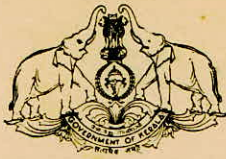


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MAISON KEBONIA



GOVERNMENT OF KERALA

AUDIT REPORT

1969



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PREFATORY REMARKS

This volume mainly relates to matters arising from the Appropriation Accounts for 1967-68 together with other points arising from audit of the financial transactions of the Government of Kerala. It also includes:

- (i) certain points of interest arising from the Finance Accounts for the year 1967-68; and
- (ii) matters relating to certain statutory and autonomous bodies, the accounts of which are audited by the Indian Audit and Accounts Department.

2. The financial irregularities, losses, etc., commented upon in the Report relate to cases which came to the notice of Audit during the year 1967-68 as well as those which had come to notice in earlier years but could not be dealt with in the previous Audit Reports; matters relating to the period subsequent to 1967-68 have also been included wherever considered necessary.

3. The points brought out in this Report are those which have come to notice during the course of test audit of the accounts of the Departments. They are not intended to convey or to be understood as conveying any general reflection on the financial administration by the Departments/Authorities concerned.



CHAPTER I

GENERAL

1. Budget and actuals

The revenue receipts and expenditure met from revenue in each of the three years ended 31st March 1968 compared with the corresponding budget estimates are shown below :—

Year	Budget	Actuals	Variation		
			Amount	Percentage	
(In crores of rupees)					
<i>Revenue receipts</i>					
1965-66	85.54	82.10	-3.44	-4.02	
1966-67	1,03.12	1,08.69	+5.57	+5.40	<i>Revenue surplus + |deficit—</i>
1967-68	1,16.83	1,25.41	+8.58	+7.34	<i>Year Budget Actuals</i>
<i>Expenditure met from revenue</i>					
					<i>(In crores of rupees)</i>
					1965-66 -2.19 +0.27
					1966-67 +3.81 +10.15
1965-66	87.73	81.83	-5.90	-6.73	1967-68 +6.31 +1.54
1966-67	99.31	98.54	-0.77	-0.78	
1967-68	1,10.52	1,23.87	+13.35	+12.08	

In 1967-68 the revenue receipts exceeded the budget estimates by Rs. 8.58 crores but the expenditure on revenue account also exceeded the budget estimates by Rs. 13.35 crores; consequently the year ended with a revenue surplus of Rs. 1.54 crores only against Rs. 6.31 crores anticipated in the budget.

The transactions on revenue account resulted in a surplus of Rs. 1.54 crores in 1967-68 as against a surplus of Rs. 10.15 crores in 1966-67. Taking, however, into account the transactions outside the revenue account, there was an overall deficit of Rs. 2.93 crores in 1967-68 as against a deficit of Rs. 10.80 crores in 1966-67. The details are given below :—

	1966-67	1967-68
	<i>(In crores of rupees)</i>	
Opening Cash Balance	10.11	-0.69
Part I—Consolidated Fund—		
(a) Transactions on Revenue Account—		
(i) Revenue receipts	1,08.69	1,25.41
(ii) Revenue expenditure	98.54	1,23.87
(iii) Revenue surplus	10.15	1.54

	1966-67	1967-68
	<i>(In crores rupees)</i>	
(b) Transactions outside the Revenue Account—		
(i) Capital expenditure	-10.49	-16.63
(ii) Receipts from borrowings (Net)	15.62	22.07
(iii) Loans and Advances by State Government (Net)	-20.45	-17.03
(iv) Inter State Settlement	..	-1.51
Part II—Contingency Fund (Net)	-0.39	0.04
Part III—Public Account (Net)	-5.24	8.59
Closing Cash Balance	-0.69	-3.62
Overall surplus/deficit	-10.80	-2.93

2. Revenue receipts

In 1967-68 there was an increase of Rs. 16.72 crores (15 per cent) in revenue receipts as compared to 1966-67. The increase was mainly under :—

<i>Major head</i>	<i>Amount of increase (In crores of rupees)</i>	<i>Reasons for increase</i>
Sales Tax	3.51	Normal increase in the volume of transactions, increase in price of commodities and revision of inter-State sales tax from 2 per cent to 3 per cent from September 1967.
State Excise Duties	3.32	Lifting of prohibition throughout the State.
Grants-in-aid from Central Government	2.85	More grants sanctioned by the Government of India for various schemes.
Interest	2.25	Payment of arrears of interest charges by the Kerala State Electricity Board.
Taxes on Income other than Corporation Tax	1.87	More collection of taxes on agricultural income and larger share of net proceeds of income tax assigned to the State.

The receipts from the Central Government in 1967-68 were Rs. 47.84 crores (38 per cent of the total revenue receipts). The revenue from taxes, duties, etc., was Rs. 53.77 crores (43 per cent of the total revenue receipts).

During 1967-68 no new tax was levied. The rate of inter-State sales tax was increased from 2 per cent to 3 per cent from 1st September 1967.

3. Arrears in collection of revenue

According to information furnished by the departments, the arrears in collection of revenue on 31st March 1968 were Rs. 11.06 crores (9 per cent of annual revenue). The departments with heavy arrears are: Sales Tax (Rs. 5.24 crores), Agricultural Income Tax (Rs. 1.39 crores) and Forest (Rs. 1.34 crores). Further particulars are given in paragraph 59 of chapter VI page 45.

4. Expenditure met from Revenue

In 1967-68 expenditure on revenue account (Rs. 123.87 crores) increased by Rs. 25.33 crores (26 per cent) over that in 1966-67 (Rs. 98.54 crores). The increase was due mainly to progressive increase in the expenditure on servicing the debt (Rs. 3.93 crores) following increase in loans, transfer to revenue of loss due to subsidised sale of coarse variety of rice (Rs. 3.53 crores), larger expenditure on social and developmental services particularly on education (Rs. 6.73 crores) due to increase in intake of students, medical and public health (Rs. 2.64 crores), agriculture (Rs. 1.42 crores) and on increased educational concessions to students of scheduled tribes and castes and other backward classes (Rs. 1.31 crores).

5. Expenditure outside the Revenue Account

The expenditure outside the revenue account includes, besides capital expenditure, amounts disbursed as loans and advances. The capital outlay during the three years ending 1967-68 compared with the budget estimates for these years is shown below :—

Year	Budget	Actuals (In crores of rupees)	Variation	
			Amount	Percentage
1965-66	13.16	15.86	+ 2.70	+ 21
1966-67	10.96	10.49	- 0.47	- 4
1967-68	23.50	16.63	- 6.87	- 29

The progressive capital expenditure to end of March 1968 was Rs. 1,51 crores. Further details are given in statements no. 2 and 13 of Finance Accounts 1967-68.

An analysis of expenditure outside the revenue account is given below :—

	During 1967-68	Progressive total to end of 1967-68
	(In crores of rupees)	
(i) Capital expenditure on irrigation and multipurpose schemes	4.13	42.87
(ii) Capital outlay on improvement of public health	1.38	12.33
(iii) Capital outlay on public works	3.36	53.02
(iv) Capital outlay on industrial and economic development	4.61	30.52
(v) Capital outlay on other works (including commercial departments)	3.15	12.01
Total	16.63	1,50.75
(vi) Net expenditure under loans and advances	17.03	1,37.02
Grand Total	33.66	2,87.77

The sources from which the expenditure outside the revenue account (including loans and advances) was met during 1967-68 are shown below :—

(In crores of rupees)

I. Net additions to—	
(i) Market loans	4.96
(ii) Loans from the Central Government	16.59
(iii) Unfunded debt	2.22
(iv) Loans from other sources	0.52
II. Miscellaneous (mainly excess of deposits, etc., received by Government over repayments on that account)	4.04
III. Receipts from sale of securities and drawing on cash balance	+ 3.79
IV. Revenue surplus	+ 1.54
Net amount available for expenditure outside the revenue account	33.66

6. Loans and advances given by Government

Disbursement under loans and advances by the State Government and recoveries thereof during the three years ending 1967-68 as compared with the corresponding budget estimates are given below :—

Year	Budget	Actuals	Variation		Year	Budget	Actuals
			Amount	Percentage				(In crores of rupees)	Net outgo
(In crores of rupees)							
<i>Disbursements</i>							
1965-66	17.91	21.12	+ 3.21	+ 18			
1966-67	22.19	22.93	+ 0.74	+ 3			
1967-68	18.43	20.34	+ 1.91	+ 10			
<i>Recoveries</i>							
					1965-66	15.62	18.50
					1966-67	20.04	20.45
1965-66	2.29	2.62	+ 0.33	+ 14	1967-68	15.78	17.03
1966-67	2.15	2.48	+ 0.33	+ 15			
1967-68	2.65	3.31	+ 0.66	+ 25			

The balance of loans and advances by State Government outstanding on 31st March 1968 was Rs. 1,37.02 crores. Further details are given in statements no. 5 and 18 of Finance Accounts 1967-68.

Complete information about arrears in recovery of loans and advances as on 31st March 1968 has not been furnished by departmental officers. According to

information furnished by eight departmental officers, Rs. 1,99.67 lakhs (principal: Rs. 1,32.27 lakhs and interest: Rs. 67.40 lakhs) were overdue for repayment on 31st March 1968.

In the case of loans the detailed accounts of which are maintained by Audit, the amount overdue for repayment on 31st March 1968 was Rs. 3.67 lakhs (principal: Rs. 1.20 lakhs; interest: Rs. 2.47 lakhs) in eight cases. Rs. 21.38 crores were also overdue from Kerala State Electricity Board towards interest on loans received by it from Government.

7. Debt position of Government

The outstanding public debt and other obligations of the State Government at the end of 1967-68 were Rs. 2,80 crores. The increase in debt during the last three years was Rs. 45 crores, of which Rs. 36 crores were under public debt and Rs. 9 crores under other obligations.

Public Debt :—The public debt comprises loans from Central Government, permanent debt (market loans), floating debt and other loans from autonomous bodies such as Life Insurance Corporation of India and National Agricultural Credit (Long-Term Operations) Fund of the Reserve Bank of India. The public debt increased during 1967-68 by Rs. 20 crores; the details are given below :—

	Raised during 1967-68	Discharged during 1967-68	Increase during 1967-68	Balance on 31st March 1968.
(In crores of rupees)				
Loans from Central Government	30.79	14.20	16.59	1,91.80
Permanent Debt (open-market loans)	4.96	1.51	3.45	42.13
Other Loans	0.83	0.31	0.52	6.28
Total	36.58	16.02	20.56	2,40.21

(i) *Loans from Central Government* :—The loans received from Central Government and outstanding at the end of 1967-68 (Rs. 1,91.80 crores) formed 80 per cent of the total public debt.

No amortisation arrangement has been made by the State Government for repayment of these loans. Loans where terms and conditions have been prescribed have been repaid regularly.

(ii) *Permanent Debt* :—A loan of ~~Rs.~~ Rs. 4.94 crores was raised during 1967-68 at a discount of 3 per cent. The loan carries interest at 5½ per cent and is redeemable at par in 1979.

For amortisation of loans raised in the open market, contribution at $1\frac{1}{2}$ per cent of the total nominal amount of the loans is made to a depreciation fund (sinking fund) for purchasing the securities of loans for cancellation. In addition, an annual contribution at $6\frac{1}{2}$ per cent of the outstanding balance of each loan is also made to the general sinking fund. During 1967-68, Rs. 59.78 lakhs were contributed to the depreciation fund and Rs. 2,70.86 lakhs to the general sinking fund. The balances in these two funds at the end of March 1968 were Rs. 2,89.54 lakhs and Rs. 3,58.07 lakhs respectively. Of that, Rs. 94.79 lakhs were invested in the securities of the Government of India and the balance was merged in the cash balance of the State. Rs. 3.59 lakhs were received during the year as interest on the investments.

(iii) *Other loans* :—The balance of loans taken from Life Insurance Corporation of India, National Agricultural Credit (Long-Term Operations) Fund of the Reserve Bank of India, National Co-operative Development Corporation, etc., on 31st March 1968 was Rs. 6.28 crores. In respect of the loans of Rs. 1.37 crores taken from the Life Insurance Corporation of India in 1965-66 and 1966-67 for housing schemes, amortisation arrangements for repayment have been made. Rs. 8.23 lakhs were contributed from revenue to the sinking fund in 1967-68; the balance in the fund at the end of the year was Rs. 8.39 lakhs.

Other obligations :—In addition to public debt the balances in the deposits, etc., to the extent to which they were not separately invested but were merged with the general cash balance of the State Government, also constituted the liability of the State Government. (Such liability on 31st March 1968 was Rs. 39.67 crores comprising uninvested balances of (i) interest-bearing obligations such as depreciation reserve funds of commercial undertakings, etc., (Rs. 2.28 crores), (ii) non-interest bearing obligations such as deposits of local funds, civil deposits and other earmarked funds, etc., (Rs. 21.51 crores) and (iii) unfunded debt (mainly balances in provident funds) (Rs. 15.88 crores).

Interest on debt and other obligations :—The gross interest charges paid by Government during the year were Rs. 11.18 crores on public debt (including expenditure on management) and unfunded debt and Rs. 0.14 crore on other obligations. Against this, Government received Rs. 2.22 crores towards interest on loans and advances given by them and Rs. 0.70 crore on investment of cash balance. The net burden of interest charges on debt and other obligations during the year was Rs. 8.40 crores (6.70 per cent of the total revenue receipts) as compared to Rs. 9 crores (8.28 per cent of the total revenue receipts) in 1966-67.

There were in addition certain other receipts and adjustments (Rs. 1.73 crores) such as interest received from commercial departments, interest on arrears of revenue, etc. If these are also taken into account the net burden of interest on revenue during 1967-68 would be Rs. 6.67 crores (5.32 per cent of the revenue).

Government also received during the year Rs. 27.97 lakhs as dividend on investment in commercial undertakings.

8. Grants-in-aid

During 1967-68 Government paid Rs. 3.69 crores as grants-in-aid to local bodies, co-operative institutions, other bodies and individuals. Further details thereof are given in paragraph 112 of chapter VIII page 84. As brought out therein, at the end of August 1968, utilisation certificates in 3,213 cases were awaited for Rs. 1.57 crores paid as grants upto 31st March 1967. In the absence of these certificates it cannot be said that departmental officers have ensured that the grants have been utilised by the grantees for the specified purposes and that the conditions laid down by the sanctioning authorities have been fulfilled.

9. Financial results of irrigation schemes

At the end of 1967-68 there were eight irrigation schemes in the State which were declared as commercial and for which capital and revenue accounts were kept. The investment of Government on these schemes was Rs. 20.18 crores at the end of March 1968. One of these schemes, viz., Cheerakuzhi Irrigation Project, has not been commissioned yet. Four of the schemes are "productive" and the remaining "unproductive". Works are classified as "productive" or "unproductive" according as the net revenue (gross revenue less working expenses) derived from each work on the expiry of ten years from the date of closure of construction estimate covers or does not cover the prescribed annual interest charges on the capital invested.

The revenue receipts from these projects during 1967-68 were Rs. 9.45 lakhs, while the working expenses were Rs. 16.39 lakhs, resulting in a deficit of Rs. 6.94 lakhs. Taking into account the interest (Rs. 1,24.95 lakhs) on capital the loss during the year was Rs. 1,31.89 lakhs which was 6.53 per cent of the total capital outlay.

Project-wise details are given in statement no. 3 of Finance Accounts 1967-68.

10. Investments

The following table shows the extent of Government's investments in statutory corporations, Government companies, joint stock companies and co-operative societies and debentures and bonds and the returns therefrom :—

	<i>Investments to end of 1967-68</i>		<i>Dividend/interest re- ceived in 1967-68</i>	
	<i>Number of concerns</i>	<i>Amount</i>	<i>Amount</i>	<i>Percentage</i>
		<i>(In lakhs of rupees)</i>		
Statutory corporations	2	82.82	1.59	2
Government companies	26	19,43.00	1.35	(0.07)
Joint stock companies	44	2,88.78	11.39	4
Co-operative societies	..	2,21.06	..	..
Debentures and bonds	..	77.78	3.00	4
Total		26,13.44	17.33	(0.66)

In addition, Rs. 1,69.26 lakhs were drawn by Government during 1957 to 1965 for investment in shares of banks, trading and warehousing corporations and marketing societies, etc. Details of those investments are awaited from Government. The total investment of Government to the end of 1967-68 was thus Rs. 27,82.70 lakhs.

Six concerns in which Government had invested Rs. 44.23 lakhs were under liquidation.

Further details of investments of Government are given in statement no. 14 of Finance Accounts 1967-68 and in paragraph 108 pages 70—71 of this Report.

11. Guarantees

Government have given guarantees for repayment of loans, debentures, bonds, etc., raised by statutory corporations, Government companies, co-operative institutions, joint stock companies and private individuals and firms as also for repayment of the working capital raised by the Kerala Financial Corporation and payment of minimum dividend of $3\frac{1}{2}$ per cent thereon. The maximum amount guaranteed as on 31st March 1968 was Rs. 28.17 crores and that outstanding on that date was Rs. 19.99 crores. Further details are given in statement no. 6 of Finance Accounts 1967-68.

In 1967-68 Government paid Rs. 0.79 lakh to Kerala Financial Corporation for payment of the guaranteed minimum dividend on its working capital; Rs. 16.51 lakhs were so paid to the end of 1967-68 (since the Corporation was set up in 1953-54).

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

12. Summary

The following table compares the expenditure during the year with the total of voted grants and charged appropriations :—

<i>Grants/Appropriations</i>		<i>Actual expenditure</i>	<i>Saving</i>	<i>Percentage</i>
		<i>(In crores of rupees)</i>		
VOTED				
Original	1,53.90	1,83.82	1,67.34	16.48
Supplementary	29.92			
CHARGED				
<i>Original</i>	56.00	57.46	31.89	25.57
<i>Supplementary</i>	1.46			
Total		2,41.28	1,99.23	42.05
				17

The expenditure shown above does not include Rs. 0.45 crore met by advances from the Contingency Fund obtained in February and March 1968, which were not subsequently reimbursed to the fund before the close of the financial year by authorisation of the Legislature.

The saving of Rs. 25.57 crores forming 44 per cent of the total *charged* appropriation was mainly due to non-utilisation of provision (Rs. 25 crores) for repayment of ways and means advances which, the budget had expected, would be taken from the Reserve Bank during the year because there was no shortfall in the minimum cash balance to be maintained with the Bank and consequently no ways and means advances were taken from the Bank; also no ways and means advances were taken from the Government of India as anticipated in budget (provision : Rs. 1 crore).

13. Excess over voted grants

Excess over the following eight voted grants occurred; these are required to be regularised under Article 205 of the Constitution.

<i>Sl. no.</i>	<i>Grant</i>	<i>Expenditure</i>	<i>Excess</i>	<i>Percentage of excess</i>
		Rs.	Rs.	Rs.
1	VI. Registration Fees			
	Original	47,46,300		
	Supplementary	10,20,000		
	Total	57,66,300	59,67,290	2,00,990
				3
				9

The excess occurred mainly under "District Offices" (expenditure was Rs. 6.31 lakhs against the provision of Rs. 5.19 lakhs) and "Sub Registry Offices" (expenditure was Rs. 51.38 lakhs against the provision of Rs. 44.15 lakhs) due to enhancement of dearness allowance sanctioned in March and December 1967 and more expenditure than anticipated on salary paid for earned leave surrendered in pursuance of the leave surrender scheme sanctioned in July 1967. The excess was partly offset by savings under another group head.

<i>Sl. no.</i>	<i>Grant</i>	<i>Expenditure</i>		<i>Excess</i>	<i>Percentage of excess</i>
		Rs.	Rs.	Rs.	
2	X. District Administration and Miscellaneous				
	Original	1,14,48,900			
	Supplementary	16,47,700			
	Total	1,30,96,600	1,41,54,531	10,57,931	8

The excess occurred mainly under "Collectors and Magistrates" (expenditure was Rs. 44.67 lakhs against the total provision of Rs. 41.88 lakhs), "Taluk Offices" (expenditure was Rs. 40.87 lakhs against the total provision of Rs. 37.14 lakhs) due to enhancement of dearness allowance sanctioned in March and December 1967, unanticipated increase in expenditure under travelling allowance, contingencies and other charges and on salary paid for earned leave surrendered in pursuance of the leave surrender scheme sanctioned in July 1967 and "Pumping Subsidy" (expenditure Rs. 11.12 lakhs; provision Rs. 7.50 lakhs) due to payment of subsidy (for raising second crop) to cultivators of Korattichal area and kole cultivators in Trichur district.

3	XIII. Police				
	Original	5,49,26,000			
	Supplementary	37,02,200			
	Total	5,86,28,200	5,87,48,869	1,20,669	(0.21)

The excess occurred mainly under "Malabar Special Police on deputation" (expenditure Rs. 33.95 lakhs; total provision Rs. 29.45 lakhs) and was due mainly to enhancement of dearness allowance and smartness allowance and receipt of debits relating to previous years for pay and allowances of battalions placed on duty with the Government of Nagaland. Excess also occurred under "Local Police" (expenditure Rs. 3,30.40 lakhs; total provision Rs. 3,28.66 lakhs) and was due mainly to enhancement of dearness allowance sanctioned in March and December 1967, unanticipated increase in payment of salary for earned leave surrendered in pursuance of the leave surrender scheme sanctioned in July 1967, creation of additional posts and payment of railway warrants.

The excess was partly counterbalanced by savings under other group heads.

Sl. no.	Grant	Expenditure		Excess	Percentage of excess
		Rs.	Rs.		
4 XXI.	Public Health Engineering				
	Original	2,04,20,100			
	Supplementary	7,15,300			
	Total	2,11,35,400	2,30,12,185	18,76,785	9

The excess occurred mainly under 'Suspense' (expenditure Rs. 1,28.95 lakhs; total provision Rs. 1,03.73 lakhs) mainly due to adjustment of debits (Rs. 25.23 lakhs) for cost of materials received under rate contract and purchase of more materials than anticipated.

Excess over the voted grant occurred for the seventh year in succession mainly due to large excess under "Suspense". The excess over the grant during 1964-65, 1965-66 and 1966-67 was particularly large, being Rs. 67.87 lakhs, Rs. 1,52.52 lakhs and Rs. 58.81 lakhs respectively. Such large excesses over the years indicate defective control over expenditure.

5 XXII.	Agriculture				
	Original	3,95,77,600			
	Supplementary	34,59,700			
	Total	4,30,37,300	4,39,29,197	8,91,897	2

The excess occurred mainly under:—

Group head	Original provision	Excess	Extent of excess met by re-appropriation of saving from other group heads	Reasons for excess
(In lakhs of rupees)				
1. (j)(viii)38. Scheme for grant of subsidy for purchase of pump sets	..	31.38	25.00	Post-budget decision to debit the subsidy to this head instead of to "124 Capital Outlay on Schemes of Government Trading".
2. (j)(viii)15.A. Soil Conservation on water sheds	19.50	18.95	11.95	Inadequate provision to complete existing works and to take up new works.
3. (d)(x)(11)B. Seed Development Scheme	2.00	14.08	..	Awaited.
4. (g)B.5. Purchase of tractors and bull dozers for hiring to cultivators	2.56	5.46	5.36	Purchase of more tractors than provided for in the budget and increased cost of fuel and spare parts.
5. (j)(viii)15.D. Soil Conservation demonstration in Agricultural lands	1.67	5.10	4.95	Taking up of new works not provided for in the budget.

The final excesses were partly offset by savings under some other group heads.

Sl. no.	Grant	Expenditure		Excess	Percentage of excess
		Rs.	Rs.	Rs.	
6	XXV. Animal Husbandry				
	Original	1,15,86,200			
	Supplementary	32,40,200			
	Total	1,48,26,400	1,66,01,979	17,75,579	12

The excess was mainly due to inadequate provision of funds for intensive poultry development, egg marketing and manufacture of ready to feed balanced feeds. Increase in feeding charges of animals and birds, and payment of enhanced dearness allowance sanctioned in March and December 1967 also contributed to the excess.

Excess over this grant occurred for the third year in succession.

7	XXXII. Irrigation				
	Original	4,53,24,200			
	Supplementary	16,64,200			
	Total	4,69,88,400	4,89,00,617	19,12,217	4

The excess occurred mainly under "Suspense" (expenditure Rs. 1,16.53 lakhs; provision Rs. 1,00 lakhs). The reasons for the excess are awaited.

The grant was exceeded for the fourth year in succession. Excesses during the previous years were as shown below :—

1964-65	Rs. 38.58 lakhs
1965-66	Rs. 1,03.54 lakhs
1966-67	Rs. 58.34 lakhs

8	XXXVIII. Stationery and Printing				
	Original	85,11,900			
	Supplementary	7,86,100			
	Total	92,98,000	94,91,011	1,93,011	2

The excess occurred mainly under "Government Presses" (where the expenditure was Rs. 50.54 lakhs against a total provision of Rs. 48.99 lakhs) due to payment of salary for earned leave surrendered in pursuance of the leave surrender scheme sanctioned in July 1967 and enhancement of dearness allowance sanctioned in March and December 1967.

14. Excess over charged appropriations

Excess over the following five charged appropriations requires regularisation :—

Sl. no.	Appropriation	Expenditure		Excess
		Rs.	Rs.	Rs.
1	XXXVII. Pensions			
	Original	2,59,000		
	Supplementary	..		
	Total	2,59,000	3,19,338	60,338

The excess occurred mainly under "Amount reimbursed to Government of India on account of pensions charged on the Consolidated Fund of India and

recoverable from the States under Article 290 of the Constitution" (expenditure was Rs. 1.16 lakhs while the provision was Rs. 0.60 lakh) due to payment of arrears of pension and gratuity to two retired judges of the Kerala High Court.

Sl. no.	Appropriation	Expenditure		Excess
		Rs.	Rs.	Rs.
2	XLVI. Capital Outlay on Irrigation			
	Original	..		
	Supplementary	41,500		
	Total	41,500	3,49,072	3,07,572

The excess occurred mainly under "Boothathankettu Scheme—works" under which there were no funds for payment of decretal charges of Rs. 2.63 lakhs. The circumstances under which funds could not be provided either by a supplementary provision or an advance from the Contingency Fund have not been intimated.

3	XLVII. Capital Outlay on Public Works			
	Original	4,00,000		
	Supplementary	..		
	Total	4,00,000	14,62,319	10,62,319

The excess occurred mainly under "Medical—Schemes under the Five Year Plans". The total provision under this head was only Rs. 600 but the expenditure was Rs. 9.11 lakhs. The expenditure relates mainly to compensation awarded by courts for lands acquired and adjusted in Treasury accounts in 1961-62 to 1963-64 and 1965-66 to 1967-68 but debited to the final head of account in divisional accounts only in December 1967 to February 1968 and in March (Supplemental) accounts. The reasons for the delay in adjusting the charges in the divisional accounts and the circumstances in which supplementary provision or an advance from the Contingency Fund could not be obtained are awaited from the Controlling Officer.

4	XLVIII. Capital Outlay on other works			
	Original	..		
	Supplementary	5,200		
	Total	5,200	10,697	5,497

The excess occurred under "Public Works Department—Sainik School—Works (including cost of land)."

5	LII. Commuted Value of Pensions			
	Original	..		
	Supplementary	..		
	Total	..	2,348	2,348

The expenditure represents mainly payment of commuted value of pension to a retired employee of the Kerala High Court sanctioned in October 1967 and paid in February 1968. The circumstances in which supplementary provision or an advance from the Contingency Fund could not be obtained are awaited from the Controlling Officer.

15. Supplementary grants/appropriations

During the year Rs. 29.92 crores were obtained as supplementary grants under 50 voted grants and supplementary provision of Rs. 1.46 crores under 21 charged appropriations.

