheme effectively.
- The agreements with the implementing agencies should invariably incorporate provisions for liquidated damages in cases of delay and abandoning of works and these should be invoked strictly.
- The State/District Level Vigilance and Monitoring Committees should meet as envisaged to review cases of atrocities against tribals and ensure speedy rehabilitation/payment of compensation to the victims.

- The monitoring mechanism at various levels should be strengthened to ensure that the objectives of the welfare schemes are achieved and the benefits reach the targeted tribal population.

(S.NAGALSAMY)
Principal Accountant General (Civil and Commercial Audit), Kerala

Thiruvananthapuram
The 9 MAR 2010

Countersigned

(VINOD RAI)
Comptroller and Auditor General of India

New Delhi,
The 11 MAR 2010

APPENDICES

Appendix I
Status of immunisation of children above five years
(Reference: Paragraph 1.2.10.2; Page: 35)

Year	DT (five years and above)			TT (10 years)			TT (16 years)		
	Target	Achieve-ment	Per-centage of achieve-ment	Target	Achieve-ment	Per-centage of achiev-ement	Target	Achieve-ment	Per-centage of achieve ment
2005-06	511619	481521	94	511619	510971	100	511619	499793	98
2006-07	529720	412516	78	540674	351349	65	534042	381515	71
2007-08	510667	379557	74	499154	318494	64	500816	263749	53
2008-09	531867	321659	60	462923	392050	85	462412	333149	72

Source: Health Statistics brought out by the Director of Health Services every year

Appendix II
Status of administration of Vitamin A solution to children
(Reference: Paragraph 1.2.10.2, Page: 35)

District audited	Year	Target	Actual achievement					
			1st dose	Per-centage	2nd dose	Per-centage	3rd to 5th dose	Per-centage
Palakkad	2005-06	48500	39435	81	37999	78	41564	86
	2006-07	47475	12222	26	11802	25	11767	25
	2007-08	47095	21742	46	22344	47	17044	36
	2008-09	47430	21523	45	18442	39	13955	29
Thiruvananthapuram	2005-06	59900	50061	84	49090	82	48042	80
	2006-07	60485	20698	34	19985	33	23700	39
	2007-08	61920	28010	45	27187	44	21355	34
	2008-09	57630	21305	37	20628	36	19108	33
Wayanad	2005-06	75180	13542	18	12498	17	12733	20
	2006-07	77480	4518	6	4132	5	7430	9
	2007-08	65418	8712	13	8428	13	5845	9
	2008-09	72125	7622	11	9227	13	7446	10

Source: Records of District Medical Officer of Health

Appendix III
Statement of income and expenses of e-kendras
(Reference: Paragraph 1.4.12; Page 61)

Sl No.	Activity/Item	Proposed in project (Rupees)	Found in audit (Rupees)
		Average monthly income	
1	Training (e-vidya)	9,000 (Rs 450 x 20 nos.)	2,135[123]
2	Kids Club (project for students)	2,500 (Rs 50 x 50 nos.)	1,086[124]
3	Internet browsing	6,000 (Rs 20 x 300 Hrs)	1,220
4	e-pay of bills	2,500 (Rs 5 x 500)	1,060[125]
5	Data entry works and other activities	1,000	179
6	e-filing		2,689[126]
7	e-ticketing		203[127]
8	Non-project activities		5,677[128]
	Total income	**21,000**	**14,249**
	Average monthly expenses		
1	Rent	1,000	2,022
2	Electricity	1,000	1,073
3	Internet	1,000	1,283
4	Staff salary	4,500	6,112
5	Miscellaneous	500	
6	Advertisement	1,000	1,000
7	Loan account	3,000	3,000[129]
8	Hardware maintenance		828
	Total expenses	**12,000**	**15,318**
	Net proceeds	**9,000**	**(-)1,069**

Source: Vision document of Akshaya and result of survey conducted by Audit

[123] Average includes 6 ACEs, who have customized the course with more content and duration with enhanced fee. Excluding those, the average was Rs 1,104.

[124] Only 25 out of 60 ACEs surveyed were conducting course. Hence average of 25 adopted.

[125] Only 46 out of 60 ACEs surveyed were doing e-payment. Hence average of 46 adopted.

[126] Only 34 out of 60 ACEs were permitted to do e-filing. Hence average of 34 adopted.

[127] Only 25 *per cent* were doing e-ticketing (average limited to 20 *per cent* since 5 *per cent* had other business tie-up).

[128] Average includes 11 ACEs, who were already established training centres, with income of Rs 10,000 or higher. Excluding those, the average was Rs 2,604.

[129] The figure adopted by the department has been taken as such, since the ACEs could not furnish the exact rate of interest in view of penal interest.