The supplementary grants exceeding Rs. 10 lakhs obtained in August 1967 under each of the following 8 grants proved wholly unnecessary:—

<i>Sl. no.</i>	<i>No. and name of grant</i>	<i>Supplementary grant (In lakhs of rupees)</i>	<i>Saving</i>
1	XVI University Education	17.66	48.83
2	XVIII Technical Education	13.93	23.27
3	XX Public Health	55.64	85.55
4	XXVI Co-operation	43.75	44.88
5	XXIX Labour and Employment	10.94	19.33
6	XXXIII Public Works	61.45	1,19.77
7	XLVII Capital Outlay on Public Works	63.46	4,56.47
8	LII Commuted Value of Pensions	15.00	22.52

In the following five cases, supplementary grant obtained proved excessive by more than Rs. 10 lakhs in each case:—

<i>Sl. no.</i>	<i>No. and name of grant</i>	<i>Supplementary grant and month in which obtained (In lakhs of rupees)</i>	<i>Saving</i>
1	XIV State Insurance and Miscellaneous	4,70.38 (August 1967: Rs. 2.47 lakhs January 1968: Rs. 4.00 lakhs March 1968 : Rs. 4,63.91 lakhs)	1,23.16
2	XXXVII Pensions	1,13.50 (August 1967)	46.74
3	XXXIX Forest	35.18 (August 1967: Rs. 5.83 lakhs March 1968 : Rs. 29.35 lakhs).	18.47
4	XL. Miscellaneous	25.34 (August 1967: Rs. 10.38 lakhs March 1968: Rs. 14.96 lakhs).	13.59
5	LIII. Capital Outlay on Schemes of Government Trading	5,66.72 (August 1967)	1,84.32

In the three cases, (Sl. nos. 2, 4 and 6 of paragraph 13 above) supplementary grants obtained proved inadequate and there were final excesses exceeding Rs. 10 lakhs and also exceeding 8 per cent of the total provision in each case.

16. Savings in grants

In twenty-three grants the unutilised provision exceeded 10 per cent. In five of these cases, the savings ranged between 20 and 25 per cent and in eight cases the savings exceeded 25 per cent as given below :—

Sl. no.	No. and name of grant	Total provision	Saving	Percentage of saving
(In lakhs of rupees)				
1	XIV. State Insurance and Miscellaneous	4,91·53	1,23·16	25
2	XXVI. Co-operation	1,64·45	44·88	27
3	XLIV. Capital Outlay on Agricultural Improvement	15·67	10·98	70
4	XLVII. Capital Outlay on Public Works	8,20·48	4,56·47	56
5	XLVIII. Capital Outlay on Other Works	34·86	17·42	50
6	XLIX. Capital Outlay on Ports	73·26	25·09	34
7	LI. Capital Outlay on Forests	1,09·78	42·91	39
8	LII. Commuted Value of Pensions	36·13	22·52	62

Twelve schemes provision for which remained wholly or substantially unutilised are mentioned in Appendix I pages 105—106. Many of them were not implemented due to non-finalisation of the schemes, late receipt of sanction, etc.

17. Control over expenditure

The object of control over expenditure in this context is to secure as close an approximation as possible between actual expenditure and the final grant/appropriation under each sub-head of grants/appropriations. This is done by :

- (i) obtaining supplementary grants or appropriations wherever necessary,
- (ii) effecting surrender of surplus funds under any sub-head as soon as saving can be foreseen, and
- (iii) sanctioning reappropriation for transfer of funds from sub-heads of grants/appropriations where saving is anticipated to other sub-heads in the same grant/appropriation where there is need for additional provision of funds.

Cases of excess over voted grants/charged appropriations, unnecessary, excessive and inadequate supplementary grants and large savings in grants/appropriations are mentioned in paragraphs 13 to 16.

Further details of cases of defective control of expenditure under individual group heads within grants/appropriations have been indicated in the Appropriation Accounts, 1967-68.

Surrender of savings :—The rules require that the unutilised amounts should be surrendered as soon as the possibility of saving is envisaged. However, funds are being surrendered only in March every year. In 1967-68 also the entire surrender of Rs. 36.85 crores was made only in March 1968; of that amount Rs. 36.81 crores were surrendered on the last working day of the financial year.

The following further points were noticed in connection with the surrenders :—

(i) In the following two grants, large amounts were surrendered at the close of the financial year even though the expenditure exceeded the total provision :—

<i>Sl. no.</i>	<i>No. and name of grant</i>	<i>Excess</i>	<i>Amount surrendered</i>
		<i>(In lakhs of rupees)</i>	
1.	XXI. Public Health Engineering	18.77	6.76
2.	XXII. Agriculture	8.92	8.21

(ii) In the following four grants, the unsurrendered savings were Rs. 4.42 crores and formed more than 10 per cent of the total grant in each case :—

<i>Sl. no.</i>	<i>No. and name of grant</i>	<i>Total grant</i>	<i>Unsurrendered saving</i>	<i>Percentage</i>
		<i>(In lakhs of rupees)</i>		
1	XLIV. Capital Outlay on Agricultural Improvement	15.67	9.93	63
2	XLVI. Capital Outlay on Irrigation	5,55.79	1,23.79	22
3	XLVII. Capital Outlay on Public Works	8,20.48	2,96.08	36
4	LI. Capital Outlay on Forests	1,09.78	11.92	11

18. Expenditure on forest works

For incurring expenditure on forest works, advances are given to Range Officers out of the divisional cash balance. The Range Officers have to render accounts and vouchers (for expenditure incurred by them) to the Divisional Officer at the end of each month for incorporation in the monthly accounts. In twelve Forest divisions, expenditure of Rs. 2.41 lakhs incurred by the Range Officers during 1967-68 and earlier years was not incorporated in the monthly accounts during 1967-68 itself. Of this, Rs. 1.14 lakhs were not brought to account on grounds of inadequacy of budget provision.

The rules require that expenditure actually incurred in one year should under no circumstances be allowed to stand over to be paid from the grant of another year.

19. Expenditure on a "New Service" not covered by an advance from the Contingency Fund or Vote of the Legislature

(i) On 15th March 1968 Government sanctioned a loan of Rs. 12.46 lakhs to a cycle assembling workers' industrial co-operative society for repayment of previous loans from Government (Rs. 6.81 lakhs with interest), repayment of dues to National Small Industries Corporation (Rs. 0.75 lakh) and for meeting capital expenditure and working expenses. As the amount of loan exceeded Rs. 1 lakh, in accordance with the criteria prescribed by Government on the recommendation of the State Public Accounts Committee, the expenditure constituted "New Service" and an advance from the Contingency Fund was sought by the Director of Industries and Commerce in March 1968. The advance was, however, sanctioned only in the next year (4th May 1968) but the loan was paid by the Director on 30th March 1968. The advance was subsequently cancelled on 17th August 1968.

(ii) In December 1967 Government sanctioned a new work "Completion of the road from Chackai to the Rocket Launching Station", estimated to cost Rs. 3.28 lakhs. As the estimated cost of the work exceeded Rs. 1 lakh, in accordance with the criteria prescribed by Government on the recommendation of the State Public Accounts Committee, the expenditure on the work was to be treated as on a "New Service". To meet the expenditure, an advance of Rs. 3 lakhs from the Contingency Fund sought for on 5th April 1968 was sanctioned on 20th April 1968 but the department spent Rs. 3.32 lakhs in 1967-68 itself. In August 1968 Government cancelled the sanction to the advance from the Contingency Fund.

20. Withdrawal of funds and payment at the close of the year before receipt of supplies

On 22nd March 1966 the Director of Fisheries placed an order for three chassis. One chassis was received on 28th March 1966 (paid for on 31st March 1966) and two on 26th April 1966. Though the purchase order did not contemplate any advance payment, 90 per cent of the cost of these two chassis (Rs. 65,929) was paid by the Department on 31st March 1966. For want of convenient parking space, all the three chassis remained in the distributor's garage till September 1966.

CHAPTER III
CIVIL DEPARTMENTS
AGRICULTURE DEPARTMENT
(AGRICULTURE)

21. Soil Conservation

During 1955-56 to 1966-67 Rs. 1,91.35 lakhs were spent on soil conservation works (construction of contour bunds in dry tracts) in 62,864 acres of agricultural lands, soil and land use survey, soil conservation demonstration and establishment of a research and training centre. The following points were noticed in audit in September—October 1967 in a review:—

(1) Of the expenditure on soil conservation works, 75 per cent is repayable by landowners in 15 equal annual instalments with interest, the balance 25 per cent being Government subsidy. Arrears overdue from the beneficiaries on 31st March 1968 were Rs. 5.69 lakhs (Rs. 0.94 lakh for period prior to 31st March 1965). The Department stated (June 1968) that recovery was being effected by the Revenue authorities.

(2) Under Rule 7 of the Kerala Land Development Schemes Rules 1964, the executive officer shall, as soon as may be and within 3 months after completion of work, prepare the record of rights and liabilities. As interest on the amount recoverable from the beneficiaries accrues only from the date on which the records of rights and liabilities are approved, delays in preparation of the records (ranging from 2 to 8 months beyond the prescribed period) in fourteen works resulted in loss of interest of Rs. 25,561. Test check of the accounts of one district also disclosed failure to demand interest of Rs. 8,554 upto the due date of repayment of the first instalment in six works.

(3) Under sections 4 to 8 of the Travancore-Cochin Land Development Act, a land development work may be taken up only after notifying in the gazette a scheme setting forth (among other things) the details of works, examining objections if any, of the owners of the land affected by the scheme and publishing in the gazette the scheme as finally sanctioned by the Land Development Board. During 1955-57 soil conservation works costing Rs. 86,618 were carried out in Vettilapara ex-service men's colony without following that procedure, with the result that Rs. 64,964 (75% of expenditure) could not be recovered from the beneficiaries. Government stated (September 1968) that after considering the request of the beneficiaries they have been allowed to repay the amount in monthly instalments of Rs. 100 each from August 1968. Similarly Rs. 20,367 could not be recovered from the beneficiaries of Koompanpara scheme. Government stated (September 1968) that possibilities of effecting recovery were being explored.

(4) For investigation and execution of works in the tribal colonies at Attapady, Mannankandam, Kannavam and Atchencoil, special staff were engaged from May 1965. By the time investigation at the Attapady Colony was completed (April 1966) it was decided not to proceed with execution of the works there, as the area

formed part of the catchment of the Kundah project. When investigation at the other tribal colonies was completed (July 1967) it was realised that the tribal land-owners would not be able to pay part of the cost of works which were not, therefore, taken up. The expenditure (on staff) on those investigations was Rs. 0.52 lakh.

(5) Separate special staff engaged from February 1962 for soil conservation demonstration in Kallikad remained idle as the land selected for demonstration was submerged by water of the Neyyar dam and the remaining area was covered by afforestation works. The scheme was abandoned in November 1964; expenditure on staff from February 1962 to November 1964 was over Rs. 20,000.

(6) A detailed survey and investigation for soil conservation at Malampuzha was completed during July 1965 to July 1967. Rs. 69,357 spent (on the staff) proved unfruitful as the proposal to execute the work was not approved.

(7) A programme for training of personnel in soil conservation at the research-cum-training centre at Konni has not been implemented (October 1967) even though a hostel building was constructed in August 1965 (cost Rs. 53,667) and equipment and furniture worth Rs. 24,035 were purchased during April 1963 to April 1966. Rs. 38,000 were spent from May 1966 to September 1967 on additional staff entertained for the training courses.

22. Banana development

Raising of a nursery of disease-free banana suckers in an area of 150 acres (25 acres at Vellayani and 125 acres at Peringamala) and eradication of disease affected banana plants in the areas of 55 panchayats in Trivandrum district were taken up in 1963-64. Rs. 6.25 lakhs were spent upto 1965-66. Receipts anticipated from the sale of disease-free suckers and plantain bunches were Rs. 0.12 lakh in 1963-64 and Rs. 1.13 lakhs in 1964-65 and 1965-66 each.

A review of the scheme brought out the following points:—

(i) Rs. 6.17 lakhs were spent during 1963-64 to 1967-68 of which Rs. 4.29 lakhs were on working expenses of the nursery. Receipts realised from sale of suckers, bananas and leaves during the period were Rs. 0.55 lakh. The details of targets and achievements are given below:—

Year	Area of nursery (in acres)	Production of suckers (nos.)		Production of bananas (kg.)	
		Target	Actuals	Target	Actuals
(1)	(2)	(3)	(4)	(5)	(6)
		(Nos. in lakhs)			
1963-64	86	*	*	*	*
1964-65	86	2.07	0.15	*	*
1965-66	111	2.07	0.57	3.23	0.11
1966-67	111	2.63	0.73	3.98	0.39
1967-68	111	2.63	0.72	3.98	0.30

The shortfall in receipts was attributed by the Research Officer, Banana Development, to the site for the nursery not being ideally suited for banana development, the area brought under nursery being less than the target area (150 acres) and lack of irrigation facilities.

* Information not available with the department.

It was estimated that 1,210 suckers could be planted in an acre of the nursery yielding 3,150 suckers for propagation. The actual number planted was 0.83 lakh in 1963-64 and 1964-65 and 1.05 lakhs in 1965-66 to 1967-68. The number of suckers produced (vide column 4 of the above table) was between 18 and 70 per cent of the number planted.

(ii) For eradication of diseased banana plants the number of panchayats in Trivandrum district actually covered was two (1963-64), four (1964-65), eight (1965-66) and twenty (1966-67) as against thirty panchayats proposed to be covered by 1965-66 and about 25 more in 1966-67.

The Joint Director of Agriculture stated (December 1967) that the area, where the nursery for raising disease-free suckers was established, was not completely free from infection and that cases of disease-affected plants continued to be noticed. In 1968-69 the nursery at Vellayani (21 acres) was closed and the area of the nursery at Peringamala was reduced from 90 acres to 65 acres.

23. Simple fertiliser trials including fertiliser demonstrations

For estimating the crop response to fertilisers in a given tract and drawing up suitable manurial schedules for the benefit of cultivators, simple fertiliser trials including fertiliser demonstrations were taken up in the State with 50 per cent Central assistance. Expenditure incurred during 1961-67 was Rs. 4.27 lakhs.

The Deputy Director of Agriculture stated (May 1968) that no details were available with the department about the total number of trials conducted during 1961-67 or the data obtained and no manurial schedules envisaged under the scheme were drawn up and made available to cultivators. The scheme was abolished in May 1967.

Another scheme for fertiliser demonstration and training, fully assisted by the Central Government, was also implemented in the State from April 1963 to April 1967. The following points were noticed:—

(i) The physical achievement was low compared with the expenditure as shown below:—

Year	Number of demonstrations			Expenditure		
	Target	Actuals	Percentage	Target	Actuals	Percentage
		(Nos. in lakhs)			(Rupees in lakhs)	
1963-64	0.20	0.08	40	1.48	1.40	95
1964-65	0.20	0.13	65	2.50	2.04	82
1965-66	0.08	0.05	63	0.90	0.87	97
1966-67	(375 only)	(171 only)	46	1.00	0.32	32

(ii) As against 0.08 lakh and 0.13 lakh demonstrations conducted during 1963-64 and 1964-65, the yield data were collected only from 0.05 lakh and 0.02 lakh cases. The number of cases in which the yield data were collected during 1965-66 and 1966-67 could not be stated by the Department.

AGRICULTURE DEPARTMENT

(ANIMAL HUSBANDRY)

24. Collection and marketing of eggs

The scheme (estimated cost: Rs. 13 lakhs) was started in November 1964 with the object of ensuring remunerative price to egg producers, supplying quality eggs to consumers at reasonable price and preventing large scale wastage of eggs by arranging proper handling, storage and transportation. It envisaged setting up of an egg collection and marketing centre at Chengannur and re-orientation of 36 poultry breeders' co-operative societies in its neighbourhood by giving grants for increasing the production of quality eggs. In October 1965 Government also sanctioned payment of share capital upto Rs. 1.50 lakhs to these societies. The expenditure incurred upto March 1968 was Rs. 19.35 lakhs. Rs. 0.85 lakh were also paid as share capital contribution to the societies in 1966-67.

The following points were noticed in audit:—

(i) The egg collection and marketing centre was started in November 1964 but collection of eggs commenced only in August 1965; this was attributed to delay in finalisation of the revolving fund rules. The expenditure incurred on staff upto August 1965 was Rs. 15,928 of which about Rs. 9,000 were on staff not connected with preliminary work on the scheme.

(ii) Sixteen poultry breeders' co-operative societies participated in the scheme (including a regional egg marketing society). They were paid share capital contribution of Rs. 85,489. The primary societies were also given the services of a depot assistant and an attendant and were paid Rs. 11,220 towards rent and current charges for opening egg collection depots. As against 36 depots envisaged in the scheme, only 11 depots functioned of which all but one were closed by 31st March 1968 as the volume of transactions dwindled.

The Societies supplied eggs to the marketing centre from August 1965 at rates fixed by the department and received processed poultry feed at 30 percent subsidised rate. The supply of eggs stopped from December 1966 as almost all the societies were not working well. From December 1966 eggs were being obtained from private poultry breeders and the open market.

(iii) During the initial stages at least 6 lakh eggs per week were expected to be handled by the marketing centre and on this basis a net profit of Rs. 5 lakhs per annum was anticipated after meeting operational costs, interest on capital and depreciation on buildings and equipment. The eggs handled were 5.20 lakhs in 1965-66, 11.51 lakhs in 1966-67 and 20.79 lakhs in 1967-68. Against Rs. 7.57 lakhs spent during 1965-68 on purchase of eggs and Rs. 3.32 lakhs on pay and allowances and contingencies, the receipts from the sale of eggs including hire charges of vehicles were Rs. 7.63 lakhs. Allowing Rs. 0.66 lakh towards the value of unsold eggs at the end of the period, the enterprise resulted in a loss of Rs. 2.60 lakhs, excluding interest on capital and depreciation of equipment and buildings. The department stated that the

shortfall was due to difficulties in organising primary societies for supplying eggs and non-availability of refrigerated rail-cars for expanding sales outside the State. The *pro forma* accounts showing the working results of the scheme have not been prepared (April 1968).

(iv) In the purchase of 15 egg graders the department in December 1965 rejected the lowest offer of a firm (Rs. 974 per grader) and accepted the highest offer of another firm (Rs. 2,000 per grader) stating that the former firm had not given the required specifications of their equipment and had not mentioned the delivery time. But the former firm in their quotation of November 1965 had stated that their grader was according to the specifications; rejection of their offer without ascertaining their delivery time was thus not justified, especially in view of the high rate quoted by the other firm. The excess expenditure incurred on purchase of the graders was about Rs. 15,700.

(v) Two portable refrigeration units (cost : Rs. 66,620) were imported from Denmark in November 1967. The imported units have not been put to use (December 1968). Due to delay and uncertainty in their receipt, two such units were also locally purchased. Seven egg coolers (cost : Rs. 82,250) purchased between July and December 1965 and four egg graders (cost : Rs. 8,160) purchased in April 1966 were also remaining unutilised (April 1968).

25. Indo-Swiss Project

The project, started in September 1963 with the collaboration of the Government of Switzerland, aimed at establishment of an agriculture centre covering 500 acres at Munnar for evolving methods of fodder production, cattle breeding and development of dairy economy; the experience gained was to be applied on a larger settlement of about 11,000 acres at Peermade. The expenditure on the project (other than on salaries of Swiss personnel and imported equipment) was to be met by the State Government which would receive 50 per cent of expenditure as grant-in-aid from the Government of India. The first phase of the project at Madupatty was completed in June 1967 and the extension work at Peermade was in progress. The total expenditure upto March 1968 was Rs. 44.86 lakhs. The following points were noticed:—

(i) 22 brown Swiss bulls were imported from Switzerland in August 1965. The total sperm collected during 1966-67 and 1967-68 was 21,480 and 20,862 doses respectively against the anticipated average production of 15,000 doses per bull per year.

(ii) 68 construction works including quarters for the personnel, labour quarters, workshops, etc., were completed till June 1968; but no initial accounts for the works were maintained by the Project. The actual expenditure incurred on these works was also not available (except of 6 works on which the outlay was Rs. 0.91 lakh).

(iii) Government approved (July 1967) the confirmation of 170 labourers after considering the maximum employment potentialities in the different sectors of the Project. According to the Swiss Director of the Project, this number was far too high as there were too many labourers in the Project with too little work.

However, as a sequel to conciliation talks between the management and labour a permanent strength of 235 labourers was maintained from 1st November 1967 although the work load as assessed by the Project authorities required only a strength of 170 labourers. The expenditure on the excess staff from November 1967 was Rs. 40,950 (April 1968).

(iv) The following equipment are lying unutilised (December 1968):—

<i>Equipment</i>	<i>Cost Swiss Franc (met by Swiss Government)</i>	<i>Import duty paid by State Government</i>	<i>Month of receipt</i>	<i>Remarks</i>
		Rs.		
One liquid nitrogen Plant	48,560	96,269	August 1967	} The equipment were not used pending construction of building at Peermade.
Cattle weigher	7,362	11,029	September 1967	
One freezing tunnel	5,500	8,114	November 1964	} Obsolete and not required for the project.

AGRICULTURE DEPARTMENT

(DAIRY DEVELOPMENT)

26. Ernakulam Milk Supply Scheme

In June 1961 the scheme was sanctioned by Government at the estimated cost of Rs. 10 lakhs which was revised in December 1964 to Rs. 30.15 lakhs to handle twice the quantity of milk originally proposed and to meet the growing needs of the area. A milk chilling station at Muvattupuzha and a milk processing plant at Edapally have been put up. These were commissioned in November 1966 and August 1967 respectively. The capital expenditure incurred on the scheme upto the end of November 1967 was Rs. 36.43 lakhs; the increase over the revised estimate was mainly due to increased expenditure on equipment (Rs. 5.18 lakhs), land and buildings (Rs. 0.39 lakh) and pay of staff (Rs. 0.71 lakh). The scheme was to work on a no profit no loss basis.

The following points were noticed in audit:—

(i) The milk chilled in the milk chilling plant daily is only about 250 litres (February 1969) against a chilling capacity of 3,800 litres of milk per day. The shortfall was attributed by the department to lack of scope for procuring milk locally.

The installed capacity of the milk processing plant is 10,000 litres per day; the milk processed in the plant daily is only 5,000 litres (February 1969). The department, however, stated that the full rated capacity of the plant would be utilised within the first two years of its operation.

(ii) *Infructuous expenditure*:—Rs. 24,968 spent on the scheme proved infructuous in the following circumstances:—

By November 1964, two wells were dug at a cost of Rs. 14,575. As the yield of water from the wells was only 5,000 gallons per day against the estimated daily

requirement of 20,000 gallons, sinking of a tube well was taken up in November 1965. After spending Rs. 7,973 on sinking of the tube well and Rs. 2,420 on construction of a pump house, the work was abandoned in June 1966 on the apprehension that the tube well might not be an unqualified success either from consideration of quality or volume of water. In April 1967 the dairy was finally connected to the water supply pipelines passing close by.

(iii) *Equipment lying unutilised*:— Equipment purchased during April 1965 to August 1967 for Rs. 2.67 lakhs were lying unutilised (January 1969) for one or other of the reasons given below:—

- (a) delay in testing of equipment by the suppliers
- (b) non-availability of adequate raw milk
- (c) absence of arrangements for transport of milk over long distances
- (d) non-starting of sale of butter.

The matter was reported to Government in July 1968; their reply is awaited (January 1969).

27. Fodder Development

With the object of producing fodder for distribution to the milk producers of Trivandrum a fodder farm utilising the city sewage was established at Valiathura in December 1961. The scheme envisaged bringing under cultivation 72 acres of land at a cost of Rs. 4.96 lakhs during the Third Five Year Plan period (ending 1965-66). The revenue anticipated during the period was Rs. 2.50 lakhs from sale of 10,000 tonnes of fodder. During 1965-66 the farm was to be extended by 40 acres more at a cost of Rs. 5.75 lakhs. At the end of March 1966 the area under cultivation was 42 acres only against the expenditure of Rs. 10.96 lakhs. The receipts from sale of 4,050 tonnes of fodder were Rs. 1.17 lakhs. At the end of March 1968 the area brought under cultivation was 102 acres at a cost of Rs. 14.83 lakhs and the receipts realised were Rs. 2.43 lakhs from sale of 8,365 tonnes of fodder. The shortfall in production was attributed by the department to inadequate irrigation facilities and insufficient sewage water.

Two tractors and a truck are maintained at the farm for conveyance of fodder to the consumers' premises. A flat rate of Rs. 5 per tonne was charged for delivery of fodder within a radius of 15 kilometres of the farm. The receipts from conveyance charges during 1964-65 to 1967-68 were Rs. 35,605 but the maintenance expenditure including depreciation of the vehicles during the period was Rs. 55,126. It was stated by Government that the sale price of fodder at the farm had been enhanced from Rs. 25 to Rs. 30 per tonne from March 1968 and that a further enhancement towards transportation charges was not advisable.

The work "improvements to sewage farm at Valiathura (second stage)" (estimated cost: Rs. 1.87 lakhs) was awarded to a contractor in February 1963. As the agreement executed by the contractor in March 1963 did not include conveyance of sand by head load over sandy soil over a distance of 24 leads and 26 leads beyond the initial lead, the work was to be paid for treating it as extra item. Accordingly, the

rates payable were Rs. 1.22 and Rs. 1.32 respectively per cu. m. (estimate rate less tender percentage). On a representation made by the contractor in December 1963 (about 10 months after the commencement of work) the Chief Engineer, Public Health Engineering Department, sanctioned in January 1964 enhanced rates of Rs. 2.16 and Rs. 2.34 per cu.m (providing extra labour charges for conveyance through sandy soil). The extra payment to the contractor was Rs. 35,903.

In the Public Works Department no extra labour charges are paid for conveyance through sandy soil. Even if a higher rate is allowed for conveyance through sandy soil, it is doubtful whether increase of 77 per cent over the rate for conveyance through ordinary soil was justified.

AGRICULTURE DEPARTMENT

(FOREST)

28. Purchase of polythene bags

Tenders for supply of 45 lakh polythene bags required for use of three forest divisions in the Industrial Plantation Circle were invited by the Forest Department in September 1966. The tenders were opened in October 1966, but orders of Government accepting the tender of the firm which quoted the second lowest rate were issued only in February 1967 after the recommendations of the Chief Conservator of Forests were considered by the Departmental Purchase Committee in January 1967. The firm, however, backed out on grounds of delay in placing the orders. In view of the urgency to procure bags for protecting eucalyptus nurseries, Government (March 1967) accorded sanction for purchase of polythene bags from the open market. Computed with reference to the rate quoted by the firm which backed out of its offer, the extra expenditure on 49.5 lakh polythene bags purchased from the open market was Rs. 41,400.

The tender notice stipulated that the tenderers should not withdraw the offers before final decision on the tenders was taken by the competent authority. Government stated in their orders of March 1967 that steps were being taken to recover the extra expenditure from the defaulting firm. No recovery has, however, been made (September 1968).

29. Eucalyptus plantation

The area of eucalyptus plantation (1966) of the Industrial Plantation Division, Perumbavoor, was leased for taungya cultivation from May 1966 to October 1967. The terms of the lease required the taungyadars to keep the area clear of weeds during the period of lease. After resumption of the area (November 1967) the department carried out in February—March 1968 the third weeding operation for the second year of maintenance of the plantation at Rs. 20.10 per acre against Rs. 6 per acre provided in the departmental schedule of rates. It was stated by the Assistant Conservator of Forests that as there was heavy growth of weeds the higher rate was allowed; but this is not sustainable as the taungyadars are reported to have undertaken weeding operations in accordance with the terms of the lease till October 1967. The excess expenditure incurred was Rs. 26,366.

During the period of lease of the plantation area to the taungyadars, the Department had also spent Rs. 8,815 on engagement of separate mazdoors for fire watching, tending and cattle scaring operations.

30. Non-acceptance of lowest tender

In August 1965 tenders were invited for extraction of about 5,837 cu.m. of timber from 3,032 marked trees in Chinnartheeram coupes I & II and delivery at three Forest depots. Five tenders were received, the lowest quoted rate for delivery at each of the depot being Rs. 57.45, Rs. 63.98 and Rs. 73.31 respectively per cu.m. (99% of the basic rate for each depot calculated by the department). The lowest tendered rate was considered to be high and as the tender call was only the first, retender was ordered by the Conservator of Forests, Chalakudy. Tenders invited for in December 1965, February 1966 and May 1966 failed to elicit response. Four tenderers, however, responded to the tenders invited in August 1966. The lowest rate, which was Rs. 71.44, Rs. 77.97 and Rs. 86.29 respectively (99% of the new basic rate as revised in June 1966), was now accepted on the ground that the rate tendered was satisfactory and advantageous to Government. Thus, in August 1966 rates much higher than those obtained in August 1965 were considered satisfactory. The extra expenditure on account of non-acceptance of the lowest rate in August 1965 would be about Rs. 89,500. The work is in progress (January 1969).

DEVELOPMENT DEPARTMENT (FISHERIES)

31. Development of fish farms and river fisheries

(i) For conversion of certain backwaters into fish farms and development of river fisheries, Government decided in May 1961 to set up two fish farms and develop three other existing farms besides arranging a survey of rivers with a view to stocking them with fish. The expenditure during 1961-62 to 1966-67 was Rs. 7.72 lakhs. In August 1962 one fish farm was set up at Kadappuram at a cost of Rs. 90,248. Work on the other fish farm at Eranholi (estimated cost : Rs. 4.06 lakhs) is in progress ; it was commenced in January 1963 and was scheduled to be completed by April 1964. None of the fish farms on which expenditure was incurred, produced revenue comparable to its maintenance expenditure and the total loss in working during 1961-62 to 1966-67 was Rs. 83,794 as detailed below:—

<i>Location of fish farm</i>	<i>Area in acres</i>	<i>Outlay during 1961-67</i>	<i>Recurring expenditure on pay and allowances, etc.</i>	<i>Receipts from sale of fish and other items</i>	<i>Excess expenditure over receipts</i>
		Rs.	Rs.	Rs.	Rs.
1. Kadappuram	50	90,248	20,722	1,150	19,572
2. Eranholi		(work in progress)			
3. Ayiramthengu	50	53,800	50,493	17,655	32,838
4. Malippuram	53	95,423	84,927	53,543	31,384
5. Narakkal	46	2,32,664			
Total		4,72,135	1,56,142	72,348	83,794

The reasons attributed by the department for the uneconomical working of the farms are given below:—

(a) *Fish farm at Kadappuram*:— When the Fisheries Department took over the farm in August 1962 from the Public Works Department which undertook construction, they found that both the walls of the inner sluice were in a damaged condition and the granite packing of the southern bund was cracked. The granite packing gave way in April 1963 and the sluices collapsed in September 1964. The estimated cost of repairs and replacement of sluices was Rs. 40,000.

(b) *Fish farm at Ayiramthengu*:— Major portion of the farm area was infected with wild swamp and the bunds of the farm were too low to prevent overflows. In the opinion of the Director of Fisheries (November 1966), with proper planning and control the farm could be a highly productive and profitable one.

(c) *Fish farms at Malippuram and Narakkal*:— There were constant sea erosion and floods since 1961-62 and difficulties in carrying out timely repairs.

Upto September 1968 Rs. 2.59 lakhs were spent on construction of fish farm at Eranholi. According to the Deputy Director, 9 out of the 21 ponds proposed for the farm have been dug up unnecessarily to depths below the bed level of water source nearby (incurring expenditure of Rs. 1.41 lakhs) and this will create difficulties in proper fish cultural practices.

(ii) In November 1959 Government sanctioned establishment of a fish breeding centre in Pookot lake in Vythiri at an estimated cost of Rs. 7,000. The land including the lake and its bank (14.43 acres) was acquired in June 1961 for Rs. 4,745. Improvements to the lake were carried out by spending Rs. 1.11 lakhs till November 1968. Of this expenditure, Rs. 0.28 lakh were spent for dewatering, removal of submerged vegetation, etc., though only Rs. 1,500 were provided for the purpose in the scheme. The department has stated (February 1968) that because of a thick deposit of silt, submerged wooden stumps and predatory fish in the lake the ecological condition of the lake is unsuitable for fish breeding and that further expenditure (Rs. 15,000 approx.) is necessary to make the lake fit for fish culture.

EDUCATION DEPARTMENT

32. Appointment of craft instructors

For teaching crafts in schools two craft instructors (scale of pay : Rs. 40-120) were appointed in November 1957 and July 1958 in the Government Upper Primary School, Kilimanoor. The craft classes have not been commenced in the school (March 1968). The Headmaster of the school stated (January 1968) that "there was no accommodation and the craft materials supplied were quite inadequate". The services of the craft instructors were, however, stated to have been utilised otherwise in the best manner possible. The expenditure on the pay and allowances of the instructors till December 1967 was Rs. 22,966.

HEALTH DEPARTMENT

33. Purchase of diet articles

According to the orders of Government (March 1962), supply of diet articles to the Medical Institutions in the State was to be entrusted to co-operative societies at 2½ per cent below market rates if such societies were willing to supply. However, based on a report from the Director of Health Services that the societies had undertaken supply of diet articles at 2½ per cent less than the market rates prevalent on 4th January 1965 (the last date fixed for receipt of tenders), Government ordered (July 1965) that for the year 1965-66 the market rate prevalent on 4th January 1965 less 2½ per cent should be the basis for payment.

The contract for supply of fruits and vegetables to the hospitals in Trichur district for 1965-66 was entrusted to a marketing co-operative society in Trichur which had undertaken to supply the diet articles at 2½ per cent less than the market rates prevalent on 4th January 1965. In March 1967 (about one year after the contract period was over and payment had been made) Government directed that payment to the society should be made at the rates fixed by the Revenue Divisional Officer once in three months in consultation with the Deputy Registrar of Co-operative Societies, based on a representation received from the society in December 1965. This was done on the ground that the Department had failed to bring to the notice of the society in time the orders of Government that for 1965-66 payment would be made at the rates prevalent on 4th January 1965. The Patients' Society of the Leprosy Hospital, Koratty, was also paid at similar rates. The extra expenditure on this account for supplies received by twelve hospitals in the district was Rs. 72,794.

34. Employment of staff in excess of requirements

Construction of a building for the T.B. Hospital, Mulamkunnathukavu, under the Employees State Insurance Scheme, was started in August 1963 and completed in August 1966. Electric connection was received in May 1967 and the hospital started functioning from 25th April 1968. Staff consisting of a T.B. specialist, one lower division clerk and one peon were appointed from 17th December 1965. The services of the T.B. specialist were not utilised in any hospital. It was stated by the Medical Officer in charge of the hospital that he was engaged in supervising erection of the X-ray machine, setting up of the laboratory, operation theatre, etc. The pay and allowances paid to him from 17th December 1965 till 24th April 1968 were about Rs. 20,000.

INDUSTRIES DEPARTMENT

35. Delay in starting a production-cum-training Centre

In March 1959 Government ordered reorganisation of the Glass Bangles and Beads Training Centre, Kasargode, into a production-cum-training centre for utility glass articles. The cost of the scheme was estimated (January 1962) at Rs. 2.84 lakhs. The bangles section was closed in May 1963 and the beads making section in March 1967. Rs. 2.60 lakhs were spent on the new scheme till the end of March

1967 (land Rs. 9,456; building Rs. 1,42,458; machinery Rs. 96,342; construction of annealing chamber Rs. 12,000). The new Centre is proposed to be started after receipt of power supply, purchase of a generator set, appointment of additional staff and allocation of funds. Meanwhile, the existing staff (11 persons) are being retained (August 1968). It is stated that their services are being utilised for maintenance of the plant, machinery, furnace, etc. The expenditure on their pay and allowances from 1st April 1967 (the date of complete abolition of the old unit) till the end of August 1968 was Rs. 40,000.

36. Handicrafts Sales Depots

In order to popularise handicrafts throughout Kerala and for rendering proper marketing facilities, eight handicrafts sales depots were opened between 1959 and 1962 at different towns in the State. The depots were closed down on various dates, one in 1963 and the rest in 1964 in view of their uneconomic working due to very low sales. In June 1965 Government stated that as the idea of organising the depots was only to popularise handicrafts, the aspect of uneconomic working was not looked into. All the saleable goods of the closed depots were taken to the Kerala Government Emporia at Madras and Coimbatore and the unsaleable ones were disposed of. The loss incurred in one depot (Alleppey : Rs. 15,933) was mentioned in paragraph 27 of the Audit Report, 1965. The loss in the other seven depots was Rs. 1,10,528.

HOME DEPARTMENT

37. Purchase of woollen blankets

According to financial rules, articles which can be manufactured and supplied by Government departments or by fully owned Government companies should be obtained by all Government offices only from those sources irrespective of cost and no tenders are required to be called for in such cases.

The Inspector General of Police, after obtaining limited tenders, recommended to Government (January 1966) purchase of 7,589 woollen blankets (for armed police battalions serving in Nagaland) from the lowest tenderer (a private firm) who had quoted Rs. 28 per blanket. Government, however, ordered (February 1966) that the purchase be made from the Kerala State Small Industries Corporation Limited (a fully owned Government company) at their tendered rate of Rs. 35 per blanket. Rs. 42,350 were thus spent extra on purchase of 6,050 blankets.

The Small Industries Corporation or any of its Units were not manufacturing woollen blankets. They were purchased by the Corporation from a Punjab firm at Rs. 29 per blanket.

38. Writes off, ex-gratia payments, etc.

Certain cases of writes off, ex-gratia payments, etc. are given in Appendix I page 107.

CHAPTER IV

WORKS EXPENDITURE

39. West Coast Road

The scheme taken up in 1955-56 seeks to develop the west coast road (in the State) which is part of the coastal route between Bombay and Cape Comorin. Expenditure on the approved works is met by the Central Government upto monetary ceiling fixed by them for each work and the charges on account of establishment and maintenance are met by the State. Against an estimate of Rs. 3.74 crores approved by the Central Government the expenditure incurred till the end of March 1968 was Rs. 2.61 crores. The works proposed comprised 7 major bridges, 20 minor bridges and 319 km. of roads. These were scheduled to be completed by March 1966; till the end of January 1969, 6 major bridges, 18 minor bridges and 283 km. of roads were completed.

The following cases of unnecessary and avoidable expenditure have been noticed:—

(i) In response to tenders invited for the work "forming a diversion road between mile 10/4 and 14/4 of Mangalore—Cheruvathoor Coast Road," a labour contract co-operative society of Quilandy submitted the lowest tender (Rs. 4.62 lakhs). It was unable to deposit the required security and its ability to undertake the work was doubted by the Department. According to the orders issued by Government in May 1960 and April 1963 labour contract co-operative societies are eligible for certain concessions in the award of work only when the value of work is less than Rs. 25,000. However, in order to encourage the society Government ordered in May 1963 that the work might be entrusted to it each mile separately without security deposit. The society abandoned the work in November 1963 after doing about 50 units of earthwork. The balance work was retendered and awarded to another contractor in November 1964 at higher rates resulting in extra expenditure of Rs. 32,230 (approximately). Had the tender of the society been rejected, since it was not eligible for any concession in a work of this magnitude, and the work allotted to the next lowest tenderer, this extra expenditure could have been avoided to the extent of Rs. 24,560.

Under the terms of the contract the society was liable to pay damages for poor progress in execution of work and to bear the extra expenditure arising out of alternative arrangements made for carrying out the unfinished work; but in the interest of growth of labour co-operative societies the application of these penal clauses was waived by Government.

(ii) The original estimate for the work mentioned at (i) above provided for 80 units of 'granite revetment' at a cost of Rs. 1,520. The division, however, carried out upto June 1968, 12,600 units of 'laterite revetment' spending Rs. 2.14 lakhs in anticipation of sanction to the revised estimate for the work on the

ground that the provision in the original estimate for protective work was inadequate. The Chief Engineer stated in October 1967 that as the soil was good no revetment need be done and that it was better to do granite revetment after two or three rainy seasons if found absolutely essential and that the laterite revetment was not very good or permanent.

(iii) The work 'constructing a bridge across Choonerithodu in Muttichira diversion road' was entrusted in April 1964 to the lowest tenderer. Under the contract, the work was to be completed by the end of March 1965 and the department was required to arrange supply of rocker and roller bearings. Due to departmental delay the bearings could be procured only in March 1967; the contractor, however, refused to wait till then and the contract was terminated on 1st August 1966. The unfinished work was entrusted to another agency in June 1967 at a higher rate and is in progress. The estimated extra expenditure is Rs. 30,916. The extra expenditure on the work executed and paid for to end of June 1968 was Rs. 29,450.

(iv) In the course of construction of Mogral bridge at mile 24/2 of Mangalore—Cheruvathoor Coast Road, the specification for the foundation was changed in June 1964 and it was decided to have wooden piles. Consequently, rates for two extra items *viz.*, (i) supplying wood piles including shaping to size and (ii) extension of wood piles were settled and a supplemental agreement was executed in December 1964. Payment at the agreed rates was also made in July 1965. On a representation of the contractor in November 1965 that the actual cost of these two items of work was more than the rate allowed to him, the Superintending Engineer revised the rates in his favour; this resulted in additional expenditure of Rs. 17,205.

(v) The work-charged staff engaged for petty supervision of three works were found to have been continued for 14 to 28 months after the works were completed. The expenditure incurred on them during these periods was Rs. 14,505.

40. Ex-gratia payment to a contractor

Construction of a building for the natural history museum at Trivandrum (estimate cost: Rs. 6.79 lakhs) was awarded by the Chief Engineer (Buildings & Roads) on the basis of tenders to a contractor in April 1959 (amount of contract: Rs. 5.34 lakhs) (in anticipation of administrative approval by Government). Under orders of Government (April 1959) the plan was revised to keep down the cost and the estimate was reduced to Rs. 2.50 lakhs, (based on the 1951-52 schedule of rates). The actual expenditure was, however, Rs. 3.32 lakhs. Instead of calling for fresh tenders, the same contractor was entrusted the work (January 1961) on the basis of an undertaking given by him to execute the work at the recast-estimate rates and with the original tender conditions. The work was commenced in January 1961 but the contractor demanded (June 1961) higher rates on the ground that what he meant by recast-estimate rates was actually estimate recast as per 1959-60 schedule of rates. He executed the agreement only in August 1962 after the Department agreed to allow him rates as per

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1959-60 schedule of rates with his original tender depreciation. On a further representation submitted by the contractor in October 1963, Government sanctioned (May 1964) ex-gratia payment of 20 per cent of the cost of work done since 31st March 1961 for the reason that the contractor had already brought some materials to the site and incurred some expenditure on it (towards storage and employment of watchman for about 20 months) and that there was a general increase in cost of labour and materials since 31st March 1961. The work was completed in September 1964 and ex-gratia payment of Rs. 20,184 was made to the contractor in March 1968.

The ex-gratia payment was, it seems, not justified because the contractor who was entrusted the work without retender was already allowed, at his request, rates based on the 1959-60 schedule of rates which were higher than those tendered by him.

41. Avoidable expenditure

During execution (January 1965) of the work 'Reconstructing Koduvally bridge' (sanctioned estimate: Rs. 8.32 lakhs) the Chief Engineer felt doubts about the capacity of the loose-clay sub-soil to bear the proposed high embankments (21.79 ft.) and directed that sub-soil samples should be tested by the Engineering Research Institute, Peechi. On the basis of the recommendations (July 1965) of that Research Institute, the Chief Engineer revised the designs (August 1965), reducing the height (18.79 ft.) of the embankments and providing protective side berms. The Division, however, proceeded with the work as per the original designs. This necessitated further protective works by way of increased height (2 ft.) and width (2 ft.) for the berms which were redesigned by the Chief Engineer in February 1966. The Department stated (October 1965) that the work had advanced to such a stage that the revised design could not be adopted and that the work could not be held in abeyance due to public pressure for early completion. The work was completed in March 1968.

Computed with reference to the revised design, the estimated extra expenditure by way of cost of work according to the original design was Rs.27,502.

42. Unfruitful outlay

Construction of a road (probable amount of contract:Rs. 1.68 lakhs) in the Kizhakkancherry amsom in Palghat district was started in August 1962 but could not be completed owing to delay in land acquisition proceedings consequent on objections from some land owners. The accounts of the contractor were closed after incurring an expenditure of Rs. 1.91 lakhs till March 1966.

The original estimates for the work also envisaged taking up, simultaneously, construction of a connecting bridge on the road. A proposal for a major bridge costing Rs. 4.60 lakhs was forwarded by the Superintending Engineer to the Chief Engineer in February 1965. It was not accepted by the Chief Engineer as according to him "it is doubtful whether such a major bridge is justified in this road of limited importance". Revised proposals called for in November 1967 are still awaited by him (November 1968).

Government stated (December 1968) that the land acquisition proceedings had since been completed and that the road was being used by the public although its full utility could be achieved only after the remaining portion of the road and the bridge were completed.

43. Delay in recovery of excess payments made to contractors

(i) Consequent on change in the design of the foundation of a bridge at Porakkatteri ferry in Pudiyangadi—Ulleri road, a supplementary agreement was entered into with a contractor in March 1962 by the Superintending Engineer in anticipation of the Chief Engineer's approval. The rates provided for in this supplementary agreement for four extra items of work were, however, not approved (May 1962 and March 1963) by the Chief Engineer who found them to be excessive. Payment for these four extra items was made by the Division in August 1963 at the rates in the supplementary agreement (excess amount paid Rs. 14,261). The Chief Engineer ordered in January 1965 recovery of the excess amount paid to the contractor; information about the action taken in this matter called for from Government in January 1968 is awaited (January 1969).

(ii) The work 'providing pile caps and piers for the Salt Water Barrier at Thanneermukkom' was awarded on contract in August 1961. Because of an error in calculating the quantity of rods used in the work, the first on account payment to the contractor made in March 1962 included excess payment of Rs. 21,710. This excess payment came to the knowledge of the Division in March 1965 and was also brought to the notice of the Department in April 1967 by Audit but has not been recovered so far (December 1968).

In June 1967 Audit was informed by the Division that the final payment had been withheld as the contractor had not returned about 70 tonnes of iron and steel materials and 5 tonnes of cement (total value: Rs. 1.38 lakhs) issued departmentally but not used in the work. It is, however, seen that the net amount (Rs. 26,771) payable to the contractor on account of the work and the security (Rs. 20,000) would not be sufficient to cover the amount erroneously paid (Rs. 21,710) and the cost of unreturned materials (Rs. 1.38 lakhs).

44. Neendakara Port Development

Development of Neendakara as a lighterage port, work on which was started in January 1962, was estimated to cost Rs. 1.11.65 lakhs and to yield a net revenue of Rs. 3 lakhs per annum. The estimate was revised in March 1965 to Rs. 1.35.65 lakhs. After spending Rs. 72.19 lakhs on civil works and Rs. 4.15 lakhs on purchase of tugs, buoys, lighters, etc. the work was stopped (October 1967) pending decision of Government on a proposal to develop a deep water all-weather port at Neendakara instead of a lighterage port.

The following points were noticed in audit:—

(i) The contract for the work 'constructing breakwaters at Neendakara' required the contractor to find his own tools and plant required for successful completion of the work. On an application by the contractor in August 1964,

Government sanctioned an advance upto 75 per cent of the cost of second hand machinery to be procured by the contractor. Out of the advance of Rs. 2.06 lakhs paid to him, Rs. 1.15 lakhs were utilised for purchase of 4 lorries even though the machinery for purchase of which the advance was paid did not include lorries. The advance with interest was, however, recovered in full by October 1967.

(ii) In December 1962 the Chief Engineer placed orders with a firm for supply of one pile driving plant with water jetting equipment (estimated cost: Rs. 1.05 lakhs) intended for being used in construction of a wharf. While the wharf was completed in February 1965 the pile driving plant was received in February 1966 and the water jetting equipment in September 1966 only. The plant and equipment which cost Rs. 88,721 had not been put to test (November 1967) even though the guarantee period expired in March 1967.

(iii) For facilitating export of ilmenite from the port, construction of two wharves—one 250 feet long on the northern side of a mineral company and the other 150 feet long on the southern side—was commenced in February 1966. Subsequently, pending assessment of traffic possibilities the proposal for constructing the southern wharf was dropped at the instance of the Port Department. In June 1966 the contractor stopped the work on the northern wharf as his demand for enhanced rates was not settled. The work had not been resumed (November 1967). According to the company, construction of a wharf on the northern side in the absence of a wharf on the southern side would not serve the intended purpose as all their godowns would be situated on the southern side. Rs. 0.75 lakh spent on construction of the wharf (upto November 1968) remain unfruitful.

(iv) As work on the port has been stopped, the structures constructed for handling traffic, viz., three buildings completed between March 1966 and April 1967 at a cost of Rs. 2.92 lakhs and a wharf completed in February 1966 at a cost of Rs. 3.08 lakhs, remain unutilised (February 1969).

45. Avoidable expenditure.

The bridge-cum-regulator at Enamakkal was designed to maintain water at a level required for paddy cultivation in about 30,000 acres of "Kole" lands in Trichur district and also to prevent ingress of saline water into these lands which are below sea level by 2 to 3 feet. The work was started in March 1959 and the estimate (Rs. 11 lakhs) was sanctioned by the Chief Engineer in March 1961. The expenditure incurred on this work till the end of March 1968 was Rs. 14.04 lakhs. The civil works portion of the bridge-cum-regulator was completed by March 1962. The shutters were provided with water-seal arrangements on the "kole" lands side only with the result that they were found ineffective in keeping out saline water whenever the water level on the "kole" lands was less than 2 feet above mean sea level. In July 1965 Government directed the Chief Engineer to take immediate action to provide water sealing arrangements on the backwater side of the shutters also and if that work could not be completed in time, to put up a ring bund to prevent ingress of saline water into the fields. The

water sealing arrangements on the backwater side have not been provided so far (October 1968). Instead, to keep out saline water, temporary ring bunds with clay were put up every year from 1963-64 onwards. The total expenditure on these bunds till the end of 1967-68 was Rs. 57,063.

For painting the shutters of the regulator, primers, paints and solvents costing Rs. 28,765 were purchased in April 1964 and May 1965. Painting of the shutters was taken up in September 1966, when it was found that the paints had hardened. This necessitated purchase of further paints and solvents (costing Rs. 6,318) to loosen up the hardened paints. No reasons for purchasing and stocking paints far ahead of actual needs had been specified.

46. Bridge-cum-regulator at Kottenkottuvalavu

Delay in completion:—The work started in December 1960 was mainly intended to prevent salt water incursion, regulate flood waters in Karuvannur river and avoid annual recurring expenditure on putting up earthen bunds. The work was scheduled to be completed in July 1962. Rs. 10.15 lakhs were spent on it to the end of March 1968. The civil works were completed in September 1964 but work on the regulator is held up (from September 1964). Fabrication of the shutters for the regulator has been entrusted (in August 1962) to the Government Engineering Workshops. The designs for hoisting arrangements were sent to the workshops by the Chief Engineer only in February 1966 and the Superintendent of the workshops procured the required materials in January 1968.

Infructuous expenditure:—Upto March 1968 the workshops spent Rs. 40,995 on manufacture of the shutters. After welding the skin plates to the full width, the workshops learnt that for easy transportation the shutters have to be made in sections. The Superintendent of the workshops reported to the Chief Engineer (April 1968) that the shutters had to be manufactured in three pieces for which fresh plans were necessary. Expenditure of Rs. 25,872 already incurred on labour and overhead charges for manufacture of the shutters thus became infructuous.

Avoidable expenditure:—During 1965-66 to 1967-68, Rs. 56,375 were spent on putting up and maintaining earthen bunds across the river. This expenditure could have been avoided had manufacture and erection of the shutters been completed soon after the civil works were completed in September 1964.

47. Extra expenditure on anti-sea erosion works

Construction of a sea wall to protect the premises of a mineral company was awarded to a contractor in February 1964. When the contractor stacked, to that end, rubble in their premises, the company objected to formation of the sea wall in their premises on the ground that it would affect the mineral sea wash. 2,293 cu.m. of stones stacked in the premises of the company had, therefore, to be conveyed to a distance of 570 yards for formation of sea walls in other reaches for which the contractor was paid Rs. 33,851 as extra conveyance charges in March 1967. The extra expenditure could have been avoided had the work been started after consulting the company.

48. Regulator at Moolathara

The approved drawings for construction of a regulator at Moolathara (started in February 1966) specified coursed rubble work IIInd sort for the piers and abutments but the sanctioned estimates for the work provided for coursed rubble work 1st sort for the piers. Provision of coursed rubble 1st sort was made in the estimates when the thickness proposed for the piers was 5 feet for the end piers and 4 feet for the intermediate ones. In June 1966, the Superintending Engineer noticed that as the thickness was changed to 6 feet in February 1966 the piers could be constructed in coursed rubble IIInd sort and that this change would result in a saving of Rs. 26 per cu.m. As a change in specification after concluding the contract for the work (agreement executed on 31st March 1966) would create complication in payments, the approval of Chief Engineer was obtained to proceed with the work using coursed rubble 1st sort. Based on the probable quantity of rubble work for the piers provided in the agreement (2,300 cu.m.) the extra expenditure would be Rs. 59,800.

49. Anicut across the Shiriya River at Bombrana

Construction of the anicut, which was intended to bring 1,183 acres of land under paddy cultivation and prevent ingress of salt water, was taken up in 1956 by the Government of Madras and was continued by the Government of Kerala after reorganisation of States in November, 1956. It was scheduled to be completed in 1957; it was completed only in March 1965. Against the original estimated outlay of Rs. 4.41 lakhs, Rs. 10.25 lakhs were spent.

The agreement executed with one of the contractors provided for procurement of rubble, metal, etc., from a quarry 7 to $7\frac{1}{2}$ miles away. In June 1963 it was pointed out by Audit to the Chief Engineer that there were reports about conveyance of stones from a nearer quarry and hence recovery should be made for short conveyance. The Chief Engineer reported in October, 1963 that only a small quantity of rubble would have been taken from the nearer quarry and that the recovery to be made would be negligible. However, in March, 1965 the Executive Engineer reported to the Superintending Engineer that the bulk of the materials was conveyed from a quarry within $\frac{1}{2}$ furlong from the worksite and that Rs. 28,004 were due for recovery from the contractor on that account. The recovery is yet to be made. The matter was reported to Government in October 1967 and their reply is awaited (January 1969).

Irregularities in maintenance of materials-at-site accounts, in obtaining receipts for materials issued and in obtaining proper acknowledgements for materials left over by one contractor on termination of his contract and taken over by the next contractor, were observed during local audit and reported to Government in December 1964. According to a report of the Executive Engineer (February 1968), the value of unaccounted for materials is Rs. 31,311. It was suggested by him that the loss might be treated as the liability of six junior engineers who held charge during 1958-61. Information on the further action taken on the report is awaited (January 1969).

50. Lock-cum-regulator at Vettuvelichira

The lock-cum-regulator at Vettuvelichira, construction of which was started in December, 1958, consisted of (i) a regulator to prevent entry of salt water into the upper reaches of Vettuveli river, (ii) a 12 feet wide road over the regulator and (iii) a 150 feet long lock which would allow country boat traffic without allowing entry of salt water. The original estimated cost was Rs. 2.76 lakhs. Before commencing the work no trial borings were taken at site; as a result, after award of the contract the piles originally proposed were found inadequate.

Later in 1959 widening the road to 22 feet and increasing the length of the lock to 212 feet were also found necessary. In view of the excess work the contractor asked for higher rates (and stopped work in January 1961). Government did not agree and ordered (June 1963) termination of the contract and retender of the balance work. The balance work has not yet been commenced reportedly due to want of sanction to the revised estimate (Rs. 12.43 lakhs) which was sent by the Chief Engineer to Government in June 1968.

Commencement of the work without proper investigation and assessment of needs and the delay in taking up the balance work has resulted in:—

- (i) locking up of Rs. 3.83 lakhs for over 7 years without achieving any of the objects intended;
- (ii) increase in the estimated cost of the work by Rs. 2.76 lakhs due to subsequent revision of rates; and
- (iii) avoidable expenditure of Rs. 43,395 during 1962-63 to 1967-68 for putting up and dismantling temporary bunds for prevention of entry of salt water into the river. Besides a watchman was engaged for watching the bunds during cultivation seasons. The expenditure on his pay and allowances was Rs. 8,041 to end of July 1968.

The matter was reported to Government and the Chief Engineer in October 1967; their remarks are awaited (January 1969).