Appendix IV

Calculation of extra expenditure
(Reference: Paragraph 2.2.4; Page: 76)

Quantity of clubbed items executed	819332 dm^3
Rate per 10 dm^3	Rs 96.13
Amount	Rs 78,76,239
Tender premium 24.6%	Rs 19,37,555
Total Paid 'A'	Rs 98,13,794
Cost of work at original rates deck slab (item 12)	
383000 dm^3 @ Rs 89 per 10 dm^3	Rs 34,08,700
other works (item 11)	
436332 dm^3 @ Rs 49 per 10 dm^3	Rs 21,38,027
Total	Rs 55,46,727
Tender premium 24.6%	Rs 13,64,494
Grant total 'B'	Rs 69,11,221
Difference between 'A' and 'B' i.e., 'I'	**Rs 29,02,573**
River bed concrete	
1,82,470 dm^3 @ Rs 28 per 10 dm^3	Rs 5,10,916
Tender premium 24.6%	Rs 1,25,685
Total II	**Rs 6,36,601**
Extra Expenditure I+II	**Rs 35,39,114**

Appendix V
Department-wise details of outstanding inspection reports and audit paragraphs as on 30 June 2009
(Reference: Paragraph 2.5.6; Page: 95)

Sl. No.	Department	Inspection reports	Audit paragraphs
1.	Agriculture	482	3019
2.	Co-operation	68	235
3.	Cultural Affairs	95	425
4.	Election	3	10
5.	Finance	297	878
6.	Fisheries and Ports	82	325
7.	Food and Civil Supplies	94	356
8.	Forest and Wildlife	326	891
9.	General Administration	5	24
10.	General Education	1208	4864
11.	Health and Family Welfare	1052	5572
12.	Higher Education	917	3687
13.	Home	345	1291
14.	Industries	101	493
15.	Information Technology	12	77
16.	Information and Public Relations	38	123
17.	Kerala Public Service Commission	9	24
18.	Labour and Rehabilitation	163	492
19.	Law	1	2
20.	Legislature Secretariat	6	23
21.	Local Self Government	270	1025
22.	Planning and Economic Affairs	27	94
23.	Power	13	100
24.	Printing and Stationery	17	71
25.	Public Works	295	1625
26.	Revenue	287	1028
27.	Taxes	74	146
28.	Scheduled Castes and Scheduled Tribes Development	224	856
29.	Social Welfare	13	51
30.	Tourism	22	133
31.	Transport	28	57
32.	Water Resources	267	1065
33.	Science and Technology	41	269
34.	Personnel and Administrative Reforms	5	23
35.	Housing	9	82
	Total	**6896**	**29436**

Appendix VI
Status of outstanding inspection reports and paras in the Police and Treasury departments
(Reference: Paragraph 2.5.6; Page: 95)

(a) Yearly analysis

(Rupees in crore)

Period	Police			Treasury		
	Number of IRs	Number of paragraphs	Money value	Number of IRs	Number of paragraphs	Money value
Up to 2004-05	15	19	5.96	2	8	1.72
2005-06	21	51	55.62	1	2	0.23
2006-07	25	98	50.88	1	2	0.01
2007-08	40	228	52.77	1	3	0.03
2008-09	38	301	180.71	2	11	1.56
Total	**139**	**697**	**345.94**	**7**	**26**	**3.55**

(b) Nature of irregularities

(Rupees in crore)

Sl. No.	Nature of irregularity	Police		Treasury	
		Paragraphs	Amount	Paragraphs	Amount
1.	Lapses in implementation of scheme	9	7.14	...	...
2.	Excess/Under-utilisation of Budget provision	31	49.90	...	...
3.	Irregularities in maintenance of TP, PD, TSB, Bank, etc., accounts.	2	...	...	...
4.	Maintenance of Service Book and wrong Pay Fixation	170	0.87	4	0.01
5.	Other establishment matters	285	38.47	13	0.19
6.	Stores and stock including motor vehicle and computer	62	6.84	6	1.66
7.	Internal control mechanism	21	...	...	...
8.	DCB - pending adjustment	45	113.70	...	...
9.	Others	72	129.02	3	1.69
	Total	**697**	**345.94**	**26**	**3.55**

Appendix VII

List of audit paras for which Action Taken Notes have not been furnished by the Government

(Reference: Paragraph 2.5.7;Page: 95)

Sl No	Name of department	Audit Report for the year	Para Number	Total
1.	Co-operation	2006-07	5.1	1
2.	Environment	2006-07	3.3	1
3.	Fisheries and Ports	2003-04	3.2	1
4.	Forest and Wildlife	2005-06	3.3 , Chapter I (Vol II)	3
		2006-07	4.5.3	
5.	Food, Civil Supplies and Consumer Affairs	2004-05	3.1	2
		2005-06	3.2	
6.	General Education	2006-07	4.1.1,4.4.1	2
7.	General Admn (Tourism)	2004-05	5.1	1
8.	Health and Family Welfare	2002-03	5.1	6
		2003-04	3.2,4.4.1,4.7.3,4.7.4	
		2005-06	4.1.1	
9.	Home	2006-07	3.2	1
10.	Industries	2003-04	5.1	1
11.	Local Self Government	2003-04	4.4.3,4.4.4	4
		2004-05	4.6.3	
		2005-06	4.5.4	
12.	Public Works	2006-07	4.1.4,4.2.1,4.3.4,4.3.5	4
13.	Revenue	2003-04	4.7.7	2
		2006-07	4.2.2	
14.	SC/ST Development	2004-05	4.4.7	2
		2006-07	3.4	
15.	Social Welfare	2006-07	3.1	1
16.	Water Resources	2003-04	3.2	5
		2004-05	4.2.2	
		2006-07	4.1.4,4.3.7,4.3.8	
	Total			**37**

2003-04: Para 3.2- relates to Fisheries, Water Resources and Health and Family Welfare Departments

2006-07: Para 4.1.4- Water Resources and Public Works