51. Opening a 'thodu' from Muvattupuzha river to Vadayarkari lands

The work of "opening a thodu from Muvattupuzha river to Vadayarkari lands" was taken up for execution in 1952 under the grow more food programme. The main objectives of the work were (i) cutting open a new 'thodu' from Muvattupuzha river to carry flood waters and silt to about 5,000 acres of kari lands for washing away the salinity and acidity of the lands and (ii) constructing a regulator at the off-take point to regulate the flood waters in the canal.

After spending Rs. 10,867, the site of the regulator was shifted 2,600 ft. downstream in 1953 as the original site was found to be unsuitable for foundation. The design of the regulator and the design of the shutters were also changed and the work was temporarily suspended (1957-58). The shutters ordered for in 1956 were received and erected only in 1962. The hoisting equipment costing Rs. 23,500 supplied by the Government Engineering Workshops in October, 1963 was found to be defective; the defects were rectified only in 1966.

Shifting of the regulator necessitated provision of protective works to the side bunds of the canal from the off-take point to the regulator (to prevent the fields on either side from being flooded). The protective works completed in June 1964 were damaged in July 1964 by flood. The damage was attributed to high velocity of water and scouring of the bed of the canal in the curved reaches. It was, however, observed that the actual flood level in July 1964 was lower (+95 ft.) than the maximum flood level (+98.50 ft.) for which the work was designed. The net approximate cost of the damage was assessed at Rs. 19,487.

The Chief Engineer observed (November 1965) that the work had been delayed too long and that there was no satisfactory explanation for such long delay. The District Collector, Kottayam, after inspecting the work (February 1966), observed that the expenditure on the work was of no benefit to anybody and expressed doubts about the scheme achieving its objectives. The entire outlay of Rs. 8.55 lakhs on the scheme to end of October 1968 (construction of the thodu—Rs. 4.91 lakhs; protective works—Rs. 2.53 lakhs and rectification of damages caused in floods and other items—Rs. 1.11 lakhs) remains largely unfruitful.

52. Non-utilisation of shutters due to change in design

The sanctioned estimate for the work "construction of a vented crossbar across the Kakkavayal Thodu" provided for screwgear shutters for the vent ways at a cost of Rs. 21,000. After placing the orders (May 1963) for the shutters (without ascertaining how much they were likely to cost) with the Malampuzha dam workshop, the Department found on receipt of detailed plan and estimate from the workshop (December 1963) that the shutters would cost Rs. 62,500. In an attempt to reduce the cost, the design of the shutters was changed (July 1964) to 'pin type'. Between December 1963 and July 1964 no action was taken to enquire of the workshop whether the work could be stayed. The change in design resulted in non-utilisation of 9 semifurnished shutters of heavy section for which Rs. 20,738 were paid to the workshop in March 1968. The workshop authorities maintained that these shutters could not be economically utilised on any other work.

The matter was reported to the Chief Engineer/Government in March 1968; their replies are awaited (January 1969).

53. Non-acceptance of favourable tender

Tenders for the work 'forming a service road and cross drainage works for the second mile of the conveyance main' (estimated cost: Rs. 1.52 lakhs) of the Trivandrum Water Supply Augmentation Scheme were invited in August 1965. Three tenders were received. The lowest tenderer, who had quoted an unworkable rate for one of the items, informed the Executive Engineer in September 1965 (after the tenders were opened) that his rate for that item was for labour only, even though the tender specification clearly indicated that cost of material, conveyance and labour were included in the item. The Executive Engineer, while sending the tenders to the Chief Engineer for acceptance, pointed

out that the second lowest tenderer, whose rates too were below the estimate rates, would now become the lowest tenderer. In accordance with the instructions issued (October 1965) by the office of the Chief Engineer, all the tenders were rejected and in January 1966 tenders were called for again after combining this work and a similar work in the third mile into a single estimate and the combined work was awarded to another contractor. The rates were, however, higher and above the estimated amount of the contract. On the estimated work required for the second mile, award of the contract at higher rates would result in extra expenditure of about Rs. 22,800 (computed with reference to the rates of the second lowest tender received in the first call). The work is in progress (June 1968).

The earnest money deposit (Rs. 3,750) of the lowest tenderer in the first tender call was paid in November 1965 even though, since he had backed out, the amount should have been forfeited under the rules.

The Chief Engineer stated (August 1967) as follows:—

“The setting aside of the tenders in August 1965, combining the works in the second and third miles into one estimate, and inviting of tenders of the combined works were all done as per directions of the Superintending Engineer (HQ) without getting the orders of the Chief Engineer. It was improper on his part to have taken such decisions. The Superintending Engineer has not recorded proper reasons for resorting to such procedure. He has not recorded reasons why the second lowest tenderer was not negotiated with and availed of his offer which too was clearly advantageous to Government or why the earnest money deposit of the lowest tenderer, who backed out, was not forfeited.”

The matter was reported to Government in December 1967; their reply is still awaited (January 1969).

54. Non-utilisation of buildings

Two cases of non-utilisation of buildings are mentioned in Appendix III page 108.

CHAPTER V

STORES AND STOCK ACCOUNTS

55(a). A synopsis of important Stores Accounts (other than those relating to commercial and quasi-commercial departments/undertakings, etc.) for the year 1967-68, is given below:—

Sl. no.	Name of Department	Opening balance on 1st April 1967	Receipts during 1967-68	Issues during 1967-68	Closing balance on 31st March 1968
<i>Finance Department</i>					
1.	Stamp Manufactory, Trivandrum	9.29	1,58.59	1,58.45	9.43
The closing balance includes uncurrent/damaged stamps worth Rs. 9.05 lakhs and "Shell papers" (costing Rs. 0.20 lakh) which became surplus from December 1966 when the Manufactory stopped printing of stamps.					
2.	Central Stamp Depot, Trivandrum and Stamp Depot, Ernakulam	7,85.60	7,93.58	6,39.63	9,39.55
The closing balance includes uncurrent/damaged stamps worth Rs. 23.73 lakhs and Rs. 34.40 lakhs respectively.					
<i>Home Department</i>					
3.	Jails				
	Maintenance Section	1.25	13.58	13.64	1.19
	Manufactory Section	6.66	23.44	22.48	7.62
4.	Police	37.20	27.40	43.70	20.90
<i>Health Department</i>					
5.	Public Health Engineering Department Stores	1,37.85*	1,23.44	59.27	2,02.02
Arrears in closing of half yearly registers of stock persisted in six out of ten Public Health divisions, of which the arrears were for more than two years in three divisions. The Public Health division, Trivandrum has not prepared 24 returns relating to the period September 1954 to March 1966 and the Public Health division, Ernakulam has not prepared 11 returns relating to the period September 1962 to September 1967.					
6.	Indigenous Medicines	2.39	16.46	15.80	3.05
The accounts do not include the stock transactions of one Ayurveda dispensary.					
7.	Ayurveda College, Trippunithura	0.04	0.47	0.44	0.07
<i>Agriculture Department</i>					
8.	Animal Husbandry	27.84	65.50	64.04	29.30

* The balances do not include the opening balances relating to the divisions in the areas transferred from the former Madras State on Reorganisation of States due to non-finalisation of their allocation between the successor States.

Sl. no.	Name of Department	Opening balance on 1st April 1967	Receipts during 1967-68	Issues during 1967-68	Closing balance on 31st March 1968
9.	Forest	3,21.70	6,52.69	5,44.07	4,30.32

(In lakhs of rupees)

The receipts during the year include cost of timber valued at Rs. 25.02 lakhs, omitted to be included in the stock accounts of the Development Circle, Trichur, for 1966-67.

A uniform standard for valuation of timber and other articles for purposes of stock accounts has not been prescribed.

Public Works Department

10.	Public Works	(—) 35.35*	2.98.94	2.99.73	(—) 36.14
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- (i) The minus balance is due to non-adjustment of debits relating to materials received under different sub-heads of stock.
- (ii) In the Buildings and Roads Divisions, Quilon and Kottayam, and Public Works Central Stores Division, Trivandrum, stock accounts are not maintained by sub-heads. The object of classifying and collecting the charges debited to stock by nature of expenditure as prescribed in the rules has not, therefore, been fulfilled.
- (iii) Arrears in closing of half yearly registers of stock persisted in 20 out of 22 Public Works divisions, of which the arrears were for more than two years in nine divisions. In the Buildings and Roads division, Kozhikode, the closing was in arrears from September 1961 and in the Buildings and Roads divisions, Trivandrum and Trichur, from September 1962.

Water and Power Department

11.	Irrigation	8.19*	97.10	82.38	22.91
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Arrears in closing of half yearly registers of stock persisted in 13 out of 24 Irrigation divisions, of which the arrears were for more than two years in six divisions.

Education Department

12.	Stationery stores	45.45	39.64	42.40	42.69
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(b) The stock accounts of the following departments could not be incorporated in the synopsis owing to the defects indicated against each.

1. *Agriculture Department*

In August 1963, Government ordered that the stock accounts from 1962-63 onwards should be prepared after adopting the physically verified balance on 1st April 1962 as the opening balance for 1962-63. This has not been done so

* The balances do not include the opening balances relating to the divisions in the areas transferred from the former Madras State on Reorganisation of States due to non-finalisation of their allocation between the successor States.

far (December 1968). The opening balance for 1967-68 (Rs. 3,77.77 lakhs) was not arrived at on the basis of physical verification of stock on 1st April 1967 nor did the opening balance agree with the closing balance shown in the stock accounts for the previous year (Rs. 3,76.56 lakhs).

2. *Revenue Department*

Revised stock accounts of opium and ganja from 1961-62 onwards, after rectifying the defects pointed out previously, have not been received from the Board of Revenue.

3. *Health Department*

The stock accounts of Government Medical Stores, Trivandrum, and District Medical Stores have not been received from the Director of Health Services.

The stock accounts of Ayurveda College, Trivandrum, received from the Principal could not be included as the accounts were defective. Revised stock accounts are awaited (January 1969).

4. *Education Department—*

Government Presses

The opening balance for 1967-68 was arrived at without rectifying defects pointed out in the stock accounts for 1966-67.

Value of publications held in stock was not included in the stock accounts.

There was a difference of about Rs. 34,000 between the closing balance for 1966-67 and the opening balance for 1967-68, in the stock accounts of Government Press, Shoranur.

56. Shortage of stores

Verification of the stores accounts of Buildings and Roads Division, Alleppey, conducted in January—August 1965 disclosed, besides issue of stores worth Rs. 2.88 lakhs for which accepted issue notes were not forthcoming, shortage of stores valued at Rs. 1.53 lakhs. The main lapses and irregularities indicated in the verification report are:—

- (i) large accumulation of controlled articles such as cement and steel rods in excess of requirements;
- (ii) inadequate supervision by the Divisional Officer;
- (iii) confused state of store accounts;
- (iv) physical verification not conducted for considerably long periods;
- (v) non-accounting of materials returned by contractors;

- (vi) non-observance of rules for recording measurement of materials received at the time of delivery by conveyance contractors; and
- (vii) improper maintenance of materials-at-site accounts for works.

Criminal proceedings instituted against the store-keeper were not successful.

Government stated in July 1967 that they had initiated disciplinary action against some of the officers whose acts of omission and commission had facilitated defalcation of the stores and that similar action against others was being pursued by the Chief Engineer. The matter has not been finalised so far (December 1968).

57. Purchase of pipes in excess of requirements

On the ground that pipes of the value of 60 per cent of the outlay on Plan schemes would be required for execution of water supply schemes during the third Five Year Plan period, bulk supplies of cast iron pipes costing Rs. 2.36 crores were ordered by the Chief Engineer in 1959-60, 1960-61 and 1962-63 at the rate contract rate of the Director General, Supplies and Disposals. While requesting sanction for the purchase it was indicated to Government that during the second Five Year Plan period work on some major water supply schemes had suffered due to non-availability of such pipes in time.

A major part of the supply received during 1960-67 has remained unutilised. The value of pipes which by March 1968 were in stock in various Divisions was Rs. 2.29 crores as indicated below:-

<i>Name of Division</i>	<i>Value of pipes (Rupees in lakhs)</i>
(i) Public Health Central Stores Division, Ernakulam	1,59.16
(ii) Public Health Augmentation Division, Trivandrum	66.00
(iii) Public Health Division, Alwaye	1.28
(iv) Public Health Division, Quilon	1.08
(v) Other Divisions	1.94
Total	2,29.46

Non-utilisation of pipes was explained by the Chief Engineer as due to non-execution of many of the water supply schemes owing to inadequate Plan allocation.

58. Unutilised buildings, machinery, equipment, stores, etc.

Certain cases of buildings, machinery, equipment, stores, etc. which have been lying unutilised for long are mentioned in Appendix III pages 108-110.

Department-wise analysis of these cases is as follows:—

<i>Sl. no.</i>	<i>Name of Department</i>	<i>Amount (In lakhs of rupees)</i>
1	Health	6.32
2	Development	1.06
3	Agriculture	7.85
4	Water and Power	5.07
5	Home	2.83
6	Labour and Social Welfare	0.95

CHAPTER VI

REVENUE RECEIPTS

59. Arrears in the collection of revenue

The total revenue collected and the arrears of revenue pending collection as at the end of each of the 5 years from 1963-64 to 1967-68 were as shown below:—

<i>Year</i>	<i>Total revenue collected</i>	<i>Arrears pending collection at the end of March</i>	<i>Percentage of arrears to total revenue</i>
	<i>(In crores of rupees)</i>		
1963-64	72·26	10·20	14·12
1964-65	80·88	10·37	12·82
1965-66	82·10	10·69	13·02
1966-67	1,08·69	11·64	10·71
1967-68	1,25·41	11·06(x)	8·82

The details of outstanding as on 31st March 1968 are indicated below:—

<i>Sl. no.</i>	<i>Source of revenue</i>	<i>Amount pending collection</i>	<i>Amount of arrears more than 10 years old</i>
		<i>(In lakhs of rupees)</i>	
1	Sales Tax	5,24·57	66·03
2	Taxes on income other than Corporation Tax (Agricultural Income Tax)	1,38·87	2·00
3	Forest	1,34·60	1·40
4	State Excise Duties	78·06	11·61
5	Public Health Engineering	52·72	00·17
6	Police	45·92	..
7	Taxes on Vehicles	43·27	5·96
8	Public Works (Irrigation)	13·02	1·84
9	Other sources of revenue	74·64	7·06
	Total	11,05·67(x)	96·07

(x) Does not include arrears relating to Land Revenue and Water Cess in respect of which statement is awaited from the Board of Revenue (L.R.). The arrears under these two sources of revenue as at the end of March 1967 amounted to Rs. 1,24·51 lakhs and Rs. 38·84 lakhs respectively.

60. Arrears in the recovery of audit fees and cost of departmental staff deputed to Co-operative Societies

Fees are recoverable from the Co-operative Societies in respect of the cost of audit conducted by the auditors of the Co-operative Department. Societies whose accounts are audited at their own expense by officer(s) deputed from the Co-operative Department are liable to pay the cost of staff so deputed.

As on 31st March 1968, the total amount of arrears of audit fees and the cost of departmental staff deputed for concurrent audit, recoverable from the societies, amounted to Rs. 9.04 lakhs as indicated below:—

<i>Year</i>	<i>Audit fees</i>	<i>Cost of departmental staff deputed for concurrent Audit</i>
<i>(In lakhs of rupees)</i>		
Upto 1964-65	0.53	1.29
1965-66	1.23	0.48
1966-67	1.46	0.39
1967-68	2.70	0.96
Total	5.92	3.12

The Registrar of Co-operative Societies stated (September 1968) that generally the Societies were reluctant to remit the dues and in certain cases the Societies were either defunct or dormant or were under liquidation. It was also stated that instructions had been issued to the Inspectors to speed up the collection, that the District Officers had been requested to make a special drive and that certain cases had been referred to the District Collectors for initiating Revenue Recovery Proceedings.

61. Loss of revenue on land leased out to Oil Companies

In April 1955 an area of 22,289 sq. ft. was leased out under Government orders (Public Works Department) to two oil companies for laying pipe lines from the Port oil jetty on the Ernakulam foreshore to the oil installations of the companies at Ernakulam. The lease rent fixed by Government was Rs. 6.25 per 100 sq. ft. per annum against a rate of Rs. 480 per 100 sq. ft. per annum fixed by the general orders issued by Government (Revenue Department) in May 1954 in respect of lands leased out for erection of petrol pumps. The lease deed was executed only in March 1967 but no attempt was made to revise the rate in spite of the fact that in the case of one of these companies and another oil company Government had fixed in August—September 1965 a rent of Rs. 480 per 100 sq. ft. per annum on lands leased out for laying pipe lines in certain other areas in Ernakulam. This is resulting in an annual recurring loss of revenue to the extent of Rs. 1.05 lakhs to Government.

The matter was reported to Government in September 1967; their reply is awaited (December 1968).

62. Writes off, waivers and remissions

Cases of writes off, waivers and remissions are mentioned in Appendix II page 107.

AUDIT OF RECEIPTS**SALES TAX****63. Sales Tax collections**

The sales tax collections during 1967-68 amounted to Rs. 26.28 crores constituting 43.59 per cent of the total receipts under the Principal Heads of Revenue. The figures for the past five years are given below:—

<i>Year</i>	<i>Amount of collection (In crores of rupees)</i>	<i>Percentage of sales tax to the total receipts under the principal heads of revenue</i>
1963-64	14.52	43.01
1964-65	15.99	39.96
1965-66	18.30	42.35
1966-67	22.78	45.17
1967-68	26.28	43.59

STATE SALES TAX ACT**64. Escape of taxable turnover due to wrong or excessive exemption**

In 94 cases, turnover of Rs. 43.89 lakhs escaped assessment of tax due to wrong or excessive exemption resulting in short collection of tax to the extent of Rs. 1,70,194. Following reassessment in these cases additional tax of Rs. 15,742 was collected (August 1968). Some of the more important cases are detailed below:—

- (i) In the case of 5 assesseees, the turnover of cashew kernels/cashew-nuts amounting to Rs. 26.03 lakhs for the assessment years 1958-59 and 1960-61, was erroneously exempted from assessment, in a Sales Tax Office, resulting in non-levy of sales tax of Rs. 1,05,437. These instances of exemption irregularly granted came to the notice of Audit during the audit of Sales Tax assessment cases finalised during 1965-66 and were brought to the notice of the Department in April 1967. The assessments in these cases could not, however, be revised by the Department as the revision was time-barred.
- (ii) In the case of four assesseees turnover amounting to Rs. 3.61 lakhs on cashew kernels in respect of the assessment year 1963-64 was exempted on the ground that the purchases had been made in the course of export. It was pointed out in April 1967 that the purchases had been made far in advance of export and that in the absence of conclusive evidence to prove that the purchases had in fact been made in the course of export, the exemption granted under

Article 286(1)(b) of the Constitution of India was not justified. The assessments were thereupon revised and an additional tax of Rs. 15,142 was demanded by the Department.

- (iii) The assessment records of an assessee disclosed large variation between his taxable purchase turnover and sales for the year 1964-65. On a re-examination of the assessee's accounts by the department as suggested by Audit in August 1967 it was found that purchase turnover of Rs. 3,53,781 had escaped assessment earlier. In March 1968, the assessment was revised and action initiated to realise an additional tax of Rs. 14,859 out of which Rs. 5,857 had been realised (September 1968).
- (iv) The turnover of Rs. 1,03,463 of an assessee dealing in rexine during the three years from 1963-64 to 1965-66 was exempted from assessment on the ground that rexine was an item falling under the third schedule to the Kerala General Sales Tax Act, 1963. It was pointed out to the department (November 1967) that this item was not specifically mentioned in the third schedule to the Act and that according to the clarification issued by the Board of Revenue in July 1965, rexine was taxable at 3 per cent multipoint. The assessments for the three years were subsequently revised and additional demand for Rs. 3,259 was raised (February 1968).
- (v) An assessee filed returns for 1965-66 showing the net turnover on tyre retreading materials (taxable at 7 per cent) as Rs. 18,50,901, after claiming exemption for Rs. 14,565 for goods returned. The Sales Tax Officer, however, determined the taxable turnover as Rs. 18,12,281. When the difference in turnover was pointed out to the Department in September 1967, the accounts of the assessee were re-examined and the escaped turnover was determined as Rs. 39,700. The additional tax of Rs. 2,918 was realised in November 1967.
- (vi) In a Sales Tax Office, it was noticed that the assessment records of a forest contractor for 1965-66 had not been produced and that the Sales Tax Officer had assessed the taxable turnover according to his best of judgment without making a reference to the Forest Department. As suggested in Audit (February 1968) the Sales Tax Officer obtained further information from the Forest Department with the result that an additional turnover of Rs. 1 lakh was assessed to tax in July 1968 resulting in an additional demand of tax of Rs. 2,835.
- (vii) Sale turnover on 'Aloe Fibre' amounting to Rs. 80,704 for 1964-65 and 1965-66, taxable at 3 per cent multipoint, was incorrectly exempted from assessment. On this being pointed out the assessments were later revised and additional demands of sales tax for Rs. 2,542 were raised by the Department in February 1968 out of which Rs. 622 was collected till the end of October 1968.

65. Short-assessment due to application of incorrect rate of tax

The turnover of an assessee in respect of sales of electrical machinery for the three years from 1963-64 to 1965-66 was seen to have been assessed to Sales Tax at 3 per cent instead of at the correct rate of 7 per cent fixed for the first point of sale of such goods. The assessments were revised in November 1967 and additional tax amounting to Rs. 3,417 was demanded.

In another 13 cases tax was short-levied to the extent of Rs. 5,034 due to application of incorrect rate of tax. Against this, Rs. 1,909 was realised till the end of August, 1968.

66. Failure to levy penalty for belated payment of tax

Under Section 23(3) of the Kerala General Sales Tax Act, 1963, penalty at 0.5 per cent of the tax payable is to be levied in cases where tax assessed is not paid within the prescribed time limit. In the case of an assessee, a penalty of Rs. 18,212 for defaults in payment of tax was not levied. On this being pointed out, penalty was imposed on the assessee in April 1968.

In 158 other cases penalty to the extent of Rs. 10,149 for belated payment of tax was not levied. Out of this a sum of Rs. 3,754 was realised till the end of August 1968.

67. Incorrect accounting of tax and arithmetical mistakes

Two individual remittances made by two assessees in May 1965 and June 1966 were erroneously credited twice in the accounts of a Sales Tax Office, resulting in the short levy of tax amounting to Rs. 2,599. In rectification of the mistake additional demand for the amount was raised by the Department (July 1968).

In the case of an assessee, sales tax of Rs. 2,100 was short levied during 1966-67 owing to an arithmetical error in computing the amount of tax at 2 per cent on a turnover of Rs. 2,30,588. When this was pointed out the assessment was revised and the additional tax collected (March 1968).

In another 28 cases, arithmetical mistakes and other omissions resulted in short levy of tax amounting to Rs. 6,979. Out of this Rs. 4,032 was collected till the end of August 1968.

68. Short-assessment due to revision of assessment

The accounts of an oilmiller showed a turnover of Rs. 1,25,585 for the assessment year 1960-61. The assessment was finalised in February 1962 determining the taxable turnover on copra, oil and cake as Rs. 3,75,585 after making an addition of Rs. 2,50,000 for suppressed turnover relating to copra. On the ground that the turnover in copra was non-taxable at the point of last purchase, the assessee preferred an appeal to the Kerala High Court which quashed the assessment order in June 1964. The Kerala Sales Tax (Levy and Validation) Act, 1965, enacted in September 1965, however, validated the levy, assessment or collection of tax on the purchase turnover of copra

from 1st April 1958. Without taking this into consideration, the Sales Tax Officer, in pursuance of the Court's order, revised the assessment in April 1966, omitting the addition of Rs. 2,50,000 made in the original assessment which resulted in short assessment of tax by Rs. 5,000.

The error was pointed out in March 1968. In September 1968, the original assessment of February 1962 was restored, cancelling the revision made by the Sales Tax Officer in April 1966.

69. Loss of revenue due to incorrect interpretation of Government orders

According to a Government Notification of March 1958 (effective upto 30th September 1963), tax payable on coconut oil and oil cake produced and sold by a miller was exempted to the extent of the amount in respect of which he is assessed to tax or is liable for assessment to tax on the purchase of any quantity of coconut or copra necessary for the production of an equivalent quantity of coconut oil and oil cake sold by him. Though the exemption contemplated was the deduction of tax on coconut or copra from the tax on oil and oil cake, the Board of Revenue instructed the Sales Tax Officers in February 1964, that the exemption was to be computed by deducting the turnover on coconut or copra from the turnover on oil and oil cake. This method of computation of exemption on the basis of turnover instead of on the basis of tax, did not result in any loss to Government so long as copra, oil and oil cake were taxed at the same rate (2 per cent). But after the rate of Sales Tax on oil and oil cake was enhanced to 3 per cent from 1st April 1963, this resulted in a loss of 1 per cent on the turnover on oil and oil cake; the total loss for the period from 1st April 1963 to 30th September 1963, in 149 cases covering 40 Sales Tax Offices amounted to about Rs. 1.95 lakhs.

The financial implications of the incorrect procedure by the Department were brought to the attention of Government in September 1966. It was, however, stated by Government (May 1967) that there was no need to issue any instructions to the Sales Tax Officers.

CENTRAL SALES TAX ACT

70. Underassessment due to incorrect application of rate of tax

According to Section 8(2) (b) of the Central Sales Tax Act, 1956, inter-state sale of goods without valid 'C' Form declaration is taxable at 10 per cent of the turnover or at the rate applicable to transactions inside the appropriate State, whichever is higher. Under the Kerala General Sales Tax Act, 1963, the rate of tax applicable to sale of liquor is 50 per cent of the turnover. In the case of an assessee, the inter-state sale of liquor carried out without 'C' Form declaration during the three years from 1963-64 to 1965-66, was, however, taxed at 10 per cent only instead of at 50 per cent of the turnover, resulting in an underassessment of tax of Rs. 17,403. Demand notices based on revised assessment were issued in June 1968, and the additional tax was collected in October 1968.

CHAPTER VII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

Section—I

GENERAL

71. This chapter deals with the audit of:—

- (i) Statutory Corporations/Boards;
- (ii) Government Companies;
- (iii) Departmentally managed Government Commercial Undertakings; and
- (iv) Investments and guarantees by the State Government.

Section—II

STATUTORY CORPORATIONS

72. There were 4 Statutory Corporations/Board under the administrative control of the State Government on 31st March 1968, viz.,

- (i) Kerala State Electricity Board,
- (ii) The Kerala Financial Corporation,
- (iii) Kerala State Warehousing Corporation, and
- (iv) Kerala State Road Transport Corporation.

A synoptic statement showing the summarised financial position of these Statutory Corporations/Board as disclosed in their latest available accounts is given in Annexure A—pages 74-75.

KERALA STATE ELECTRICITY BOARD

73. Introductory

The Board was constituted with effect from 31st March 1957 under Section 5 of the Electricity (Supply) Act, 1948. The Board has no share capital; funds required for the works, etc., are provided by Government in the form of loans.

74. Working results

The working results of the Board for the last three years are given below:—

Revenue receipts :	1965-66	1966-67	1967-68
		(In lakhs of rupees)	
1. Sale of electricity	6,49.89	7,57.11	8,61.37
2. Other receipts	56.89	1,04.48	80.28
Total	7,06.78	8,61.59	9,41.65

	1965-66	1966-67	1967-68
		(In lakhs of rupees)	
Less			
Total revenue expenditure	4,04.64	5,12.10	6,64.98
Net surplus	3,02.14	3,49.49	2,76.67
<i>Appropriation towards :</i>			
(a) General reserve	5.00	5.00	5.00
(b) Reserve for bad and doubtful debts	..	5.00	..
(c) Interest on bonds, loans from L.I.C. etc.	24.40	24.46	24.60
Total	29.40	34.46	29.60
Balance available towards interest on loans from Government	2,72.74	3,15.03	2,47.07
Interest due on loans from Government	3,49.49	4,44.45	5,16.76
Deficit for the year (towards interest due to Government)	76.75	1,29.42	2,69.69

The accumulated deficit upto the end of 1967-68 amounted to Rs. 7.07* crores.

A sum of Rs. 1.54 crores was paid to Government as interest on loans during 1967-68; the accumulated balance of interest payable to Government as on 31st March 1968 was Rs. 12.76* crores.

75. Return on capital

The return on capital invested which gradually increased from 2.93 per cent during 1962-63 to 3.54 per cent during 1966-67 declined to 2.47 per cent during 1967-68. The decline was attributed mainly to heavy payments of arrears of pay and allowances (about Rs. 84 lakhs) to the staff.

76. Review of Budget

The Board adopted the commercial system of accounting from October 1966, but the form in which the budget for 1967-68 was prepared has not undergone any change. There was thus little correlation between the budget estimates and the annual accounts.

There were wide variations between the budget estimates of the projects and actual expenditure thereon as indicated below; neither the actual expenditure had been reviewed monthly with reference to the budget provision nor the additional funds were provided by means of reappropriation or supplementary grant with the approval of the Board.

* The interest outstanding as at the end of March 1968 was Rs. 21.38 crores, (cf. para 113 of Chapter VIII) but as per the annual accounts of the Board it was only Rs. 19.83 crores (Rs. 12.76 crores plus Rs. 7.07 crores). The difference is mainly due to lower rates of interest assumed by the Board on certain Government loans availed of at the time of constitution of the Board and is under correspondence.

Year	Budget Estimate	Actuals	Variation	
			Amount	Percentage
(In lakhs of rupees)				
<i>Sholayar Hydro-Electric Project</i>				
1965-66	53.90	84.30	+30.40	56.40
1966-67	2.18	13.43	+11.25	516.51
1967-68	25.00	26.95	+1.95	7.80
<i>Sabarigiri Hydro-Electric Project</i>				
1965-66	9,68.91	11,91.14	+2,22.23	22.93
1966-67	5,78.53	6,82.93	+1,04.40	17.87
1967-68	1,50.00	18.18	-1,31.82	87.88
<i>Idikki Hydro-Electric Project</i>				
1965-66	85.82	2,45.92	+1,60.10	186.55
1966-67	3,07.67	3,11.89	+4.22	1.37
1967-68	8,60.00	6,57.40	-2,02.60	23.56
<i>Kuttiadi Hydro-Electric Project</i>				
1965-66	43.55	1,27.91	+84.36	193.70
1966-67	2,10.88	1,70.75	-40.13	19.03
1967-68	1,96.00	1,53.21	-42.79	21.83

77. Writes-off

During 1967-68 the Board wrote off a sum of Rs. 99,260 in 94 cases as detailed below:—

	No. of cases	Amount Rs.
Loss due to shortage in transit	6	10,059
Loss due to theft	15	20,059
Loss due to flood, lightning, accident and deterioration	4	18,420
Loss due to waiver of revenue	7	14,292
Special benefit advance disbursed to the staff in 1958-59	59	4,013
Loss due to other reasons	3	32,377
Total	94	99,260

78. Arrears of revenue

The arrears of electricity charges as on 31st March 1968 were Rs. 3.01 crores (after providing Rs. 9.99 lakhs for bad and doubtful debts) as against Rs. 2.92 crores on 31st March 1967 and Rs. 2.33 crores on 31st March 1966. These include electricity charges of Rs. 11.16 lakhs for dewatering operations for punja cultivation; of this, Rs. 1.01 lakhs relate to periods prior to the formation of the Board (1950-51 to 1956-57).

79. Outstanding objections

In the following cases expenditure was incurred on projects either in excess of the sanctioned estimate or without the sanction of the detailed estimates:—

Name of Project	Want of estimate	Excess over estimate	Other items such as want of payees' receipts etc.	Total	Total expenditure	Project estimate	Remarks
(In lakhs of rupees)							
Sabarigiri Hydro-electric Project (including Civil Branch Central Stores, Pallom)	9,93.4	1,90.1	2,19.4	14,02.9	23,39.1	43,00	The figures relate to the period ended 31-3-1967.
Kuttiadi Hydro-electric Project	63.1	33.5	17	1,13.6	7,59.1	7,36	The figures relate to the period ended 31-3-1968.
Idikki Hydro-electric Project	68.3	33.3	2,17	3,18.6	9,01.7	68,50	

80. Extra expenditure

(i) In January 1967 the Board sanctioned purchase of 250 Air Break Switches each from a Calcutta firm 'A' and a local firm 'B' at Rs. 410 each (F.O.R. Howrah) and Rs. 550 each (delivery at stores) respectively. The purchase orders were placed on the firms on 13th March 1967 and the supply of switches was completed on 13th September 1967 (by firm 'B') and 4th October 1967 (by firm 'A'). The entire purchase was not made from firm 'A' on the ground that the Board had no previous experience with this firm although the firm claimed that they had supplied switches to other Electricity Boards as well. The purchase of switches at the higher rate from firm 'B' resulted in an extra expenditure of Rs. 34,800 after taking into account freight charges.

The Chief Engineer (Electricity) stated (March 1968) that the Board's previous experiences with such unknown firms forbade them from taking a risk and that no references were generally made to other Boards in such cases.

(ii) The contract for clearance from the Railways, loading and unloading and transportation of the Board's goods for the year 1966-67 in respect of 2 out of 5 divisions of Idikki Hydro-Electric Project was awarded to a contractor in April 1966. The work was executed between July 1966 and March 1967; the value of work done by the contractor was Rs. 1,28,305 against the estimated amount of Rs. 14,529.

Computed with reference to the rates of the lowest tenderer for the above work of the project as a whole, the extra expenditure incurred in this contract amounted to Rs. 37,300 (approximately).

(iii) In October 1967, the Executive Engineers, Mavelikara and Quilon separately invited tenders for the supply of 2,000 teak wood poles to their respective divisions, the stipulated place of delivery in both the cases being treatment yard at Kundara. The lowest tender received in each division was accepted by the Superintending Engineer, Electrical Circle, Trivandrum in November 1967. The accepted rates for supply of poles of the same specification to the Electrical Division, Quilon were, however, higher than those for supply to the Electrical Division, Mavelikara by Rs. 11 per pole. No attempt was made by the Superintending Engineer before accepting the tenders to correlate the rates obtained in the 2 divisions and place the order to the best advantage of the Board. This resulted in an extra expenditure of Rs. 16,258 on 1,478 poles supplied till November 1968 in respect of the Electrical Division, Quilon.

(iv) The Chairman and the Accounts Member of the Kerala State Electricity Board were appointed for a period of 5 years from April 1962. The remuneration of the Chairman was fixed at Rs. 1,700 per mensem and that of the Accounts Member at Rs. 1,000 per mensem (in addition to his pension of Rs. 440 per mensem). The Chairman retired on 30th April 1967 and the Accounts Member retired on 15th June 1967. After their retirement, Government ordered in August 1967 the enhancement of their remuneration to Rs. 2,250 per mensem for the Chairman and Rs. 1,500 per mensem for the Accounts Member with retrospective effect from 1st January 1966. The additional expenditure incurred by the Board on this account was Rs. 17,550.

81. Concession to a private company

The agreement executed by the Board in March 1965 with a private company provided that revision of tariff rates from time to time shall be binding on the company and that the levy of the charge for energy consumed shall be at the revised rates. The Board revised the tariff with effect from 1st September 1965; accordingly, the company was to be charged at Rs. 220 per kva. year for 11 kv. supply. The Board, however, continued to charge the company at the old rate of Rs. 200 per kva. year from September 1965 to September 1967 on the ground that "this was a case of saving of a company potential consumer for the Board and the Board felt that the company genuinely believed that the tariff of 11 kv. supply was Rs. 200 per kva. year". This has resulted in a loss of revenue of Rs. 4 lakhs to the Board.

According to another agreement executed in May 1966 with the same company for the supply of power at 110 kv., the company was to be charged at the rate of Rs. 165 per kw. year. However, supply was made at 66 kv. with effect from 26th September 1967 and the company was charged at the same rate even though the prescribed tariff rate for supply at 66 kv. was Rs. 177 per kw. year. It was stated by the Board (December 1967) that it was considered reasonable that the company was given the benefit of 110 kv. tariff as they had already executed an agreement for supply of power at 110 kv. and because the company had already purchased necessary transformer and switch gear. The concession resulted in a loss of revenue of Rs. 37,700 upto 31st March 1968.

82. Supply of electricity at rates below the cost of generation and transmission

According to the Electricity (Supply) Act, 1948, the Electricity Boards should work on commercial principles and carry on their operations without incurring losses. The revenues earned each year by the Board since its inception on 1st April 1957 were, however, not adequate to meet the interest charges payable to Government on the loans availed of. As against Rs. 5.17 crores payable to Government as interest for 1967-68, the amount available for payment from Revenues was only Rs. 2.47 crores leaving a deficit of Rs. 2.70 crores for the year, which together with the accumulated deficit of Rs. 4.37 crores till the end of 1966-67 amounted to Rs. 7.07 crores. One of the contributing reasons for the inadequate revenue has been supply of electricity to industrial consumers at rates below the cost of generation and transmission/current tariff rates; few instances where the Board sustained losses on this account are given below:—

Sl. no.	Consumer and Voltage	Agreed rate	Current tariff rate		Year of termination of agreement	Loss sustained with reference to cost of generation and transmission *	
			(per kw. year)			Period	Amount
		Rs.	Rs.				(In lakhs of rupees)
1	Indian Aluminium Company Limited						
	I Block—66 KV	100 & 105	177	1975	1963-64 to 1967-68	51.02	
	II Block—66 KV	130	177	1975			
	III Block—110 KV	130	165	1990			
	IV Block—110 KV	130	165	1990			
2	Fertilisers and Chemicals (Travancore) Limited						
	I Block—66 KV	110	{ 177 177 165	1970	1964-65 to 1967-68	21.80	
	II Block—66 KV & 110 KV	140					
		140					
3	Cominco Binani Zinc 110 KV	145	165	1976	1966-67 to 1967-68	3.15	
4	Carborundum Universal Limited 66 KV	155	177	1975	1965-66 and 1967-68	0.12	
	Total						76.09**

The period of agreement in these cases is fairly long and the agreements do not contain an enabling clause for revision of rates when the general tariff is revised.

Government stated (May 1967) that the rates for supply of power were incorporated in the agreements as agreed to by them in the better interests of industrial development of the State.

*Cost of generation and transmission per kw. year was Rs. 117 during 1963-64; Rs. 150 during 1964-65; Rs. 162 during 1965-66; Rs. 154 during 1966-67 and Rs. 160 during 1967-68.

**The loss sustained during 1967-68 was Rs. 24.27 lakhs.

83. Loss of revenue

According to the agreements entered into by the Board (in August 1962 to May 1965) with certain H. T. consumers, the amount payable by the consumers for a month has to be worked out on the basis of the average of the maximum demand for the previous calendar months commencing from April or the average maximum demand chargeable for any previous month of the calendar year whichever is higher. In the Revenue Billing Unit, Calicut, consumers were, however, billed on the basis of the average maximum demand alone without considering the higher maximum demand chargeable during the previous months of the calendar year; this resulted in loss of revenue of Rs. 38,650 to the Board in eleven cases during 1967-68 and Rs. 7,150 in four other cases in the same Unit during 1965-66 and 1966-67. In turn, this also resulted in a loss of Rs. 9,160 as electricity duty due to Government.

The Chief Engineer (Electricity) stated (June 1968) that the procedure adopted by the Unit was in accordance with the revised procedure approved by the Board in March 1959 and that action was being taken to get the agreements suitably amended.

84. Payment without due verification of claim

Although the tender notification issued for the work of driving an access tunnel to the Power House of Idikki Hydro-Electric Project provided that the rate for the work should be inclusive of the cost of dewatering and drainage arrangements during the construction, an agreement was entered into in December 1965 providing for the payment of actual extra cost incurred on dewatering and drainage in case of "extra-ordinary" springs, if any, to the contractor. The contractor was required to bring to the notice of the Engineer concerned such cases and to furnish accurate information regarding the actual expenditure. The final decision regarding the nature of the springs met with and the admissibility of the claims was also to rest with the Engineer. The work was completed by the contractor on 30th July 1967.

A sum of Rs. 95,047 was paid to the contractor till March 1968 towards charges for dewatering. The payment was made on the basis of actual pumping charges met by him, without ascertaining whether the expenditure claimed actually related to dewatering in respect of "extra-ordinary" springs.

The Chief Engineer (Civil) stated (February 1968) that no demarcation between "ordinary" and "extra-ordinary" springs could be made and that the payment was made on the basis of the decision taken in a discussion held in September 1966.

85. Retention of surplus staff

On the completion of Sabarigiri Hydro-electric Project (commissioned in November 1967), 47 work establishment employees and 151 nominal muster roll/casual labourers were found surplus from 1st July 1967. Between April 1967 and March 1968 eleven more work establishment staff were also found surplus.

In July 1967, the Superintending Engineer (Civil), Sabarigiri Circle, requested the Chief Engineer (Civil) to divert and utilise the surplus staff elsewhere. Upto May 1968, out of a total surplus staff of 209, only 24 work establishment staff had been transferred. The payment made to the surplus staff till the end of February 1968, amounted to Rs. 3,32,680.

The Chief Engineer (Civil) stated (May 1968) that the possibility of diverting the surplus staff elsewhere was under active consideration and that in the prevailing circumstances the expenditure on the surplus staff was inevitable and would continue to be so till they were absorbed in the electrical wing or in other projects. It was, however, noticed that 1,255 nominal muster roll workers were recruited afresh in five electrical divisions between January 1968 and October 1968.

86. Overtime wages to executive employees

According to the terms of settlement agreed upon (10th December 1966) between the Board and the Executive employees, the Executive employees working on holidays (other than national and festival holidays) are to be given compensatory holidays within 14 days of such work, failing which wages at double the ordinary rates are payable to them. The Board reiterated in November 1967 that the employees are eligible only for compensatory holidays within 14 days and the question of paying them double wages should not normally arise.

Many of the Executive Engineers, however, allowed payment of wages at double the ordinary rates to the employees as a matter of course, instead of granting them compensatory holidays. The overtime wages so paid in some of the Electrical Divisions of the Board amounted to Rs. 15.81 lakhs as indicated below:—

<i>Name of the Electrical Division</i>	<i>Period</i>	<i>Amount paid (In lakhs of rupees)</i>
Pallom	December 1966 to October 1968	2.30
Trichur	December 1966 to June 1968	1.17
Kozhikode	January 1968 to June 1968	0.59*
Palghat	December 1966 to June 1968	1.11
Cannanore	December 1966 to June 1968	0.61
Ernakulam	December 1966 to June 1968	1.45
Trivandrum	December 1966 to July 1968	4.47
Quilon	December 1966 to June 1968	1.87
Mavelikara	December 1966 to June 1968	2.24

Information regarding such payments made in other Divisions is awaited (January 1969).

* Details regarding the amount paid during the period from December 1966 to December 1967 are stated to be not available with the Division.

87. Idle tools and plant

As on 31st March 1968, 899 items of tools and plant worth about Rs. 50.60 lakhs were lying idle in the various Project Divisions for periods ranging between one and eleven years. The details are given below:—

	Over 1 year		Over 3 years	
	No. of items	Cost (In lakhs of rupees)	No. of items out of items shown in column 1	Cost (In lakhs of rupees)
A. Tools and Plant in working condition	588	20.85*	96**	2.29**
B. Tools and Plant which could be put to use after minor repairs	246	26.72	58	7.60
C. Tools and Plant which require major repairs	65	3.03	57	2.80
Total	899	50.60	211	12.69

88. Excess/surplus and dead stock

The value of stock held on 31st March 1968 in 14 Civil and Electrical divisions of the Board was Rs. 2,39.49 lakhs as against the sanctioned stock limit of Rs. 1,59.00 lakhs in these divisions. In the Kulamavu Dam Division and Electrical Division, Kozhikode the value of stock held (Rs. 45.59 lakhs) was more than double the stock limit fixed (Rs. 21 lakhs). In the Idikki Power Tunnel Division No. II (store functioning with effect from 1st June 1965) the stock limit has not yet been fixed, though materials worth Rs. 11.59 lakhs were held in stock on 31st March 1968. The stock balance in the divisions includes surplus and dead stock items valued at Rs. 10.41 lakhs held by 14 divisions on 31st March 1968 without any issue for the past three years.

Details of stock limits fixed, actual stock holding and the extent of idle stock are awaited from 6 divisions out of a total number of 35 divisions (November 1968).

89. Shortages

The physical verification conducted in October 1955 revealed shortages of tools and plant including drilling machines, pump sets, etc., valuing Rs. 2.46 lakhs procured for the Poringalkuthu Hydro-electric Project (completed in 1960). The survey report of the shortages prepared in September 1960 was, however, submitted to the Board for write-off only in October 1967. In December 1967, the Board issued instructions for conducting investigation to ascertain the reasons for the shortages and for the abnormal delay in submitting the survey report and also to fix responsibility for the shortages. The report of the investigating officer

*Excludes 50 items (cost not known) remaining unutilised for periods ranging from 1 to 6 years.

**Does not include 6 items costing Rs. 0.31 lakh, as the period for which they were remaining idle has not been intimated.

which was required to be submitted by the end of February 1968 has not yet been submitted to the Board (December 1968).

The Board stated (September 1968) that the investigation had not been finally completed by the investigating officer due to the difficulties experienced by him in getting the records of the erstwhile Sholayar and Poringalkuthu Divisions.

90. Defective/Damaged Transformers

As at the end of October 1968, 945 defective/damaged transformers of various capacities valuing Rs. 12.75 lakhs were lying idle in the Board's Transformer Workshop at Pallom, awaiting repairs; of these, 347 transformers valuing Rs. 4.68 lakhs had been lying in the workshop for more than five years. The transformers have not even been subjected to a preliminary inspection to assess the extent of repairs required; this was attributed (December 1967) to the heavy accumulation of faulty units, large number of incoming faulty units and inadequate facilities in the workshop for attending to repairs and inspection of faulty units simultaneously. (The repairing capacity of the workshop is only about 8—10 transformers a month). The approximate loss of interest upto the end of October 1967 on the funds locked up in these defective/damaged transformers amounted to Rs. 78,500.

While the above transformers were awaiting repairs, the Board purchased during 1967-68, 791 new transformers at a cost of Rs. 53.02 lakhs, out of which 738 transformers valuing Rs. 47.67 lakhs were brought into use upto end of January 1969; 53 transformers valuing Rs. 5.35 lakhs are still awaiting installation/commissioning (February 1969).

KERALA STATE ROAD TRANSPORT CORPORATION

91. Introductory

The Corporation, established on 15th March 1965, has two sections viz., Road Transport and Water Transport Sections.

The working of the Road Transport Section for the year 1967-68 showed a net loss of Rs. 4.10 lakhs after providing Rs. 0.20 lakh for development rebate as against a net profit of Rs. 24.80 lakhs during the previous year after providing Rs. 36 lakhs for Income Tax and Rs. 0.34 lakh for development rebate. The revenue per km. during 1967-68 was 113.21 paise as against the expenditure of 113.71 paise, the resulting loss being 0.5 paise per km. The loss during the year was mainly due to the payment of surcharge on motor vehicles tax from 1st July 1967 (Rs. 38 lakhs), increased tyre consumption (Rs. 38 lakhs) and increase in establishment expenditure on account of surrendered leave, higher rate of dearness allowance, over-time allowance and bonus (Rs. 19.5 lakhs).

The working of Water Transport Section during 1967-68 also resulted in a net loss of Rs. 3.16 lakhs as against the loss of Rs. 0.68 lakh incurred

in the previous year. The loss during the year was mainly due to increased expenditure on establishment and stores.

92. Contract for the supply of high speed diesel oil

In June 1967 the Corporation entered into a rate contract with a company for the supply of high speed diesel oil for a period of three years from 1st April 1967. In terms of the contract, a rebate of Rs. 5 per kilolitre was allowed by the company to the Corporation, but in respect of the supplies made to two other State Road Transport Corporations the rebate allowed by the company was Rs. 12 per kilolitre. The failure of the Corporation to obtain the higher rebate which was being allowed by the company to other Government Transport Corporations thus resulted in an extra expenditure of Rs. 1.35 lakhs on 19,276 kilolitres of high speed diesel oil purchased during 1967-68 alone.

93. Transportation of mails

According to the existing arrangements with the Posts and Telegraphs Department, the Corporation recovers the charges for transporting mail on the basis of weight alone without taking into account the bulk of the mail and its bearing on the actual number of seats displaced. Computed with reference to the seats actually displaced, the loss of revenue during 1967-68 in four district offices alone was about Rs. 1.34 lakhs.

It was also noticed that the Corporation realised only 5 paise per mile for carrying mail weighing 70 kg. as against 8.4 paise and 11.2 paise respectively realised by two other State Road Transport Corporations.

94. Consumption of tyres

In July 1966, the Corporation fixed certain norms for the performance of tyres in terms of distance run. The performance of 12,466 tyres withdrawn from service during the year 1967-68 revealed that the standards fixed were not achieved and on the basis of actual performance there was an excess consumption of 2,230 tyres worth about Rs. 15.25 lakhs.

95. Vehicle tax

According to the Kerala Motor Vehicles Taxation Act, 1963, the Corporation has to pay taxes on vehicles used for transporting passengers at the rate of Rs. 35 for every seated passenger per quarter for vehicles permitted to cover upto 200 km. a day and at the rate of Rs. 40 for vehicles permitted to cover more than 200 km. a day. Though 46 vehicles were operated for only less than 200 km. a day during the year 1967-68, the tax was paid at the higher rate of Rs. 40 resulting in an excess payment of about Rs. 67,600. The Corporation could not take advantage of the lower rate of tax permissible for operating buses less than 200 km. a day due to rotation of schedules and buses in each month to different routes.

96. Surplus stores

2,287 items of spare parts valued at Rs. 12.14 lakhs were lying unutilised for the last 2 to 12 years (September 1968). Some of the spares (894 items—value: Rs. 2.91 lakhs) relate to vehicles which are no longer in operation.

97. Objections pending clearance

Of the 533 objections with a money value of Rs. 16.50 lakhs relating to 1961-65 awaiting clearance in September, 1966, 188 objections involving Rs. 3.05 lakhs are still outstanding (January 1969).

Section—III

GOVERNMENT COMPANIES

98. The number of Government Companies at the end of March 1968 was 22, 12 wholly owned by the State Government and 10 partly owned.

Wholly owned Government Companies.—The investment in the 12 fully owned Government Companies as at the end of March 1968, was Rs. 11.50 crores. Four companies (with a paid up capital of Rs. 4.97 crores) earned a profit of Rs. 19.51 lakhs and eight other companies (with a paid up capital of Rs. 6.53 crores) suffered a loss of Rs. 62.42 lakhs (vide Annexure B—Pages 76-79).

Partly owned Government Companies.—The two new companies added to this category during the year under review are (i) Transformers and Electricals Kerala Limited and (ii) United Electrical Industries Limited. Kerala Water Transport Corporation in which Government's investment amounted to Rs. 18.61 lakhs went into liquidation on 20th March 1965. There were no trading activities in Packaging Paper Corporation Limited and Kerala Spinners Limited, during their last accounting year. Of the remaining 7 companies, 3 companies with a paid up capital of Rs. 1.29 crores earned profits amounting to Rs. 58.54 lakhs and 4 companies with a paid up capital of Rs. 4.31 crores incurred a loss of Rs. 22.08 lakhs.

A statement showing the summarised financial results of the companies as disclosed in their latest available accounts, is given in Annexure B—pages 76-79.

KERALA STATE SMALL INDUSTRIES CORPORATION LIMITED

99. (i) *Introductory.*—The Corporation was incorporated as a fully owned Government Company on 21st July 1961, with an authorised capital of Rs. 50 lakhs. The paid up capital of the company as on 31st March 1968 was Rs. 49 lakhs.

The main activities of the company are:

- (a) construction and management of industrial estates as agent of the State Government,

- (b) purchase and distribution of raw materials to small scale industrial units,
- (c) sale of machinery to small scale industrial units on hire purchase, and
- (d) management of the concerns taken over from the Government.

The company took over (between January 1963 and January 1964) six Government concerns for running them as its production units. Except in two of the units, the valuation of the assets taken over has not been completed. The purchase consideration was assessed provisionally at Rs. 17.66 lakhs and the amount was treated as loan from Government repayable in ten instalments. The loan carries interest at rates varying from 4½ per cent to 5½ per cent. The liability on this account as on 31st March 1968 stood at Rs. 15.67 lakhs.

Besides, the company availed of a cash credit accommodation from the State Bank of India, for a maximum limit of Rs. 4 lakhs against hypothecation of raw materials and guarantee from State Government. The balance outstanding on this account as on 31st March 1968, was Rs. 3 lakhs. The company also obtained a loan of Rs. 12 lakhs in November 1965 (repayable in seven annual instalments with interest at 6½% per annum) for the purchase and distribution of machinery to small scale industrial units on hire purchase system. The liability on this account as at the end of March 1968, amounted to Rs. 8.63 lakhs.

(ii) *Working results.*—The working of the company during the year under review resulted in a net loss of Rs. 28,779 as against Rs. 17,168 during 1966-67. Some of the units of the company viz., (i) Tile Factory, Amaravila, (ii) Straw Board Factory, Parumala, and (iii) Service Workshop, Ollur have been working at a loss ever since their inception; the losses sustained by these units during 1967-68 are mainly due to the following:—

- (a) *Tile Factory, Amaravila.*—The actual production in the factory was much less than the installed capacity. There was also excess consumption of fuel in the unit. The factory remained closed for 4 months in 1967-68 due to break down of the pug-mill.
- (b) *Straw Board Factory, Parumala.*—(1) Under-utilisation of the plant, (2) heavy accumulation of finished stock on account of rejections due to manufacturing defect and (3) abnormal increase in the cost of production.
- (c) *Service Workshop, Ollur.*—Lack of orders for services.

(iii) *Other topics of interest:*—

- (a) *Uneconomic investment in a company.*—In February 1965 the company invested Rs. 1 lakh in 6½ per cent cumulative redeemable preference shares of a private limited company engaged in the manufacture of rubberised fibre. Though the project report of the private company envisaged an annual profit of Rs. 5.5 lakhs, the working

during 1966 and 1967 resulted in losses aggregating Rs. 2.28 lakhs; the investment has not yielded any returns so far (August 1968).

- (b) *Management of industrial estates.*—The company took over the management of the industrial estates from Government with effect from 1st July 1962. Even after a lapse of six years, the remuneration payable to the company has not been settled.

(iv) *General.*—The accounting manual for the guidance of staff has not been prepared (October 1968); cost accounting has also not been introduced. Though an internal audit section has been functioning from February 1964, the transactions of the raw materials section, construction wing, hire purchase section, industrial estate and head office covering a major portion of the activities of the company have not been subjected to internal audit (October 1968).

The stock records kept in the units have not been properly maintained; there is no system by which the closing work-in-progress could be ascertained. Physical verification of the stocks and stores has not also been conducted periodically (October 1968).

100. Loss in the purchase of defective/damaged sheets.

The Board of Directors of the company authorised the Managing Director in August 1962, to collect an advance from the allottees of raw materials at a rate not exceeding 10 per cent of the cost of the quantity allotted to them. In June 1965, the company purchased 131.590 tonnes of defective/damaged iron sheets at a cost of Rs. 1,09,627 to meet the requirements of Small Scale Industrial Units without obtaining firm commitments backed by advances upto 10 per cent of cost. 17.540 tonnes of iron sheets could only be sold by the company for Rs. 15,347 till the end of March 1966. The iron sheets were then cut into smaller pieces incurring an additional expenditure of Rs. 7,884 to enable the units requiring smaller quantities to buy them. Even then the company could not sell any more iron sheets. The balance quantity of 113.674 tonnes of sheets (excluding shortage of 0.376 tonne) valuing Rs. 1,03,460 (including charges for cutting, rent, transportation, etc.) was thereafter sold by October 1967 for Rs. 58,355 only. The failure of the company to obtain firm commitments backed by 10 per cent of the cost as advances from the Small Scale Industrial Units before going in for purchase thus resulted in a loss of Rs. 45,105.

Government stated (August 1968) that no advance was obtained by the Corporation as it was not the practice to demand advances from the Units for items of iron and steel that were controlled/scarce.

THE KERALA CERAMICS LIMITED

101. Unsatisfactory inventory control

The Committee on Public Undertakings (Third Lok Sabha) in their 20th Report of March 1966 observed that a haphazard system appeared to have

been followed in regard to materials management with the result that raw materials fell short, there were excessive stock of stores and ordering was not done according to needs but on an *ad hoc* basis. The Committee recommended that the company should obtain the advice of an expert and introduce a system of inventory control in all the 3 units at an early date. This has not been done so far (January 1969).

As on 31st March 1967, stores and spares valued at Rs. 7.06 lakhs which represented about 19 months' requirements of the company were held in stock. Spares, instruments and colours worth Rs. 1.02 lakhs remained unused ever since the year 1962. These continued to remain in stock as on 31st January 1969.

KERALA TOURIST AND HANDICRAFTS CORPORATION (PRIVATE) LIMITED

102. Idle boats

The Corporation, which is a fully owned Government company, took over from the Tourist Department on 1st April 1966, the Aranyanivas Hotel, Thekkady together with 7 motor boats attached to the Hotel. Four of these boats valued at Rs. 33,536 were already lying idle due to engine trouble and another boat valued at Rs. 8,849 went out of order within 2 months.

The Corporation stated (July 1967) that the hulls of all the 5 boats had deteriorated considerably and that the hulls and 3 of the engines were beyond economic repair; these are still lying idle (June, 1968).

TRAVANCORE TITANIUM PRODUCTS LIMITED

103. (i) *Introductory*.—The company was incorporated in November 1946 with an authorised capital of Rs. 5,00 lakhs. The paid up capital of the company stood at Rs. 93.25 lakhs as on 31st December 1967, of which the State Government held 63.87 per cent. The company is the sole producer of titanium dioxide in India, the principal raw materials being ilmenite and sulphuric acid.

(ii) *Working results*.—The working results of the company for the last three years are given below:—

Year	Rated capacity (Tonnes)	Production (Tonnes)	Percentage of production to rated capacity	Sales (Tonnes)	Profit before taxation (In lakhs of rupees)
1965	5,400	4,776	88.44	4,453	23.43
1966	5,400	4,017	74.39	4,229	24.94
1967	5,400	3,370	62.40	3,467	33.68

The shortfall in production during the year 1967 was mainly due to the shortage of sulphur and labour strike and consequent lock out in the factory in July 1967.

The cost of production per tonne increased from Rs. 2,354 in 1966 to Rs. 3,244 in 1967; this was attributed to increase in price of major raw materials (sulphur and ilmenite) on the one hand and low production on the other. The profit during the year 1967, however, showed an increase mainly due to the enhancement of selling price.

As the production from the two sulphuric acid plants with a total installed capacity of 36,000 tonnes per annum was only 11,387 tonnes during the year, the company had to purchase 879 tonnes of sulphuric acid from another company against supply of sulphur by incurring an additional expenditure of Rs. 1.36 lakhs towards processing and transport charges.

(iii) *Expansion scheme.*—(a) Against the rated capacity of 18 tonnes per day the average production per day during the year was about 15 tonnes only.

A licence for increasing the production capacity for an additional 50 tonnes per day was obtained from the Government of India in 1961. The expansion scheme, which is estimated to cost Rs. 6.25 lakhs, has not yet been completed though nearly 7 years have elapsed. The company incurred an expenditure of Rs. 27.49 lakhs to end of December 1967 on the expansion scheme; of this, fixed assets costing Rs. 22.94 lakhs on the Rutile Plant (Rs. 16.64 lakhs), building at Cochin (Rs. 1.31 lakhs), Railway siding (Rs. 1.88 lakhs), Waste Acid Recovery plant (Rs. 1.44 lakhs) and the Pilot plant for Titanium Tetrachloride (Rs. 1.67 lakhs) have been put to partial use pending completion of the entire expansion scheme. In addition, the company is incurring a recurring annual expenditure of about Rs. 20,000 (including depreciation) on maintenance of the railway siding and Rs. 50,000 on technical staff engaged from 1962 onwards for the expansion programme.

(b) *Waste Acid Recovery Plant.*—The pilot plant for the utilisation of waste liquor (constructed at a cost of Rs. 1.44 lakhs) was commissioned in July 1966. The plant worked for 55 days in 1966 and 150 days in 1967 and produced 0.37 tonne and 4.77 tonnes of Ammonium Sulphate respectively. It was stated in 1967 that if a full scale plant was erected and operated it would be possible to produce 48 tonnes of Ammonium Sulphate and 6 tonnes of Ferric oxide daily from the waste liquor available.

(c) *Unused godown.*—In August 1961, the company took on a 10 year lease 46 cents of land from the Cochin Port Trust on an annual rent of Rs. 1,327 with a view to providing suitable storage space at Cochin for stocking titanium dioxide. The godown constructed in March 1965 at a cost of Rs. 1.37 lakhs was not, however, used since the titanium dioxide was being sent by rail instead of by steamer as contemplated at the time of construction of godown. The godown was let out to the Kerala State Electricity Board in July 1965 on

an annual rent of Rs. 8,172 against an actual expenditure of Rs. 16,714 per annum on lease rent including rates and taxes and interest on capital. The total loss till the end of June 1968 suffered by the company amounted to Rs. 25,626.

The company stated (August 1968) that they proposed to utilise the building themselves on completion of the expansion scheme.

(iv) *Other topics of interest* : (a) *Excess consumption of sulphur*.—As against 0.358 tonne of sulphur required for manufacturing one tonne of sulphuric acid (as worked out on the basis of actual quantities issued in September 1967), the consumption ratio for the full year was 0.377. The value of 216 tonnes of sulphur consumed in excess of the requirement worked out to Rs. 1.43 lakhs.

(b) *Loss in running staff canteen*.—During the year 1967 the company incurred a loss of Rs. 1,23,556 (exclusive of charges on account of electricity, wages and salaries of cooks and bearers, depreciation on building, furniture and utensils, etc.) in running the canteen. The Board of Directors observed (April 1967) that suitable action should be taken for running the canteen on a 'no loss—no profit' basis, by correlating the price of canteen supplies to cost.

TRAVANCORE COCHIN CHEMICALS LIMITED

104. Infructuous expenditure

The services of a water and mineral radiesthetist were obtained by the company in May 1959, for prospecting water in the factory/colony premises. After having accepted his recommendations, the work of sinking a tube well was entrusted to the Public Health Engineering Department in October 1959. The work was abandoned by the Department in May 1960, due to the failure of their equipment. In April 1964 (i.e., after a lapse of four years) a private agency was employed by the company to sink tube wells at two other sites located by the expert; the work at these sites was also abandoned in August 1964, as the water obtained was unfit for use. The company having made alternate arrangements to meet its requirement of water from a neighbouring company, the entire expenditure (as shown below) incurred on the tube wells proved infructuous.

	Rs.
Fees paid to radiesthetist	4,734
Advance paid to Public Health Engineering Department	5,360
Amount paid to private agency for work done	19,205
Amount paid for supply of sundry materials and labour as per contract	25,191
Total	54,490

It was stated by the company (July 1968) that their requirements of water had gone up considerably on account of expansion. As the Fertilisers and Chemicals (Travancore) Ltd., expressed their inability to meet the additional requirements of water, the company thought of digging the wells.

105. Avoidable expenditure

During the period 1966-68, the company purchased 1,778.310 tonnes of sulphur dioxide from a neighbouring supplier who charged higher rate for supply of sulphur dioxide in his own cylinders than that for supply in the customer's cylinders. Out of 1,778.310 tonnes, 556.420 tonnes of sulphur dioxide were obtained by the company in the supplier's cylinders even though it was having 27 cylinders for the procurement of sulphur dioxide, against its daily requirement for 4 to 7 only. This resulted in an extra expenditure of about Rs. 58,100.

The company stated (June 1968) that it was not always possible or feasible to pick up their own cylinders from a large number of cylinders lying near the plant and that they would have incurred a production loss if they had insisted on the supply of sulphur dioxide in their own cylinders.

Section IV

GOVERNMENT DEPARTMENTAL COMMERCIAL UNDERTAKINGS

106. On 31st March 1968, there were three Departmental Commercial Undertakings in the State. One of these viz., Model Coir Factory, Beypore, had not started functioning till the end of March 1968. The Bleaching and Calendering Plant, Pappanamcode, had not prepared *pro forma* accounts.

The statement given as Annexure C (pages 80-81) shows the available particulars in respect of these departmental undertakings.

TEXT BOOKS OFFICE, TRIVANDRUM

107. (i) *Introductory*.—The Text Books Office, Trivandrum, a commercial undertaking, is functioning under the administrative control of the Director of Public Instruction. The text books required by schools in the State are printed and distributed through three Central Stores at Trivandrum, Ernakulam and Shoranur with 24 depots in different parts of the State.

(ii) *Working results.*—The working results of the Department for the last three years are indicated below:—

<i>Year</i>	<i>Turnover</i>	<i>Net Profit</i>	<i>Percentage of net profit to turnover</i>
	<i>(In lakhs of rupees)</i>		
1965-66	51.31	16.24	31.65
1966-67	65.69	24.90	37.90
1967-68	52.47	16.87	32.15

The shortfall in the turnover during 1967-68 was attributed to continued re-prescription of several text books and consequent reduction in sales.

(iii) *Physical verification of stock.*—The stock of paper (valued at Rs. 8.48 lakhs as on 31st March 1968) in the Central Stores godown at Vallakadavu has not been physically verified (December 1968).

(iv) *Accounting Manual.*—The draft accounting manual prepared in 1964 is yet to be approved by Government (August 1968).

(v) *Other topics of interest:* (a) *Production of Hand Books.*—The State Institute of Education decided (February 1965) to introduce Teachers' Hand Book for English Reader in Standards III and IV from the academic year 1965-66. Government accorded sanction for printing 25,000 copies each of parts I and II of the Hand Book for English Reader of Standard III in May 1965, and those of Standard IV in December 1965. However, 40,000 copies each of Parts I and II of the Hand Books for standards III and IV were printed by the Text Books Office at a total cost of Rs. 63,778. As on 31st March 1968, there were 40,433 (50% of the books printed) and 42,480 (53% of the books printed) copies respectively in stock (value being Rs. 33,364). The poor sale of books was attributed to non-purchase of books by many teachers for whom these books were intended.

(b) *Printing of books.*—Two books prescribed for the year 1963-64 were re-prescribed for 1964-65 and 1965-66. Defective estimation of demand for these books resulted in the printing of books in excess of actual requirement. The closing stock of these books at the end of 1965-66 was 31,736 and 29,661 nos. respectively. As new books were prescribed for the academic year 1966-67, the stock at the close of 1965-66 became obsolete resulting in a loss of Rs. 20,975.

(vi) The *pro forma* accounts of the Text Books Office for the year ended 31st March 1968 are given in Annexure D, pages 82-83.

Section V

INVESTMENTS AND GUARANTEES BY THE STATE GOVERNMENT

108. Investments of Government

The following table indicates the extent of Government's investments in Statutory Corporations, Government Companies, Joint Stock Companies, Co-operative Societies and debentures and bonds and the returns therefrom:—

	Investments to end of 1967-68		Dividend/Interest received in 1967-68	
	Number of concerns	Amount	Amount	Percentage
	<i>(In lakhs of rupees)</i>			
Statutory Corporations	2	82.82	1.59	1.92
Government Companies	26	19,43.00	1.35	0.07
Joint Stock Companies	44	2,88.78	11.39	3.94
Co-operative Societies	..	2,21.06	..	..
Debentures and Bonds	..	77.78	3.00	4.12
Total		26,13.44*	17.33	0.66

The following concerns in which a sum of Rs. 44.23 lakhs has been invested are under liquidation:—

<i>Name of Concern</i>	<i>Amount of investment (In lakhs of rupees)</i>
Kerala Cycles (Private) Limited	1.17
Kerala Water Transport Corporation	18.61
West Coast Fisheries (Travancore) Limited	0.50
Travancore Minerals (Private) Limited	22.50
Travancore Enamel Industries Limited	0.20
Central Banking Corporation of Travancore Limited	1.25
Total	44.23

* This does not include a sum of Rs. 1,69.26 lakhs booked in the accounts under '96. Capital Outlay on Industrial Development-E. Other Miscellaneous Undertakings-3 share contributions to Banks, Trading and Warehousing Corporations and Marketing Societies, etc. for which the details are awaited from Government. The total investment of Government thus stood at Rs. 27,82.70 lakhs at the end of 1967-68.

Out of 44 Joint Stock Companies in which Government had made investments, dividends amounting to Rs. 11.39 lakhs were received from 26 concerns (Investment: Rs. 1,67.63 lakhs). No dividends were received during the year in respect of the remaining 18 concerns in which Government had invested Rs. 1,21.15 lakhs. No dividends were received by Government for over 10 years in respect of 4 concerns in which Government had invested Rs. 8.01 lakhs.

Though Rs. 2,21.06 lakhs had been invested in the shares of several types of Co-operative Banks and Societies, no dividends were received during the year from these investments. A co-operative spinning mill in which Government had invested Rs. 14.03 lakhs was working at a loss since May 1964 (accumulated loss on 30th June 1967: Rs. 6.07 lakhs).

The details of the investments of Government are given in Statement no. 14 of the Finance Accounts, 1967-68.

109. Loss on investments in Kerala Water Transport Corporation Limited

The Kerala Water Transport Corporation, a Government Company in which 64 per cent of the paid up share capital was held by Government, was working at a loss ever since its inception in April 1958. The investment of Government in the share capital of the company was Rs. 18.61 lakhs. A loan of Rs. 7.5 lakhs (carrying interest at 5%) was also advanced by Government to the company in March 1963, for repaying the overdraft of the company from the State Bank of Travancore. Although Government had ordered (September 1962) that the company should mortgage its assets as security for the loan, this was not done. On an application filed by Government as a creditor of the company, the High Court ordered (March 1965) the winding up of the company; the company went into liquidation with effect from 20th March 1965. The accumulated loss on the date of winding up was Rs. 24.05 lakhs.

The official liquidator appointed for the purpose has obtained (29th March 1968) sanction of the court for declaring 30 paise in the rupee to the ordinary debtors. According to him, a further payment of about 5 paise in the rupee would also be possible from future collections. Based on the above declaration, Government would be realising about Rs. 2,88,750 against loan of Rs. 8.25 lakhs (including interest of Rs. 75,000) due up to 20th March 1965, leading to loss of Rs. 5.36 lakhs. Besides, Government would also lose the entire amount of Rs. 18.61 lakhs invested in the share capital of the company.

110. Unsound investments

Government of Kerala invested Rs. 50 lakhs (out of the total paid up capital of Rs. 81.92 lakhs) up to 30th June 1967 in the share capital of two Co-operative Sugar Mills established in the State during 1960. In addition, loans to the extent of Rs. 1,40.00 lakhs from the Industrial Finance Corporation of India, Life

Insurance Corporation of India and scheduled banks were also guaranteed by the State Government. These Sugar Mills have not earned profit ever since they started production in 1964 and 1965 respectively, mainly for want of adequate supply of sugarcane; the accumulated loss up to the end of June 1967 was Rs. 1,23.40 lakhs. In June 1967 Government appointed a Committee to examine the various aspects of the working of these mills and the possibility of placing them on economic footing; the Committee submitted their report to Government in September 1967.

Government stated (November 1968) that they had decided, on the basis of the recommendations of the Committee, to lease out 4,000 acres of forest land to one of the Mills for sugarcane cultivation and to stand guarantee up to Rs. 18 lakhs in respect of loans to be raised by the other Mills for extending loan assistance to sugarcane cultivators for providing irrigation facilities to enable expansion of the area under sugarcane cultivation.

111. Guarantees given by the State Government

Government have contingent liabilities in respect of guarantees given by them for repayment of loans and interest thereon, share capital, etc., raised by Statutory Corporations, Joint Stock Companies and Co-operative Institutions. The payment of minimum dividend on the share capital of the Kerala Financial Corporation had also been guaranteed by Government.

As at the end of 1967-68 the maximum amount guaranteed and the amount of loan and share capital, etc., raised by the bodies were Rs. 28.17 crores and Rs. 19.99 crores respectively as indicated below:—

	<i>Maximum amount guaranteed</i>	<i>Amount of loan, share capital, etc. actually raised</i>
<i>(In crores of rupees)</i>		
Statutory Corporations	8.89	8.68
Government Companies	2.23	1.53
Co-operative Banks and societies	15.89	9.53
Joint Stock Companies	0.57	0.11
Municipalities	0.07	0.07
Private individuals and firms	0.52	0.07*
Total	28.17	19.99

* Includes Rs. 1.72 lakhs outstanding in respect of a guarantee of Rs. 20 lakhs in favour of a cashew industrialist at Quilon sanctioned during 1964-65 but not renewed after 31st March 1965.

In order to fulfil the guarantee in respect of the dividend on the capital of the Kerala Financial Corporation, Government paid a sum of Rs. 0.79 lakh to the Corporation in 1967-68; the total of such payments since the Corporation was set up in 1953-54 amounted to Rs. 16.51 lakhs.

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

Further details of the guarantees are given in statement no. 6 of the Finance Accounts 1967-68.

Summarised Financial results* of Statutory

Sl. no.	Name of the Corporation / Board	Name of Department	Date of incorporation	Total capital invested	Profit(+) Loss (-)	Total interest charged to Profit and Loss Account
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Kerala State Electricity Board	Water and Power	1-4-1957	1,12,13.25	(+) 2,76.67*	..
2.	The Kerala Financial Corporation	Finance	1-12-1953	3,91.78**	(+)8.66	@11.74
3.	Kerala State Warehousing Corporation	Agriculture	20-2-1959	44.30	(-)1.02	..
4.	Kerala State Road Transport Corporation	Public Works	15-3-1965	7,16.94	(-)7.06	40.41

Note:—

1. "Capital invested" represents paid up capital plus long term loans plus free reserves.
2. "Capital employed" represents net fixed assets (excluding capital work-in-progress) plus working capital.
3. The net revenue of the Kerala State Electricity Board for 1967-68 fell short of the amount of interest due on loans by Rs. 2,69.69 lakhs. This is exhibited as a contingent liability in the Balance Sheet.

@Includes interest on deposits also (Rs. 0.47 lakh).

*As per Consolidated Revenue Account before charging interest (Rs. 2,71.67 lakhs).

**Includes Rs. 42 lakhs borrowed from the Reserve Bank of India on 30th March 1968.

XURE—A

Corporations/Board for the year 1967-68.

(The figures in columns 5 to 9, 11 and 12 indicate lakhs of rupees)

<i>Interest on long term loans</i>	<i>Total return on capital invested (columns 6+8)</i>	<i>Percentage of total return on capital invested</i>	<i>Capital employed</i>	<i>Total return on capital employed (columns 6+7)</i>	<i>Percentage of total return on capital employed</i>	<i>Remarks</i>
(8)	(9)	(10)	(11)	(12)	(13)	(14)
..	2,76.67	2.47	87,58.51	2,76.67	3.16	
11.74	20.40	5.21	..	..	..
..	(—)1.02	..	38.46	(—)1.02	..	
40.41	33.35	4.65	6.67.28	33.35	4.99	

Summarised financial results of Government

Sl. no.	Name of the Company	Name of the department	Date of incorporation	Total capital invested	Profit(+) Loss(-)	Total interest charged to Profit and Loss Account
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<i>(a) Wholly owned State Government Companies</i>						
1.	Kerala State Industrial Development Corporation Limited	Industries	21-7-1961	4,62.62	+10.06	0.49
2.	Kerala State Small Industries Corporation Limited	Industries	21-7-1961	74.28	-0.12	2.07
3.	Kerala Premo Pipe Factory Limited	Health	12-9-1961	24.19	+3.87	0.43
4.	The Plantation Corporation of Kerala Limited	Agriculture	12-11-1962	3,86.33	-15.74	..
5.	Trivandrum Rubber Works Limited	Industries	1-11-1963	85.15	+3.69	1.94
6.	Travancore Plywood Industries Limited	Industries	1-11-1963	60.82	+1.89	1.02
7.	The Kerala Ceramics Limited	Industries	1-11-1963	41.82	-4.73	1.80*
8.	Kerala Soaps and Oils Limited	Industries	1-11-1963	66.89	-7.15	1.73
9.	Trivandrum Spinning Mills Limited	Industries	1-11-1963	78.88	-9.75	3.08
10.	Kerala Electrical and Allied Engineering Company Limited	Industries	5-6-1964	35.58	-0.10	1.07*
11.	Kerala Tourist and Handicrafts Corporation (Private) Limited	Home and Public	29-12-1965	3.98	-1.30	0.60
12.	Kerala Fisheries Corporation Limited	Development (Fisheries).	12-4-1966	31.70	-23.53	0.14*

URE -B

Companies for the year 1967-68

(Figures in columns 5 to 9, 11 and 12 indicate lakhs of rupees)

<i>Interest on long term loans</i>	<i>Total return on capital invested (Columns 6+8)</i>	<i>Percentage of total return on capital invested</i>	<i>Capital employed</i>	<i>Total return on capital employed (Columns 6+7)</i>	<i>Percentage of total return on capital employed</i>	<i>Remarks</i>
(8)	(9)	(10)	(11)	(12)	(13)	(14)
0.48	+ 10.54	2.28	4.62.62	+10.55	2.28	
1.85*	+ 1.73	2.33	78.22	+ 1.95	2.49	* Includes interest on short-term loan.
..	+ 3.87	15.99	28.38	+ 4.30	15.15	
..	- 15.74	..	3,63.36	- 15.74	..	
1.88	+ 5.57	6.54	71.87	+ 5.63	7.83	
1.02	+ 2.91	4.78	46.68	+ 2.91	6.23	
1.80*	- 2.93	..	49.42	- 2.93	..	* Includes element of bank charges plus interest on short term loan.
1.73	- 5.42	..	61.64	- 5.42	..	
2.93	- 6.82	..	83.95	- 6.67	..	
0.73*	+ 0.63	1.77	32.34	+ 0.97	2.99	* Includes element of bank charges.
0.60*	- 0.70	..	5.31	- 0.70	..	* Includes interest on short term loan.
0.14*	- 23.39	..	29.99	- 23.39	..	* Includes element of bank charges.

Summarised financial results of Govern

Sl. no.	Name of Company	Name of the department	Date of incorporation	Total capital invested	Profit (+) Loss (-)	Total interest charged to Profit & Loss Account
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<i>(b) Partly owned State Government Companies</i>						
1.	Forest Industries (Travancore) Limited	Industries	10-8-1946	25.58	+ 15.76	..
2.	Travancore Titanium Products Limited	Industries	18-12-1946	1,73.24	+ 33.68	1.29
3.	Travancore-Cochin Chemicals Limited	Industries	8-11-1951	4,16.56	- 16.88	11.37
4.	Pallathra Bricks and Tiles Limited	Industries	21-2-1957	13.89	- 0.88	0.48*
5.	Traco Cable Company Limited	Industries	5-2-1960	70.12	- 1.87	4.45*
6.	Packaging Paper Corporation Limited (Subsidiary of Kerala State Industrial Development Corporation Limited)	Industries	29-6-1962	1.75*	..	..
7.	Kerala Spinners Limited (Subsidiary of Kerala State Industrial Development Corporation Limited)	Industries	2-1-1951	26.70**	..	..
8.	Transformers and Electricals Kerala Limited	Industries	9-12-1963	1,30.63	- 2.45	14.75
9.	United Electrical Industries Limited	Industries	3-10-1950	31.48	+ 9.10	1.55*
10.	Kerala Water Transport Corporation Limited	Public Works	18-4-1958	..	..	..

Note:- 1. "Capital invested" represents paid up capital plus long term loans plus free reserves.
 2. "Capital employed" represents net fixed assets (excluding Capital work-in-progress) plus working capital.
 3. The figures in column 6 indicate Profit/Loss before providing for tax and appropriation towards reserves.

XURE—B—Concl'd.

ment Companies for the year 1967-68.

(Figures in columns 5 to 9, 11 and 12 indicate lakhs of rupees)

Interest on long term loans	Total return on capital invested (Columns 6+8)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (Columns 6+7)	Percentage of total return on capital employed	Remarks
(8)	(9)	(10)	(11)	(12)	(13)	(14)
..	+ 15.76	61.61	25.40	+ 15.76	62.05	
1.23	+ 34.91	20.15	1,68.79	+ 34.97	20.72	For the period ended 31st December 1967.
11.37*	- 5.51	..	5,08.14	- 5.51	..	* Includes interest on short term loan.
0.48*	- 0.40	..	14.79	- 0.40	..	* Includes element of bank charges.
2.26	+ 0.39	0.56	1,10.45	+ 2.58	2.54	* Includes element of bank charges.
..	..	..	..	..	..	} There are no figures in columns 6 to 13 since the entire expenditure was capitalised.
..	
..	- 2.45	..	2,63.67	+ 12.30	4.66	* For the period ended 30th September 1967. ** For the period ended 31st December 1967.
..	+ 9.10	28.91	41.88	+ 10.65	25.43	For the period ended 31st December 1967. * Includes element of bank charges.
..	..	..	..	..	..	Under liquidation.

Summarised financial position of Kerala Govern

Sl. no.	Name of concern	Date of formation	Government capital as on		Mean Capital	Block assets
			1st April 1967	31st March 1968		
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Text Books Office, Trivandrum	1950	17.24	33.69	25.46	5.83
2.	Model Coir Factory, Beypore	1963				
3.	Bleaching and Calendering Plant, Pappanamcode	1963				

XURE—C

ment Commercial and Quasi-commercial Departments

(The figures in columns 4 to 12 represent lakhs of rupees)

<i>Depreciation funded</i>	<i>Turnover</i>	<i>Net Profit .(+) Loss (—)</i>	<i>Interest on capital</i>	<i>Total return</i>	<i>Percentage of return on mean capital</i>
(8)	(9)	(10)	(11)	(12)	(13)
3.05	52.47	+ 16.87	1.59	18.46	72.50

The Government have ordered that the Factory should adopt commercial system of accounts when it starts functioning. The Factory did not start functioning till the end of March 1968.

The concern has not prepared *pro forma* accounts. Government ordered in January 1968 transferring the plant to the Kerala State Small Industries Corporation Limited, but the transfer has not been effected (September 1968).

Pro forma Accounts of Text Books

		BALANCE SHEET AS AT	
<i>As at 31st March</i>	<i>Capital and Liabilities</i>	<i>As at 31st March</i>	
1967		1968	
<i>Rs.</i>		<i>Rs.</i>	
17,23,900	Government Capital	50,55,328	
45,449	Undischarged liabilities	58,007	
2,59,556	Depreciation Reserve Fund	2,91,442	
58,27,305	Liabilities and Advances	6,81,527	
<u>78,56,210</u>		<u>60,86,304</u>	

MANUFACTURING AND TRADING ACCOUNT FOR

<i>Dr.</i>	<i>Particulars</i>	<i>31st March 1968</i>
<i>31st March 1967</i>		
<i>Rs.</i>		<i>Rs.</i>
74,57,903	To opening stock	69,85,122
14,27,209	„ Purchases: Paper	2,18,408
6,52,689	„ „ Books	4,75,398
10,01,969	„ Printing charges	7,31,679
15,099	„ Other Miscellaneous expenses	6,953
30,00,870	„ Gross profit	22,79,394
<u>1,35,55,739</u>		<u>1,06,96,954</u>

PROFIT AND LOSS ACCOUNT FOR

<i>Dr.</i>	<i>Particulars</i>	<i>31st March 1968</i>
<i>31st March 1967</i>		
<i>Rs.</i>		<i>Rs.</i>
3,95,790	To Administration and General expenses	4,53,779
34,891	„ Distribution expenses	33,590
40,383	„ Depreciation charges	31,886
91,631	„ Interest on Capital	1,59,147
24,89,633	„ Net Profit	16,86,523
<u>30,52,328</u>		<u>23,64,925</u>

URE—D

Office, Trivandrum

31ST MARCH 1968

<i>As at 31st March 1967</i>	<i>Properties and Assets</i>	<i>As at 31st March 1968</i>
<i>Rs.</i>		<i>Rs.</i>
5,38,708	Fixed Assets	5,82,938
2,61,907	Depreciation Reserve Fund Investments	3,05,068
69,85,122	Closing stock	51,35,170
12,539	Sundry debtors	56,157
837	Advances recoverable	1,067
49,140	Prepaid expenses	..
7,957	Cash (including stamps)	5,904
78,56,210		60,86,304

THE YEAR ENDED 31ST MARCH 1968

<i>31st March 1967</i>	<i>Particulars</i>	<i>Cr. 31st March 1968</i>
<i>Rs.</i>		<i>Rs.</i>
65,68,517	By sales	52,46,819
2,100	„ Other receipts	3,14,965
69,85,122	„ Closing stock	51,35,170
1,35,55,739		1,06,96,954

THE YEAR ENDED 31ST MARCH 1968

<i>31st March 1967</i>	<i>Particulars</i>	<i>Cr. 31st March 1968</i>
<i>Rs.</i>		<i>Rs.</i>
30,00,870	By gross profit	22,79,394
51,458	„ Miscellaneous receipts	85,531
30,52,328		23,64,925

CHAPTER VIII

FINANCIAL ASSISTANCE TO LOCAL BODIES, CO-OPERATIVE INSTITUTIONS, OTHER BODIES AND INDIVIDUALS

112. Non-receipt of utilisation certificates for grants

During 1967-68 Government paid Rs. 3.69 crores as grants-in-aid to local bodies, co-operative institutions, other bodies and individuals. An analysis of the grants paid is given below:—

<i>Purpose of grant</i>	<i>Amount (In lakhs of rupees)</i>
Education	1,61.69
General and special purposes of local bodies	1,16.21
Industries	22.11
Social Welfare	17.93
Co-operation	13.05
Public Health	5.29
Agriculture	3.00
Community Development	1.16
Others	28.82
Total	3,69.26

410 grantees' receipts for Rs. 2.59 lakhs are awaited from nine tahsildars.

The expenditure from grants paid by Government to local bodies (other than Class II panchayats of Malabar area) and certain other institutions (such as Kerala Sports Council, Scouts and Guides Association, Police Sports Fund, etc.) is audited by the Examiner, Local Fund Accounts, and in the case of University of Kerala by the Government Auditor attached to the University. These officers are under the State Government. Utilisation certificates for grants-in-aid are furnished to the Accountant General by departmental officers based on the audit certificates furnished by the Examiner, Local Fund Accounts, and the Government Auditor, University of Kerala.

3,213 utilisation certificates for Rs. 1.57 crores paid as grants up to 1966-67 were awaited on 31st August 1968 from departmental officers who are required to ensure that the grants have been utilised by the grantees for the specified purposes and that the conditions laid down by the sanctioning authorities have been observed. Year-wise and department-wise details are given in Appendix IV pages 111-112.

113. Loans and advances given by Government

(i) The total outstanding balance of loans and advances given by the State Government at the end of March 1968 was Rs. 1,37 crores. An analysis of the outstanding balance is given below:—

	<i>(In crores of rupees)</i>
1 Advances under special laws (Kerala State Electricity Board)	1,04.54
2 Loans to presidency corporations, port trusts and other port funds	6.14
3 Advances to cultivators	2.82
4 Loans and advances under Community Development programme	1.42
5 Loans to Government servants	1.30
6 Loans to municipalities	0.74
7 Loans to panchayats	0.32
8 Loans to district and other local fund committees	0.28
9 Loans to displaced persons	0.10
10 Miscellaneous loans and advances	19.34
Total	1,37.00

The terms and conditions of repayment of loans granted to Kerala State Electricity Board (serial no. 1 above) have not been finalised so far (January 1969). Rs. 21.38 crores were due from the Board for interest up to 31st March 1968. The year-wise details are as follows:—

Year	<i>Arrears (In crores of rupees)</i>
1957-58 to 1961-62	1.28
1962-63	1.07
1963-64	1.94
1964-65	2.81
1965-66	4.01
1966-67	4.79
1967-68	5.48
Total	21.38

(ii) *Loans the detailed accounts of which are kept by the Audit Office.*—

In the case of loans to local bodies and private parties the detailed accounts of which are maintained in the Office of the Accountant General, repayments of Rs. 3.67 lakhs (principal: Rs. 1.20 lakhs; interest: Rs. 2.47 lakhs) were in arrears on 31st March 1968 in eight cases. Of that, Rs. 2.94 lakhs (principal: Rs. 0.85 lakh; interest: Rs. 2.09 lakhs) were due from Alleppey municipality.

(iii) *Loans the detailed accounts of which are kept by Departmental Officers.*—Complete information about the arrears in recovery of loans and advances on 31st March 1968 have not been furnished by departmental officers

responsible for maintenance of detailed accounts of loans. The following five departmental officers have not yet (December 1968) furnished those statements which were due on 15th July 1968:—

1. Secretary, Board of Revenue,
2. Registrar of Co-operative Societies,
3. Director of Fisheries,
4. Development Commissioner,
5. Director of Industries and Commerce.

The Secretary, Board of Revenue, and the Registrar of Co-operative Societies have not furnished this information for the last three years.

Large defaults reported by departmental officers are given below:—

<i>Department</i>	<i>No. of cases</i>	<i>Arrears</i>		<i>Earliest year from which recovery due</i>
		<i>Principal</i> <i>(In lakhs of rupees)</i>	<i>Interest</i>	
<i>Agriculture Department</i>				
Agriculture	19,738	31.64	6.47	1962-63
Soil Conservation	18,475	5.69	7.70	1956-57
<i>Development Department</i>				
Loans under Community Development Programme*	15,749	38.01	6.31	Information awaited
<i>Industries Department</i>				
Coir Development	903	29.95	9.99	1965-66
Sitaram Spinning and Weaving Mills	1	46.99	18.82	1964-65
Co-operative Spinning Mills, Cannanore	1	13.50	6.07	1964-65
Kerala Soaps and Oils Limited*	1	8.00	4.96	1964-65
Pallathra Bricks and Tiles Limited*	1	4.14	1.35	Information awaited
Trivandrum Spinning Mills Limited*	1	1.56	6.03	1966-67
Cochin Mahalakshmi Cotton Mills	1	1.36	0.64	1966-67
Handloom Co-operative Societies in Trivandrum District	4	0.13	0.16	Information awaited

The following amounts are due from two companies under liquidation:—

	<i>(In lakhs of rupees)</i>
The Central Banking Corporation of India (Travancore) Limited, Alleppey (In liquidation from 1962)	6.94
Kerala Water Transport Corporation (In liquidation from March 1965)	7.50

*Defaults on 31st March 1967 (not collected till 31st March 1968).

The rules require that departmental officers who administer loans should furnish to Audit by 15th July every year a certificate that the aggregate balance shown as recoverable at the end of the preceding March in the registers maintained by them agrees with that communicated to them by the Accountant General. In 162 cases certificates of acceptance of balance have not been received from departmental officers as indicated below:—

<i>Department</i>	<i>No of accep- tances awaited (November 1968)</i>	<i>Balance of loans on 31st March 1968 (In crores of rupees)</i>
Agriculture	71	5.24
Industries	33	4.62
Labour and Social Welfare	14	4.28
Development	18	2.40
Revenue	13	0.32
Other departments	13	1.96
Total	162	18.82

Delay in furnishing certificates of balances is mainly due to failure of the departments to reconcile monthly transactions recorded in their books with those appearing in the books of the Accountant General regularly as required under rules. Reconciliation is in arrears from 1957-58 onwards in the departments of Agriculture, Industries, Development and Revenue. In November, 1967 Government appointed special squads in each district for such reconciliation; reconciled figures have, however, not been communicated in any case (January 1969).

(iv) *Loan to a dramatic theatre company.*—In July 1967 Government sanctioned a loan of Rs. 1 lakh (bearing interest at 5½ per cent) to the President of a dramatic theatre company for restarting a theatre destroyed in fire. Interest for the first year (Rs. 5,500) was payable by Government as a grant for the scheme. The loan was paid through Kerala Financial Corporation under the small scale industries aid scheme, pending inclusion of dramatic theatres also in the list of small scale industries. The Government of India did not, however, agree to the suggestion of the State Government for inclusion of dramatic theatres in the list of small scale industries (November 1968).

(v) *National Loan Scholarships.*—(Balance on 31st March 1968: Rs. 98.70 lakhs).

The object is to give loan to needy and meritorious students so as to enable them to complete their higher education. The scheme started in 1963-64 is being administered by the Director of Collegiate Education according to the rules prescribed by the Government of India. The loans ranging from Rs. 720 to Rs. 1,750 in each case, are interest-free. Repayment commences one year after the scholar begins to earn or three years after termination of the scholarship, whichever is earlier.

The department disbursed Rs. 1,02 lakhs to end of March 1968. It had not reconciled the outstanding balance with that in the books of the Accountant General. The amounts due for recovery at the end of March 1968 were not known to the department. The demand, collection and balance statements had not also been prepared.

The borrowers were not promptly reporting to the department their employment.

The scholars joining the teaching profession after completion of their studies are exempted from repayment of the loans. Rules have not been framed to regulate recovery of loans from scholars who once entered the teaching profession but left it later on.

114. Kerala Khadi and Village Industries Board.

(i) *Delay in furnishing utilisation certificates.*—The Board receives financial assistance from the State Government and the Khadi and Village Industries Commission. The loans and grants received by the Board up to March 1968 were Rs. 3.90 crores as shown below:—

	<i>Loan</i>	<i>Grant</i>	<i>Total</i>
	<i>(In lakhs of rupees)</i>		
From the State Government	2.36	50.29	52.65
From the Khadi and Village Industries Commission	2,16.82	1,20.50	3,37.32
Total	2,19.18	1,70.79	3,89.97

The Board is required to furnish certificates of utilisation to Audit, for loans and grants received from the State Government and to the Khadi and Village Industries Commission, for the assistance received from that body. On 1st July 1968 utilisation certificates had not been rendered by the Board for Rs. 1,14.66 lakhs received by it from 1957-58 onwards upto 1966-67.

(ii) *Non-utilisation/Mis-utilisation of loans and grants given by the Board:*—As part of its activities the Board gives loans and grants to co-operative societies and other institutions for development of khadi and village industries. The Board disbursed Rs. 3,23.45 lakhs as aid to 1,014 institutions up to the end of March 1968. Rs. 9.57 lakhs are to be recovered from 205 of the institutions which became defunct. Revenue recovery proceedings are stated to have been instituted against 157 of these institutions.

Reconciliation of the balances in the loan registers with those in the accounts has not been effected.

On 31st March 1968 Rs. 47.21 lakhs were recoverable in 896 cases on account of loans overdue for recovery.

(iii) *Unauthorised withdrawal by grantees of loans and grants lodged in Banks.*—The loans and grants sanctioned to grantee institutions are deposited in banks withdrawals from which are allowed only on cheques countersigned by Village Industries Officers. However, in four cases Rs. 49,225 were withdrawn between 1963-64 and 1967-68 by the institutions without countersignature; of that, Rs. 7,925 were subsequently recovered.

(iv) *Amounts pending realisation from subordinates:*—Rs. 14,102 which relate to years up to 1963-64 are outstanding recovery from 15 subordinates of the Board.

(v) *Khadi Centre, Payyannur:*—(a) Credit sales made in this Centre (run directly by the Board) prior to April 1967 for which recoveries had not been made to end of March 1968 were Rs. 10.89 lakhs. Year-wise details of the outstandings have not been worked out inspite of repeated observations by Audit. Rs. 8,920 are also outstanding (March, 1968) from Government servants towards sale of khadi on credit. The closing stock of khadi, cotton and yarn on 31st March 1968 was Rs. 12.47 lakhs.

(b) Reconciliation of the pass books of the Centre with the treasury figures has not been effected from 1958 onwards.

(c) The following posts in excess of that sanctioned by the Board have been retained in the Centre:—

Upper Division Accountants	2
Khadi Workers	2
Spinning Organisers	10
Centre godown Manager	1

Rs. 1.60 lakhs (on account of the pay and allowances of those staff) have not been included in the accounts of the Centre but have been shown as a liability against the Board. The Board has not, however, accepted this liability.

(d) The stock of stores in this Centre includes Rs. 51,571 worth of damaged yarn. Out of that, yarn worth Rs. 32,122 was more than nine years old. Sale of damaged cloth during the year resulted in loss of Rs. 12,617.

(vi) *Working of Khadi Gramodyog Bhavans.*—There are nine Khadi Gramodyog Bhavans in district headquarters and five Khadi Bhavans in semi-urban areas for sale of khadi goods.

Stock worth Rs. 19,166 was found to be in excess of the book balance in the Khadi Gramodyog Bhavan, Trivandrum. The amount was set off against the liabilities of the manager of the Bhavan. A test check of the stock ledgers for 1966-67 and 1967-68 showed that these were not maintained properly.

The stock verification statements of seven Gramodyog Bhavans made available to Audit showed that goods worth Rs. 10,138 were either damaged or shop-soiled.

Goods transferred from one Bhavan to another are not properly linked to ensure that issue from one institution is accounted for as receipt in the other. During 1967-68 goods worth Rs. 1.14 lakhs were transferred to other Bhavans but the other Bhavans showed receipts for Rs. 1.08 lakhs only; the difference had not been reconciled.

(vii) *Delay in clearance of objections raised in local audit.*—There has been considerable delay in settlement of objections raised in local audit. Out of 158 paragraphs in the inspection reports issued during December 1964 to October 1967, settlement of 62 paragraphs (30 over 3 years old) is still pending (December 1968). Thirty four of these paragraphs are outstanding due to delay in effecting recovery from grantee institutions and ten due to delay in fixing responsibility/liability for deficiencies, losses or misappropriations.

115. Audit by the Examiner of Local Fund Accounts

(a) Audit of the accounts of city corporations, municipalities, panchayats and certain other institutions is conducted annually by the Examiner of Local Fund Accounts who is an officer of the State Government. The extent of arrears in his audit at the end of March 1968 was as follows:—

	<i>Number of institutions remaining unaudited at the close of 1966-67</i>	<i>Number of institutions to be audited in 1967-68</i>	<i>Total</i>	<i>Number of institutions remaining to be audited on 31st March 1968</i>
City corporations	2	2	4	2
Municipalities	8	29	37	3
Panchayats	577	921	1,498	672
Miscellaneous institutions	189	373	562	44
Total	776	1,325	2,101	721

The delay has been attributed by the Examiner partly to inadequacy of staff. It was reported by him in July 1968 that the question of sanctioning additional staff for audit of accounts of panchayats was under consideration of Government.

(b) The number of inspection reports issued by the Examiner of Local Fund Accounts and outstanding on 30th June 1968 was as below:—

	<i>Number of Reports</i>	<i>Earliest year to which the Report relates</i>
City corporations	23	1948-49
Municipalities	401	1944-45
Panchayats	6,232	1944-45
Miscellaneous institutions	833	1963-64
Total	7,489	

116. Acquisition of land for a University Centre

For establishment of a University Centre at Calicut, 157 acres of land were acquired by Government during 1960 and 1961 for Rs. 3.61 lakhs for the Kerala University after the site had been selected by the officers of the University. The expenditure was met from the grant sanctioned by Government to the University. The site was subsequently found inadequate and unsuitable for the University Centre and another site was therefore acquired in 1968.

The land acquired in 1960 and 1961 remains unutilised. Government stated (April 1968) that the University was taking action to dispose of the site early.

117. Non-utilisation of grants

Thirty eight panchayats were paid grant of Rs. 2,000 each during December 1964 to April 1965 for construction of office building on condition that the grant should be utilised within two years. In ten cases construction has not been started (October 1968); in twelve cases work has not been completed. Government stated (October 1968) that steps would be taken for recovery of unspent balance or extension of time would be granted on the merits of each case.

118. Consumer Co-operatives

The scheme formulated in 1962 envisages organisation of consumer co-operative stores with a view to ensuring equitable distribution of consumer goods at fair prices. During 1962 to 1967 nine wholesale stores and 195 primary stores were organised; the assistance given to them in the form of share capital contribution, loans and subsidy up to end of March 1967 was Rs. 38.91 lakhs. As part of programme launched in the wake of devaluation, four department stores were organised in the State in 1966 as branches of the wholesale stores; the assistance paid to the department stores during 1966-67 was Rs. 16.75 lakhs. With the object of bulk purchase of consumer goods required by the wholesale stores and dissemination of price and market intelligence, a federation of consumer co-operatives was also set up in 1965; Rs. 2.26 lakhs were paid as assistance to it till the end of March, 1967.

The following points were noticed in audit:—

- (i) According to rules framed by Government, share capital contribution to consumer stores was to be given on a matching basis. But in the case of six out of nine wholesale stores, the share capital contribution by members was less than the share capital contribution paid by Government; the deficiency was Rs. 2.57 lakhs (August 1967).
- (ii) Except during 1964-65 the wholesale store at Kottayam has been running at loss continuously from 1962-63. The assistance given to it was Rs. 6.97 lakhs till the end of March 1967. The loss for the year 1966-67 was Rs. 1.86 lakhs and the total accumulated loss till 30th June 1967 was Rs. 1.42 lakhs.

(iii) The Trivandrum wholesale store to which Government had given Rs. 8.35 lakhs as assistance sustained a loss of Rs. 3.73 lakhs during 1966-67. Reportedly due to the affairs of the society being mismanaged, the Registrar of Co-operative Societies dissolved the Board of Directors in November 1967 and deputed an officer to run the store. The report of the Registrar of Co-operative Societies indicated *inter alia* the following:—

- (a) The value of the total deficiency in stock in the godown and branches was Rs. 4.42 lakhs and the value of damaged stock was Rs. 0.11 lakh at the end of June 1967.
- (b) There had been cases of misappropriation by the employees of the society.
- (c) Establishment charges of the society rose to Rs. 6.80 lakhs in 1966-67 from Rs. 1.38 lakhs in 1963-64. The percentage of establishment charges to the total turnover was 3.63 in 1963-64 and 4.92 in 1966-67.
- (d) The society had not maintained the books of accounts properly.

Government stated (October 1968) that the management was restored to the Board in June 1968. Seven employees were reported to have been placed under suspension and Rs. 8,273 towards misappropriation and Rs. 0.42 lakh towards the value of deficit stock have been recovered.

(iv) The working results of the wholesale stores at Quilon, Alleppey and Cannanore which were paid a total assistance of Rs. 10.11 lakhs till March 1967, indicated that the profits earned by them decreased progressively from 1964-65 to 1966-67 as shown below:—

Location of store	Profits earned during		
	1964-65	1965-66	1966-67
	(In lakhs of rupees)		
Quilon	0.42	0.40	0.16
Alleppey	0.68	0.59	0.24
Cannanore	0.94	0.41	0.05

(v) Out of a loan of Rs. 1.96 lakhs disbursed in March 1967 for purchase of furniture, fixtures, etc., within 2 months (which was extended in March 1968 upto 30th June 1968) for the department store run by the wholesale store at Trivandrum, only Rs. 1.65 lakhs were utilised (June 1968); the balance has not been refunded (October 1968). Out of the amount utilised, there were no accounts for expenditure of Rs. 0.35 lakh on manufacture of furniture.

(vi) The department stores run by the wholesale societies at Kottayam and Trivandrum sustained losses of Rs. 0.28 lakh and Rs. 0.11 lakh respectively during 1966-67. The main reasons attributed for the losses were:—

- (a) location of the department stores away from important shopping centres, and
- (b) high establishment charges which were 3 per cent and 3.88 per cent of the turnover of the Kottayam and Trivandrum stores respectively as against the limit of 2 per cent advised by the Government of India.

(vii) Out of a total of 42 primary stores in 5 districts, eight stores which received Rs. 0.33 lakh (loan:Rs. 0.26 lakh; grant: Rs. 0.07 lakh) as assistance were working at loss; the cumulative loss incurred by six of them upto end of June 1967 was Rs. 0.13 lakh. Three other stores which received Rs. 0.10 lakh (grant: Rs. 0.03 lakh; loan: Rs. 0.07 lakh) as assistance were dormant.

(viii) No dividends were received by Government from the primary societies in Ernakulam, Kottayam and Trivandrum districts in which Government's contribution was Rs. 2.38 lakhs.

119. Assistance to Co-operative Societies for farming

For development, construction of godowns and cattle sheds and managerial assistance Government paid during 1961-62 to 1966-67 Rs. 14.12 lakhs (Rs. 2.64 lakhs contribution to share capital, Rs. 10.28 lakhs loan and Rs. 1.20 lakhs subsidy) to 171 farming societies.

The following points were noticed in audit:—

(i) Co-operative cultivation of agricultural lands being the object, a society became eligible for assistance if the land pooled by members or held by the society was cultivated jointly and a large majority of its members were engaged in actual farm work. The assistance given to societies during 1961-67 and the area cultivated by them are given below:—

<i>Year</i>	<i>Assistance given (In lakhs of rupees)</i>	<i>Area of land commanded by the societies (In acres)</i>	<i>Area actually brought under cultivation (In acres)</i>	<i>Area under co-operative cultivation (In acres)</i>
1961-62	0.69	6,018	4,720	4,353
1962-63	4.05	5,377	3,868	3,450
1963-64	4.65	5,076	3,338	2,392
1964-65	3.06	6,251	3,676	2,532
1965-66	1.40	6,196	3,253	2,940
1966-67	0.27	5,737	3,148	2,045

As compared with the earlier years the area under co-operative cultivation has declined. The reasons were reported to be failure of the societies to produce better yields (for want of adequate funds and unforeseen natural calamities). Only 87 societies which received assistance aggregating Rs. 7.47 lakhs were engaged in co-operative cultivation (December 1968).

(ii) *Non-execution of mortgage deeds.*—The societies receiving loans were required, under the rules, to mortgage their assets to Government. Out of 16 farming societies (in Ernakulam district) which upto 1966-67 had been paid Rs. 0.79 lakh as loan for programmes of development, 13 have not executed the necessary mortgage deeds (October 1968).

(iii) *Non-utilisation of loans.*—Of the societies which received assistance during 1962-63 to 1964-65, thirteen had not (December 1967) utilised any amount out of the loan of Rs. 0.67 lakh received by them; three other societies had utilised only Rs. 0.05 lakh out of the loans amounting to Rs. 0.12 lakh disbursed to them (December 1967).

(iv) *Societies under liquidation and losses.*—Of the 171 societies assisted during 1961-67, 32 were under liquidation and another 32 were dormant (November 1967). The financial assistance provided to 25 out of the 32 societies under liquidation was Rs. 1.66 lakhs (loan: Rs. 1.61 lakhs; grant: Rs. 0.05 lakh); the financial assistance received by the 32 dormant societies was Rs. 2.26 lakhs (loan: Rs. 2.15 lakhs; grant: Rs. 0.11 lakh). Thirtyone other societies which received assistance of Rs. 2.45 lakhs (loan: Rs. 2.24 lakhs; grant: Rs. 0.21 lakh) were working at loss; the accumulated loss suffered by these societies till the end of June 1967 was Rs. 0.44 lakh.

(v) *Dividend received by Government.*—Only Rs. 112 were received by Government as dividend from these societies on share capital contribution (December 1968).

(vi) *Default in repayment of loans.*—Rs. 1.43 lakhs (principal: Rs. 0.98 lakh; interest: Rs. 0.45 lakh) were overdue for recovery at the end of June 1967.

The Department reported (March 1967) that most of the joint farming societies were working badly and might have to be liquidated.

120. Conversion of handlooms into powerlooms

This scheme was introduced during 1960-61 to improve the economic condition of the weavers and to meet the increasing demand for handloom fabrics. Five hundred looms were distributed during 1960-61 and 500 more during 1961-62 to 1965-66 to 1,000 weaver members of 87 co-operative societies. The cost of looms upto Rs. 2,500 was treated as loan given by Government—cost in excess of that amount to be recovered by Government from the societies. The financial assistance paid to the societies was Rs. 4,198 per loom (loan: Rs. 3,913; grant: Rs. 285) which included, amongst others, machinery loan of Rs. 2,500, working

capital loan of Rs. 1,000 and loans and grants for preparatory processing units, electric connection and servicing charges of looms. Total expenditure till March 1968 was Rs. 44.53 lakhs (loan: Rs. 38.67 lakhs; grant: Rs. 2.10 lakhs; establishment and other charges: Rs. 3.76 lakhs).

The following points were noticed in audit:—

(i) Out of 1,000 looms distributed, 517 looms (cost: Rs. 13 lakhs) were lying unutilised (July 1967); the main reason was reported to be insufficiency of working capital and non-receipt of electrical connection (in the case of 100 looms).

(ii) In September 1961 Government sanctioned a scheme for training weavers in powerloom weaving (at a cost of Rs. 61,200) as part of the first phase of installation of 500 looms. The training commenced in December 1966 long after installation of the powerlooms. The number of persons trained was 18 weavers and 3 jobbers in 1966-67 and 60 weavers and 20 jobbers in 1967-68. The target was 160 weavers and 10 jobbers for 1966-67 and 340 weavers and 40 jobbers for 1967-68. The expenditure incurred upto November 1967 was Rs. 0.60 lakh.

(iii) Production of powerloom cloth during 1966-67 was 16.07 lakh metres against 50 lakh metres anticipated at the minimum annual output rate of 5,000 metres per loom.

(iv) Assistance paid to the societies for preparatory processing plants was to be utilised within three months which could be extended by one month, failing which the amounts were to be refunded. Rs. 0.35 lakh received by 25 societies during March 1964 to March 1967 remained unutilised (March 1968). 23 societies invested Rs. 0.37 lakh in shares of two sizing and warping societies formed in June 1965 and March 1967 for setting up common plants for preparatory processing. The plants have not been established; one of the two societies is reported to have given up the idea.

(v) Out of 56 societies in four districts to which assistance of Rs. 24.55 lakhs was given, one society (assistance: Rs. 0.37 lakh) was under liquidation; twelve societies (assistance: Rs. 4.81 lakhs) were dormant and four societies (assistance: Rs. 1.56 lakhs) were under rectification.

(vi) The societies, on receipt of powerlooms and accessories, were to execute mortgage deeds charging the assets as security for repayment of the loan to be calculated on the basis of actual cost of looms and accessories including transport and erection charges. Mortgage deeds were not executed except by 9 societies to which 90 powerlooms were distributed in 1961. The delay ranging from 2 to 7 years by 45 societies, to which 580 looms were distributed, was due to delay in the department in fixing and intimating the amount of loan repayable by the societies. In the case of 33 societies to which 330 looms were distributed, though the amount of loan was fixed and intimated in 1966, the mortgage deeds have not been executed.

(vii) The total amount recoverable under the scheme on 31st March 1967 was Rs. 10.66 lakhs (principal: Rs. 7.07 lakhs; interest: Rs. 3.59 lakhs).

121. Assistance to Co-operative Societies for construction of godowns

During 1957-58 to 1966-67, 487 co-operative credit societies and 55 marketing societies were paid Rs. 65.55 lakhs (Rs. 51.18 lakhs loan and Rs. 14.37 lakhs subsidy) for construction of godowns.

(i) The rules prescribed by Government permit depositing the amounts (withdrawn from the treasury) in co-operative banks or scheduled banks to be withdrawn in instalments according to progress of construction of the godowns. Rs. 2.59 lakhs (for 38 societies) remained wholly unutilised in banks for 1 year to 5 years as there was no progress in construction.

(ii) The societies were required under the rules to construct the godowns within one year of the date of drawal of the loan from the treasury. Sixty societies which received Rs. 8.11 lakhs as loan and subsidy upto March 1966 had not completed construction of the godowns within the time prescribed. One of these societies which received a loan of Rs. 18,750 in March 1965 has not commenced construction (October 1968). Another society which received Rs. 23,740 (loan: Rs. 17,805 and subsidy: Rs. 5,935) in March 1958 has been defunct for the past several years; proceedings under the Revenue Recovery Act resulted in recovery of Rs. 2,079 under principal and Rs. 1,353 under interest (October 1968). Another society which received Rs. 18,750 purchased a building instead of constructing a godown. The godown constructed by yet another society which received Rs. 12,000 (loan: Rs. 9,000 and subsidy: Rs. 3,000) developed cracks and was abandoned. Seventyseven societies which received Rs. 8.73 lakhs as assistance were reported to have completed construction but certificates of completion and valuation were not received from Public Works Department even after one year.

(iii) Under the rules, the societies should within 30 days of completion of construction insure the properties (mortgaged for securing the loan), against loss or damage by fire. In Trivandrum, Trichur, Alleppey and Cannanore districts the required insurance cover was not provided by 86 societies which had received Rs. 10.49 lakhs as assistance.

(iv) In Trivandrum district five godowns constructed out of Government assistance were being utilised for running ration shops, office accommodation, etc.

(v) Rs. 1.15 lakhs (principal: Rs. 0.62 lakh; interest: Rs. 0.53 lakh) were overdue for recovery at the end of June 1968.

122. Training of non-official personnel of the co-operative movement

In November 1964, (with retrospective effect from 1st December 1963) Government sanctioned a revised scheme of "Member Education and Leadership Training for non-official personnel of the co-operative movement" for training 15,360 persons a year at an annual cost of Rs. 72,800 (to meet expenditure on literature, pay, travelling allowance, rent and contingencies but excluding the

stipend payable to trainees). The scheme was to be implemented by the Kerala State Co-operative Union to which grants-in-aid were to be paid for the purpose. During December 1963 to March 1968 training was given only to 21,107 persons (32 per cent of target), but the cost of training (excluding stipends) was Rs. 3.42 lakhs (109 per cent of the estimated cost), the Government of India's share being Rs. 2.51 lakhs.

The Registrar of Co-operative Societies stated (October 1966) that the Kerala State Co-operative Union could not satisfactorily explain the shortfall in training and that inasmuch as the Union could not achieve the target fixed, the overall expenditure was infructuous to some extent.

Government stated (March 1968) that the Registrar of Co-operative Societies had already advised the Union to see that the programme of training was kept up.

123. Tapioca Starch Manufacturing Units

For establishment of three tapioca starch manufacturing units, an industrial co-operative society in Kottarakkara block area was given Rs. 26,090 as financial assistance, (Rs. 14,050 as loan and Rs. 12,040 as grant) between March 1960 and February 1961. The society spent Rs. 12,520 on construction of buildings and purchase of equipment, utilising the entire grant and part of the loan, but could start only one unit (in September 1961) which was closed down in April 1964 for want of working capital and because of competition from the private sector. The balance of the loan was not refunded to Government but only Rs. 3,953 (principal: Rs. 2,860 and interest: Rs. 1,093) were repaid in instalments (till April 1962). In November 1966 the society resolved to go into liquidation. The liquidation proceedings are yet to be completed (November 1968).

124. Poor Housing Scheme

Under the Poor Housing Scheme 13 acres of land in Karunagapally taluk were acquired by Government and handed over to a fisheries co-operative society in August 1962 for construction of houses by the members of the society. The cost of acquisition, viz., Rs. 1.74 lakhs (original compensation: Rs. 1.55 lakhs plus additional compensation: Rs. 0.25 lakh less cost of 41 cents of land washed away by sea subsequently and ordered by Government in September 1965 to be written off: Rs. 0.06 lakh) was treated as interest-free loan (to the society) repayable in 25 equal annual instalments from May 1963 onwards. The society executed an agreement for Rs. 1.55 lakhs on 14th May 1962 but did not execute a revised agreement for Rs. 1.74 lakhs as agreed to in the original agreement. The society also defaulted in repayment of the loan; it has repaid only Rs. 3,300 (October 1968) against Rs. 41,776 due towards instalments of the loan excluding penal interest at 6 per cent payable on arrear instalments.

The District Collector stated (November 1967) that the society was practically defunct and was incapable of repaying the loan. For the recovery of arrears due from the society and getting agreements executed by the settlers, Government sanctioned (December 1968) the appointment of a full time Rectification Officer (in the cadre of a Senior Co-operative Inspector) for a period of

six months, the cost of deputation being met by Government in the initial stages and recovered from the society later.

125. Settlement of landless agricultural labourers

The scheme started in October 1963 envisages settling landless agricultural labour families on 36,236 acres of Government land in Cannanore district. Each family was eligible for a maximum of four acres of dry land and, in addition, to Rs. 1,000 (grant: Rs. 825; loan: Rs. 175) for reclamation, cultivation and settlement expenses. Upto the end of March 1968 Rs. 39 lakhs were given (grant: Rs. 32.12 lakhs; loan: Rs. 6.88 lakhs) as assistance to 4050 families to whom 14,720 acres of land were assigned in the Kasargod and Hosdurg taluks of Cannanore district. The following points were noticed in audit:—

(i) The loan and grant paid to the settlers were required to be deposited in their names in banks approved by Government and utilised within six months from the date of disbursement. Out of the assistance of Rs. 38.50 lakhs paid during March 1964 to March 1967, utilisation certificates for Rs. 21.39 lakhs had not been received in Audit (November 1968). Rs. 4.84 lakhs were deposited in banks/societies which were not approved by Government; of that, Rs. 2 lakhs continued to remain in those banks/societies (March 1968). The total amount lying unutilised was Rs. 15.17 lakhs (March 1968).

(ii) 798 settlers were reported to have misutilised the assistance paid to them (Rs. 2.97 lakhs). These include settlers who failed to execute any work according to the scheme or spent the assistance entirely on one or two works leaving the others unexecuted. The assignment of land to 61 settlers who misutilised the assistance has been cancelled. Government stated in August 1968 that in the cases where minor adjustments have been made in utilising amounts given for specified items, orders have been issued (December 1967) to regularise the expenditure and in clear cases of misutilisation action has been initiated to recover the financial assistance.

(iii) 289 settlers, in whose names financial assistance of Rs. 1.45 lakhs was deposited in banks in March 1964 and March 1966, deserted the lands assigned to them. The unutilised amount available in banks in the names of these settlers was Rs. 1.02 lakhs only. The amount had not been recovered (November 1968).

(iv) 212 persons who had already received the first instalment of village housing loan during March—August 1964 for building houses again received in March 1965 assistance of Rs. 0.85 lakh under this scheme for construction of home-steads. Government stated in August 1968 that there was duplication of assistance; but it would not be easy at this stage to recoup the excess assistance.

(v) According to the rules, the land assigned should be reclaimed and used within one year from the date of allotment. Out of 14,570 acres of land assigned to the settlers in March 1964 and March 1966, only 5,846 acres had been reclaimed and brought under cultivation (June 1968).

CHAPTER IX

OUTSTANDING AUDIT OBJECTIONS AND INSPECTION REPORTS

126. Outstanding Audit Objections

The number of audit objections (other than those reported through inspection reports) pertaining to the period upto 31st March 1968 awaiting settlement on 30th September 1968 was 13,770 (money value: Rs. 6.91 crores).

As would be seen from the following, the number and amount of outstanding objections have been on the increase.

<i>Audit Report</i>	<i>No. of objections</i>	<i>Amount</i> <i>(In lakhs of rupees)</i>
1967	12,949	3,44.30
1968	13,485	4,67.84
1969	13,770	6,90.64

Year-wise analysis of audit objections issued upto 31st March 1968 which were not settled upto 30th September 1968 is given below:—

<i>Year of issue</i>	<i>Number of objections</i>	<i>Amount</i> <i>(In lakhs of rupees)</i>
1964-65 and earlier years	714	17.41
1965-66	745	15.99
1966-67	2,121	91.82
1967-68	10,190	5,65.42
Total	13,770	6,90.64

Departments with heavy outstandings and the nature of objections are given below:—

<i>Department</i>	<i>For want of payees' receipts and vouchers</i>	<i>For want of detail- led con- tingent bills</i>	<i>Other reasons</i>	<i>Total</i>
	<i>(In lakhs of rupees)</i>			
State Trading	99.64	2,05.90	7.74	3,13.28
Public Works	11.56	0.06	70.67	82.29
Agriculture	29.62	6.44	19.81	55.87
Education	8.29	5.52	36.52	50.33
Medical	26.46	8.55	4.96	39.97
Public Health Engineering	3.12	..	23.86	26.98
Fisheries	19.09	0.92	4.04	24.05
Industries	2.45	10.82	7.80	21.07
Development	3.89	4.69	4.45	13.03
Forest	2.11	0.16	10.04	12.31

In the absence of payees' receipts and sub-vouchers it cannot be ensured that the payment has been made, nor can the expenditure be audited. Though the number of objections of this class outstanding has registered a slight decrease during the year the amount outstanding has increased as shown below:—

	<i>No. of objections</i>	<i>Amount</i> <i>(In lakhs of rupees)</i>
Audit Report 1967	3,598	1,10.44
Audit Report 1968	4,402	2,22.78
Audit Report 1969	3,987	2,24.00

The objections for want of detailed contingent bills represent the amounts drawn as advances by disbursing officers on 'abstract bills' for contingent expenditure for which detailed bills countersigned by the controlling authority in token of approval of the expenditure have not been furnished to Audit. The rules require that the detailed bill should reach the Audit Office not later than 20th of the month succeeding that in which the amount was drawn on abstract bill. Non-submission of detailed bills may result in irregularities remaining undetected for long.

The table below shows that the objections of this class have been increasing from year to year:—

	<i>No. of objections</i>	<i>Amount</i> <i>(In lakhs of rupees)</i>
Audit Report 1967	1,669	30.60
Audit Report 1968	1,943	42.17
Audit Report 1969	2,374	2,61.24

The outstandings for 1967-68 have been particularly heavy (1,863 cases for Rs. 2,46.84 lakhs).

127. Outstanding Inspection Reports

Important irregularities and defects noticed in the accounts during local audit are intimated through inspection reports to departmental officers and the heads of departments. The more important irregularities which remain unsettled for over one year are also reported to Government.

639 inspection reports containing 1,708 paragraphs issued upto the end of March 1968 were outstanding on 30th September 1968. Of these, 217 reports containing 478 paragraphs were outstanding for over one year (the reports were issued prior to 1st April 1967).

The names of departments with heavy outstandings are shown below:—

<i>Department</i>	<i>Number of outstanding</i>		<i>Earliest period to which the outstanding relates</i>
	<i>Reports</i>	<i>Paragraphs in the reports</i>	
Public Works	138	331	1963-64
Revenue	91	209	1965-66
Development	81	188	1964-65
Education	69	170	1964-65
Industries	65	274	1962-63
Medical	57	131	1965-66
Agriculture	55	180	1960-61
Public Health Engineering	28	56	1964-65

CHAPTER X

OTHER TOPICS OF INTEREST

128. Misappropriations, losses, etc.

(a) The following table gives department-wise analysis of 185 cases of misappropriation of Government funds, stores and stock (involving a total amount of Rs. 28.21 lakhs) awaiting disposal at the end of September 1968:—

<i>Department</i>	<i>No. of cases</i>	<i>Amount</i> <i>(In lakhs of rupees)</i>
Revenue	33	1.73
Education	30	2.77
Public Works	22	16.91
Health	18	0.25
Development	17	0.84
Other Departments	65	5.71
Total	185	28.21

(b) These cases have been outstanding for the periods given below:—

	<i>No. of cases</i>	<i>Amount</i> <i>(In lakhs of rupees)</i>
Over 10 years	9	1.50
Over 5 years but less than 10 years	25	14.92
Over 2 years but less than 5 years	64	9.41
Two years or less	87	2.38
Total	185	28.21

The Public Accounts Committee had in paragraph 47 of their II Report of March 1964 recommended as follows:—

“The Committee had repeatedly impressed upon the Departments of Government the necessity for quick disposal of such cases, in its previous reports. The Committee observed that the large number of cases brought to light so far should serve as a sufficient warning and that the necessary steps for the prevention of embezzlements in future and for the quick disposal of pending cases should be taken.”

129. Expenditure on a Commission

A retired Chief Justice of the Kerala High Court was appointed in February 1967 as a single member commission to examine and report on the rates of dearness allowance to be paid to whole time Government employees and staff of aided schools. The Commission which took charge on 9th February 1967 was to be paid a lumpsum remuneration of Rs. 15,000 for the work. Consequent on Government's decision to revise the rates of dearness allowance without waiting for the Commission's report, the Commission was discontinued from 23rd March 1967. The Commission was paid the full amount of remuneration in May 1967 on the ground that discontinuance of the work was the result of decision taken by Government after its appointment.

T. N. Kuriakos,

Trivandrum,
The 22nd March, 1969

(T. N. KURIAKOS)
Accountant General, Kerala.

Countersigned

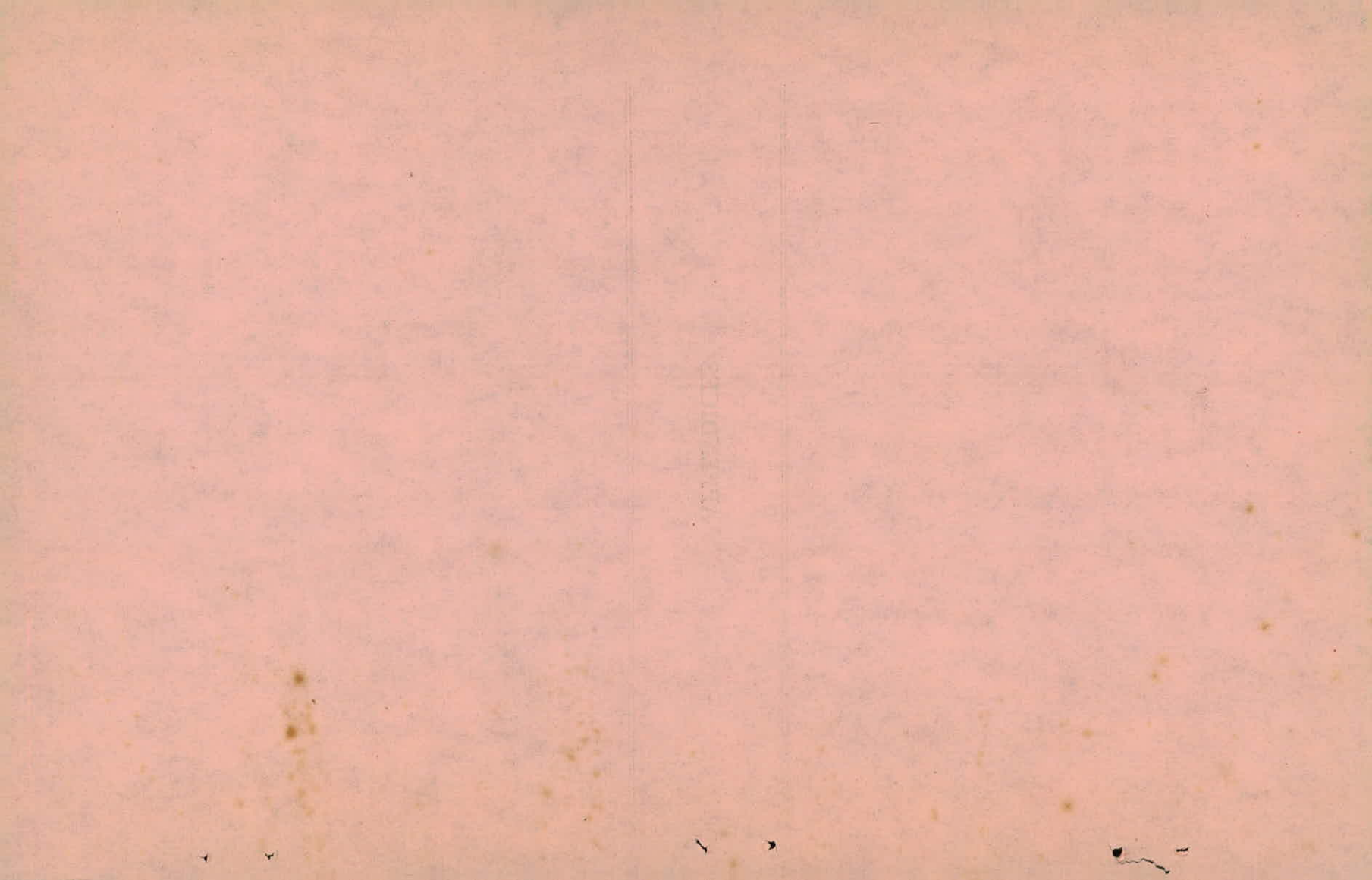
S. Ranganathan

New Delhi,
The 25th March, 1969

(S. RANGANATHAN)
Comptroller and Auditor General of India.



APPENDICES



APPENDIX I

Plan schemes the provision for which remained wholly or substantially unutilised

(Referred to in paragraph 16 page 15 of the Audit Report)

Sl. no.	Grant no. and group head	Name of scheme	Provision	Saving (and percent- age)	Reason for saving
(In lakhs of rupees)					
1	II (b) (vii) D	Preparation of Records of Rights	10.00	10.00 (100%)	Non-finalisation of the scheme and non-appointment of special staff.
2	XX (a) (xvii) (6) F	Reorganisation and strengthening of Family Planning Organisation	34.93	34.93 (100%)	Awaited from the controlling officer.
3	XX(a) (xvii) (6) G	Implementation of I.U.C.D. Programme	19.25	17.64 (92%)	Less I.U.C.D. insertions than anticipated.
4	XXII (g) B 7	Schemes for tapping and survey of ground water resources and installation of filter point tube-wells in selected areas	20.00	16.59 (83%)	Post-budget decision to take up only preliminary reconnaissance survey in limited representative areas and collection of data for ground water development.
5	XXII (g) B (11)	Scheme for purchase of dredgers, rigs, etc.	10.00	10.00 (100%)	Orders for purchase of 2 new dredgers were pending with Government (Rs. 5.07 lakhs); reasons for the balance saving are awaited.
6	XXII (J) (viii) (15) K	Soil Conservation in watersheds of River Valley Projects	10.00	10.00 (100%)	Late receipt of administrative sanction.
7	XXII J (viii) (41)	National Demonstration on Coconut	14.80	14.80 (100%)	Non-receipt of sanction from the Government of India.

APPENDIX I—*Concl'd.*

<i>Sl. no.</i>	<i>Grant no. and group head</i>	<i>Name of scheme</i>	<i>Provision</i>	<i>Saving (and percent- age)</i>	<i>Reason for saving</i>
<i>(In lakhs of rupees)</i>					
8	XXIII m (vii) Z	Boat Yards and service Stations	5·00	4·66 (93%)	Due mainly to non-acquisition of land for service stations as these were to be started by new Kerala Fisheries Corporation (Rs. 3 lakhs) and delay in finalising tenders for construction of boat building yard and workshop at Beypore (Rs. 1.30 lakhs).
9	XXV (e) (vii) III G	Egg Powder Factory	4·00	3·34 (83%)	Late sanctioning of the scheme.
10	XXVI (c) (ii) G (vi)	Agricultural Credit Stabilisation Fund	10·00	10·00 (100%)	The fund could not be established as Government of India did not agree to proposal for making contributions to the fund.
11	XLIII a(i) II c	Water supply and sewerage scheme—Cochin Development area (i) Works	43·41	40·12 (92%)	Non-sanctioning of schemes owing to non-receipt of technical sanction from Government of India.
12	XLIV (n)	Acquisition of private anicuts in Palghat	10·00	9·44 (94%)	Awaited from the controlling officer.

APPENDIX II

Writes off, waivers, remissions and ex-gratia payments

(Referred to in paragraphs 38 and 62, pages 29 and 47 of the Audit Report)

In 17,462 cases, losses due to theft, fire, etc., irrecoverable revenue, duties, advances, etc. were written off or revenue remitted or claims to revenue abandoned/waived or ex-gratia payments were made during 1967-68 by competent authorities. The details are as follows:—

Sl. no.	Name of Department	Writes off of losses, irrecoverable revenue, duties, advances, etc.		Ex-gratia payments		Waiver of revenue		Remission of revenue and abandonment of claims to revenue (other than land revenue)	
		No. of cases	Amount Rs.	No. of cases	Amount Rs.	No. of cases	Amount Rs.	No. of cases	Amount Rs.
1	Revenue	11	28,347	..	..	71	2,09,382	13	11,787
2	Food	12	1,09,323	..	..	..	..	..	..
3	Agriculture	1,425	1,68,242	1	9,174	5	3,672	..	..
4	Development	42	10,462	..	..	3	1,022	1	3,776
5	Public Works	18	61,731	420	31,533	6	19,343	..	..
		14,214	86,55,934*						
6	Education	793	2,25,143	..	..	22	2,939	..	..
7	Industries	14	21,933	..	..	3	48,712	..	..
8	Health	84	47,948	1	8,679	..	..	..	..
9	Home	13	6,76,892	7	18,850	..	..	..	..
10	Finance	..	..	257	2,89,764	..	..	..	..
11	Labour and Social Welfare	..	..	1	2,100	..	..	..	..
12	Others	17	960	..	..	6	5,843	2	212
	Total	16,643	1,00,06,915	687	3,60,100	116	2,90,913	16	15,775

*These represent net debit of transactions from 1942 to 31st March 1965 outstanding under the Public Works Remittance head "Transfers between Public Works Officers" ordered by Government in January 1967 to be adjusted to "71. Miscellaneous" in the accounts for 1967-68:—

- (i) All items upto 31st March 1957 including pre-reorganisation items irrespective of monetary limits (except Rs. 12.17 lakhs allocable to Kerala State Electricity Board),
- (ii) All works expenditure upto end of 1964-65 which in normal course would have come under the audit of the Accountant General,
- (iii) All supplies from 1st April 1957 to 31st March 1962, monetary value of which did not exceed Rs. 1,000 in each case, and
- (iv) All petty items for less than Rs. 100 irrespective of time limit.

APPENDIX III

Cases of non-utilisation of capital assets

(Referred to in paragraphs 54 and 58, pages 39 and 44 of the Audit Report)

(a) Non-utilisation of buildings

Health Department

1. Construction of a building for a six bedded pay ward in the Secondary Health Centre, Neyyattinkara, was completed in March 1965 at a cost of Rs. 20,524. The building remains unutilised as installation of sanitary fittings and water connection has not been completed (May 1968).

Labour and Social Welfare Department

2. Thirteen quarters constructed in May 1967 for the staff of the Industrial Training Institute at Dhanuvachapuram at a cost of Rs. 95,152 have not been occupied so far (December 1968) for want of power connection and protected water supply. Government stated in January 1969, that four quarters allotted to Class IV staff were occupied during the period from May 1968 to October 1968.

(b) Unutilised machinery, equipment, stores, etc.

Health Department

1. R.C.C. Premo pipes costing Rs. 4.72 lakhs purchased for the Cannanore water supply scheme during February—June 1966, remain unutilised due, it is stated by the Department, to "unavoidable delay in land acquisition proceedings". Detailed estimates for the works for which the pipes are required are yet to be sanctioned by the Chief Engineer (June 1968). It is noticed that the pipes were purchased not on the basis of any immediate requirements but on the request of a fully owned Government company manufacturing the pipes to enable it to plan its production programme suitably.

2. In the Medical College Hospital, Calicut, a boiler and laundry equipment costing Rs. 1.40 lakhs purchased in February 1967, remain unutilised (October 1968) due to delay in commissioning the boiler and providing three-phase electric connection.

Development Department

3. A motor boat costing Rs. 12,982 transferred from the Vizhinjam Boat Building Yard (under orders of the Director of Fisheries) for use by the Estuarine Research Station, Ernakulam, has been lying idle since May 1965 as the defects stated to have been noticed soon after its arrival at Ernakulam are yet to be rectified (June 1968). The Assistant Director of Fisheries (Research), Kozhikode, stated (June 1968) that action was being taken to repair the

APPENDIX III—*Contd.*

boat "immediately". A driver for the boat appointed on 15th April 1966 was retained till 30th November, 1967. Rs. 2,981 were spent on his pay and allowances. The services of the driver were stated to have been utilised for maintenance of the boat and for field collection of samples for purposes of research.

Two more boats (without engines) purchased in May, 1965 for Rs. 10,300 for two Research Stations are also lying idle (June 1968) as they have not been fitted with engines. Orders for supply of out board motors had been placed only in December 1967 and these are yet to be received and installed (June 1968).

4. Machinery costing about Rs. 43,600 purchased in February and March 1967 for speeding up construction of boats in the Boat Building Yard, Azhikode, has not been put to use (July 1968) for want of power connection for obtaining which action was initiated in June, 1965.

5. In November, 1964, Government sanctioned establishment of a cold storage unit at Perinthalmanna. The location of the Unit was changed to Kanjirappally in May 1965 and again to Manantody in August, 1967. Administrative sanction for construction of the building was accorded in December 1967. Meanwhile, machinery costing Rs. 39,500 were purchased during July 1965 to May, 1966; they are lying unutilised pending construction of the building (September 1968).

Agriculture Department

6. Machinery purchased (cost: Rs. 7.85 lakhs) for setting up the cattle-feed manufacturing unit at Malampuzha arrived at site during April 1967 to June 1968 before work on the building (estimated cost: Rs. 7.08 lakhs) where the plant was to be erected commenced (June 1968). The machinery has been lying idle in a thatched shed under the care of a watchman engaged from September 1967. The plant building was expected to be completed by June 1969 but the supplier's guarantee to repair or replace defective parts of the machinery was for nine months only from the date of delivery.

Water and Power Department

7. A local firm entrusted (November 1959) with the manufacture of lock gates for a 20 feet sluice of the Thanneermukkom project was permitted in November, 1963, to use untested steel due to non-availability of tested steel with the controlled stockists; the manufacture commenced in June 1964. Meanwhile, in September, 1963, the department changed the design of the lock providing 40 feet width for the gates but failed to intimate the change to the firm. Two sets of 20 feet wide lock gates (cost: Rs. 88,000) received from the firm in July 1966 remain unutilised in the division (November 1968).

APPENDIX III—*Concl.*

Three pile driving plants purchased during August 1966 and July 1967 at a cost of Rs. 4.19 lakhs were also lying unutilised in the division since the work on the coffer dam started in October 1965 and scheduled to be completed by April 1966 had not been completed (November 1968).

Home Department

8. Fifteen Fargo chassis costing Rs. 2.83 lakhs purchased during November 1966 (2) and January 1967 (13) by the Inspector General of Police have not been put to use so far (October 1968) due to non-completion of body building work. The work on five chassis entrusted to Kerala State Road Transport Corporation in March 1967 has not been completed; the work on the remaining ten chassis has not been arranged so far (October 1968).

APPENDIX IV

Utilisation certificates awaited from Departmental Officers on 31st August 1968

(Referred to in paragraph 112 page 84 of the Audit Report)

<i>Department</i>	<i>Year</i>	<i>Utilisation certificates due</i>	
		<i>Number</i>	<i>Amount (In lakhs of rupees)</i>
Development	1963-64 and earlier years	995	10.25
	1964-65	935	10.50
	1965-66	49	1.79
	1966-67	235	17.02
	Total	2,214	39.56
Co-operation	1963-64 and earlier years	20	0.33
	1964-65	35	0.48
	1965-66	43	1.11
	1966-67	17	0.56
	Total	115	2.48
Harijan Welfare	1963-64 and earlier years	11	0.05
	1964-65	66	0.26
	1965-66	81	1.01
	1966-67	104	1.00
	Total	262	2.32
Public Health	1963-64 and earlier years	7	3.13
	1964-65	4	1.32
	1965-66	5	0.47
	Total	16	4.92
Education	1963-64 and earlier years	18	33.60
	1964-65	5	1.11
	1965-66	6	6.90
	1966-67	14	6.14
	Total	43	47.75

APPENDIX IV—*Concl.*

<i>Department</i>	<i>Year</i>	<i>Utilisation of available value</i>	
		<i>Number</i>	<i>Amount (in lakhs of rupees)</i>
Revenue	1963-64 and earlier years	2	1.42
	1964-65	3	3.87
	1965-66	3	5.34
	1966-67	3	7.18
	Total	11	17.81
Other Departments	1963-64 and earlier years	233	7.96
	1964-65	93	1.42
	1965-66	86	6.06
	1966-67	140	10.01
	Total	552	25.45
GRAND TOTAL		3,213	157.11